

**STATE OF WASHINGTON  
OFFICE OF THE INSURANCE  
COMMISSIONER**



**FINANCIAL EXAMINATION  
OF  
SYMETRA LIFE INSURANCE COMPANY**

**BELLEVUE, WASHINGTON  
NAIC CODE 68608  
DECEMBER 31, 2005**

Participating State:  
Washington

SALUTATION

Seattle, Washington  
February 27, 2008

The Honorable Alfred E. Gross, Commissioner  
Chair, NAIC Financial Condition (E) Committee  
State Corporation Commission  
Bureau of Insurance  
Commonwealth of Virginia  
PO Box 1157  
Richmond, VA 23218

The Honorable Morris Chavez, Superintendent  
New Mexico Insurance Division  
Secretary, Western Zone  
PO Drawer 1269  
Santa Fe, NM 87504-1269

The Honorable Mike Kreidler, Commissioner  
Washington State Office of the Insurance Commissioner (OIC)  
Insurance Building  
302 Sid Snyder Avenue SW, Suite 200  
Olympia, WA 98504

Dear Commissioners and Superintendent:

In accordance with your instructions and in compliance with the statutory requirements of RCW 48.03.010, an association examination was made of the corporate affairs and financial records of

SYMETRA LIFE INSURANCE  
COMPANY  
of  
Bellevue, Washington

hereinafter referred to as "SLIC" or "the Company", at its home office located at 777 108<sup>th</sup> Avenue NE, Suite 1200, Bellevue, Washington. This report is respectfully submitted showing the condition of the Company as of December 31, 2005.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of the Symetra Life Insurance Company of Bellevue, Washington. This report shows the financial condition and related corporate matters as of December 31, 2005.



Patrick H. McNaughton  
Chief Examiner

2-27-2008

Date

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## SCOPE OF EXAMINATION

This examination covers the period January 1, 2001 through December 31, 2005 and comprises a comprehensive review of the books and records of the Company. The examination followed the statutory requirements contained in the Washington Administration Code (WAC), Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination that were noted during the examination. The findings of the previous examination report were reviewed and any items that were not satisfactorily addressed by the Company are discussed later in the report.

Corporate records, external reference materials, and various aspects of the Company's operating procedures and financial records were reviewed and tested during the course of this examination and are commented upon in the following sections of this report. In addition, the Company's certified public accountant's (CPA's) work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

## INSTRUCTIONS

The examiners reviewed the Company's filed 2005 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed the NAIC Annual Statement in accordance with the NAIC Annual Statement Instructions and to determine if the Company's accounts and records were prepared and maintained in accordance with Title 48 RCW, Title 284 WAC, and the NAIC Statements of Statutory Accounting Principles (SSAP) as contained in the NAIC Accounting Practices and Procedures Manual (AP&P).

The following summarizes the exceptions noted while performing this review.

### **1. Annual Statement Errors**

The results of the examination disclosed several instances in which the Company's filing of the 2005 NAIC Annual Statement did not conform to the AP&P and the NAIC Annual Statement Instructions. While the Company needs to correct these practices, none of the following items in the instruction were material to the financial statements and no examination adjustments were necessary.

- a. Schedule of Assets, Liabilities, Surplus and other Funds** - The Company reported Accounts receivable under reinsurance contracts as a write-in item on line 2301 on this schedule in error. It should have been reported on line 14.2 as directed by the NAIC Annual Statement Instructions.

- b. Schedule S – Part 3 – Sections 1 and 2 (Reinsurance Ceded Life and Health) –**  
This schedule was prepared with numerous errors. These errors included; six missing treaties, seventeen incorrect treaty types, numerous incorrect treaty dates and twelve treaties in which the Company could not readily identify the type of business covered. The Company was unable to produce a corrected Schedule S for 2006 due to system limitations.
- c. Schedule S – Part 3 – Section 1 -** The Company reported an unauthorized reinsurer, Standard Life and Casualty, on this schedule when it should have been reported on Schedule S - Part 4. The Company was unaware that the reinsurer was not licensed in Washington. There was no reserve credit taken; therefore, no examination adjustment was necessary.
- d. Exhibit of Life Insurance –** According to the Exhibit of Life Insurance, the Company reported \$20,256,938,000 of inforce ordinary life reinsured, and \$1,508,000 of inforce group life reinsured. The Company reported \$20,232,801,000 of inforce ordinary life reinsured and \$25,645,000 of inforce group life reinsured on Schedule S, Part 3, Section 1. These two schedules should have tied or reconciled.
- e. Schedule of Assets, Liabilities, Surplus and other Funds -** The Company reported \$160,000 of uncollected individual premiums over 90 days as an admitted asset. According to RCW 48.12.010 and SSAP No. 6, paragraph 9, any uncollected premiums over 90 days should be non-admitted. Due to immateriality, no examination adjustment was necessary.
- f. Notes to the Annual Statements -** In Note 1, Part C, the Company did not report as required how investments in Subsidiary, Controlled or Affiliated Companies (SCA's) are carried on the NAIC Annual Statement as required. This was corrected on the 2006 NAIC Annual Statement.
- g. Schedule of Assets, Liabilities, Surplus and other Funds -** The Company reported a \$9,000,000 payable to an affiliate, White Mountain Advisors. This payable incorrectly represented affiliated investment management fees as General expenses due or accrued, and not as a payable to parent, subsidiaries and affiliates as required in the NAIC Annual Statement Instructions.

**The Company is instructed to comply with RCW 48.05.250 by filing its financial statements in the general form and context approved by the NAIC, and with WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P.**

## **2. Derivative Approval**

Derivative transactions were not approved during the Board of Directors' meetings nor was a record of the derivative transactions maintained and signed by an officer. Pursuant to RCW 48.13.340, "Authorization of investments", and RCW 48.13.350, "Record of investments", both of these are required.

**The Company is instructed to revise its procedures to comply with RCW 48.13.340 and RCW 48.13.350 which provide that no investment, sale or exchange shall be**

**made by any domestic company unless authorized or approved in a timely manner by its Board of Directors or by a committee charged by the Board of Directors. In addition, a written record should be maintained showing authorization of the investment.**

### **3. Deficiencies in the 2005 Actuarial Opinion and Supporting Memorandum**

The 2005 Statement of Actuarial Opinion and Supporting Memorandum provided by the Company's actuary did not include the following language as required by the Washington Administrative Code as noted below:

- a. WAC 284-07-380(1)(c) - A description of other personnel (experts) used to develop the cash flow testing reserve analysis;
- b. WAC 284-07-380(2)(a)(i) - The date of the letter to the Commissioner;
- c. WAC 284-07-390(2)(a)(i) - Adequate product descriptions for its universal life, traditional life, whole life products and term products;
- d. WAC 284-07-390(2)(a)(iii) - Specification of the reserve bases and methods;
- e. WAC 284-07-390(2)(b)(i) Specification of portfolio descriptions of the assets; including a risk profile disclosing the quality, distribution, and types of assets;
- f. WAC 284-07-390(2)(b)(iv) Specifications of asset valuation bases;
- g. WAC 284-07-390(2)(d)(iii) Specifications of mortality rates;
- h. WAC 284-07-400(1)(c) - Description of the aggregation of reserves and supporting assets on the basis of one of three methods;
- i. WAC 284-07-400(3)(iii) - Disclosure of the method used for selecting particular assets or allocated portions of assets in support of the interest maintenance reserve and the asset valuation reserve.

**The Company is instructed to comply with WAC 284-07-380, 284-07-390, and 284-07-400 by including the required language in future Actuarial Opinions and Supporting Memorandums.**

### **4. Incomplete Accounts and Records**

Our examination disclosed numerous areas in which the Company's accounts and records were found to be deficient, insufficient, or inaccurate to provide for and ensure full and adequate disclosure. The results of the examination disclosed the following insufficiencies and inadequacies:

- a. Commission accrual - the Company does not have controls in place to track commission payments to the amount accrued to verify that the accrual is accurate.
- b. Policy Loans - The Company was unable to produce various requested copies of policy contracts.
- c. Premiums - Some of the annuity files did not include signed applications and proof of receipt of monies.

- d. Receivable/Payable for Securities – The Company was unable to provide brokers advices or trade tickets to substantiate purchases and sales of bonds.
- e. Reinsurance treaties – The Company was unable to produce all reinsurance treaties reported on Schedule S.

**Pursuant to RCW 48.05.280, the Company is instructed, to keep full and adequate accounts and records of its assets, obligations, transactions and affairs.**

## COMMENTS AND RECOMMENDATIONS

### **1. Organizational Charts**

The Company's organizational charts are presented on a profit center basis, making it difficult to comprehend the overall organizational structure. Also, the internal audit department is not included on any chart, nor is it clear which department has reinsurance responsibility.

**For a better understanding of how the Company is organized, it is recommended that the Company prepare a comprehensive organizational chart with all departments included. The supplemental charts could analyze the individual profit centers' organizations.**

### **2. Reinsurance Contract Maintenance**

The Company does not have a centralized function for maintaining and tracking reinsurance agreements as well as a thorough understanding of the reinsurance treaties that it is a party to. In examining reinsurance, it was noted that the Company was missing six treaties and did not know what business was covered under twelve treaties. This control deficiency was noted in the 2004 Ernst & Young Management Letter to the Company.

**It is recommended that the Company perform an analysis of all reinsurance treaties and create a centralized function to track and maintain all reinsurance contracts.**

## COMPANY PROFILE

### **Company History**

The Company was incorporated on January 23, 1957 as a life insurance company under the laws of the state of Washington. The Company commenced business on April 5, 1957.

Symetra Financial Corporation (SFC), a holding company, acquired Safeco Corporation's life/health operations on August 2, 2004. The name changed to Symetra Life Insurance Company on September 1, 2004. The holding company is privately owned by an investor group co-led by White Mountains Insurance Group, Ltd., and Berkshire Hathaway, Inc.

A wholly owned subsidiary, American States Life Insurance Company merged with SLIC on October 1, 2005 under the statutory merger method.

### **Territory and Plan of Operation**

As of December 31, 2005, the Company was authorized to transact business in all states except New York.

SLIC distributes its products through an extensive and diversified distribution network. This distribution network includes; financial institutions, employee benefit brokers, third party administrators, worksite specialists, independent agents, brokerage general agents and settlement consultants for structured settlements.

### **Growth of Company**

The Company's growth, as reported in its filed NAIC Annual Statements, is illustrated below.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	
2001	\$16,920,649,314	\$16,137,758,132	\$782,891,182	
2002	17,648,811,339	16,745,459,384	903,351,955	
2003	18,922,335,409	17,862,771,840	1,059,563,569	
2004	19,370,747,770	18,232,310,451	1,138,437,319	
2005	18,824,483,188	17,564,347,294	1,260,135,894	

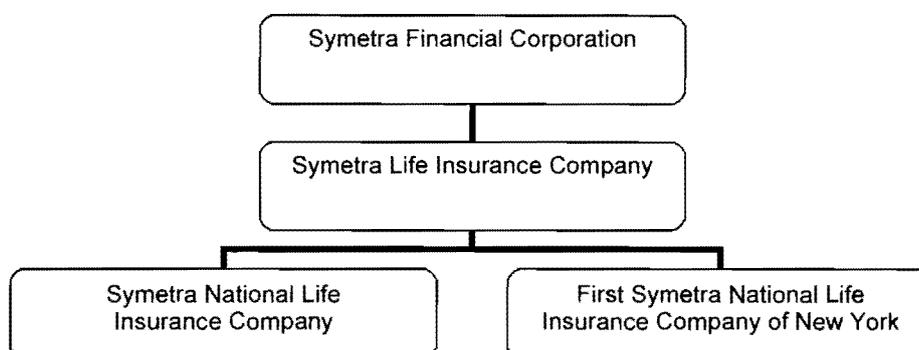
<u>Year</u>	<u>Premiums</u>	<u>Net Investment Income</u>	<u>Annuity Benefits</u>	<u>Disability Benefits</u>
2001	\$1,575,174,664	\$1,032,859,645	\$302,500,534	\$191,971,439
2002	1,834,528,256	1,050,149,834	251,113,120	258,838,669
2003	1,707,874,540	1,056,149,834	259,084,778	288,837,063
2004	950,727,862	1,029,932,124	273,275,500	304,623,242
2005	921,368,251	954,203,911	270,919,674	288,970,791

## Life Insurance in Force by State

State	Amount	State	Amount
Alabama	\$610,343,670	New York	351,530,765
Alaska	390,355,822	North Carolina	1,578,467,173
Arizona	520,918,682	North Dakota	131,006,433
Arkansas	437,093,269	Ohio	1,746,130,146
California	4,865,484,990	Oklahoma	508,641,146
Colorado	1,056,174,259	Oregon	3,083,908,855
Connecticut	1,023,315,169	Pennsylvania	2,137,608,997
Delaware	1,461,379,878	Rhode Island	1,211,871,358
District of Columbia	268,474,196	South Carolina	517,445,982
Florida	2,371,198,836	South Dakota	204,001,084
Georgia	1,125,542,430	Tennessee	1,207,595,357
Hawaii	403,409,477	Texas	2,354,331,875
Idaho	778,423,813	Utah	671,206,697
Illinois	3,287,888,265	Vermont	15,522,652
Indiana	2,675,093,692	Virginia	335,152,757
Iowa	304,968,857	Washington	6,780,219,396
Kansas	678,869,106	West Virginia	128,307,410
Kentucky	618,063,343	Wisconsin	1,518,971,972
Louisiana	148,131,348	Wyoming	337,847,627
Maine	336,841,360	American Samoa	0
Maryland	941,479,051	Guam	47,035
Massachusetts	136,124,044	Puerto Rico	0
Michigan	1,503,887,459	US Virgin Islands	941
Minnesota	1,776,989,515	Canada	3,805,432
Mississippi	532,507,326	Aggregate Other Alien	21,321,054
Missouri	1,569,236,536	Total	<u><u>\$56,896,444,669</u></u>
Montana	1,062,041,873		
Nebraska	133,290,276		
Nevada	367,302,513		
New Hampshire	38,124,414		
New Jersey	182,707,821		
New Mexico	445,841,235		

## AFFILIATED COMPANIES

The following organizational chart illustrates the Company's direct line affiliates within the organization.



### **Intercompany Contracts**

The Company was a party to various intercompany contracts with affiliates. Significant contracts in force at December 31, 2005 were: Federal Income Tax Allocation Agreement, used to determine allocation of federal income tax among affiliates; Services and Shared Expense Agreement, and Administrative Services Agreement, used for allocation of operational expenses performed for affiliates by the Company; and Investment Management Agreement, used to charge the Company for investment services performed by an affiliate.

## MANAGEMENT AND CONTROL

### **Ownership**

The Company is a member of a holding company system regulated pursuant to RCW Chapter 48.31B. SFC owns all of SLIC's common stock

## Board of Directors

As of December 31, 2005, the Company was controlled by a seven-member Board of Directors (BOD) all from within the Company.

<u>Name</u>	<u>Principal Occupation</u>
Allyn D. Close	Senior VP, Marketing, SLIC
George C. Pagos	VP, General Counsel, Secretary, SLIC
Jennifer V. Davies	Senior VP, Enterprise Development, SLIC
Randall H. Talbot	President – SLIC
Roger F. Harbin	Executive VP, Chief Operating Officer, SLIC
Oscar C. Tengtio	Executive VP, Chief Financial Officer, SLIC
Margaret A. Meister	VP, Chief Actuary, SLIC

## Officers

The officers as of December 31, 2005 were:

<u>Name</u>	<u>Title</u>
Randall H. Talbot	President
George C. Pagos	Secretary
Oscar C. Tengtio	Treasurer
Margaret A. Meister	Chief Actuary

## Committees

There are no committees of the BOD

## Conflict of Interest

The Company has a policy that requires that all employees, directors, and officers to complete a conflict of interest statement annually. The purpose of the statement is to detect any activities or participation on the part of an employee or director that could possibly be interpreted as having the appearance of a conflict of interest. Our review did not reveal any exceptions.

## Fidelity Bond and Other Insurance

Fidelity bonds and other insurance were reviewed in relation to the property and liability claims that may arise in the ordinary course of business. SLIC has all the standard types of coverage normally maintained by companies of its type. Additionally, the SLIC's

fidelity bonds and other insurance meet or exceed the NAIC minimum guidelines to protect its assets and policyholders.

### **Officers', Employees', and Agents' Welfare and Pension Plans**

The Company does not sponsor a defined benefit plan but does maintain an I.R.C. Section 401(k) Retirement Plan. Under the plan, the Company annually matches employee contributions.

The Company participates in the Symetra Financial Corporation performance share plan which provides incentives to selected executives based on the long-term success of the Company.

### **CORPORATE RECORDS**

Corporate records were reviewed for the period under examination. All BOD meetings were conducted with a quorum present. The By-laws and Articles of Incorporation were amended for the name change and change of address.

### **MORTALITY AND LOSS**

SLIC provided copies of its actuarial workpapers and reserve reports as of December 31, 2005. Tests were performed on the underlying data, methods, and calculations as deemed necessary. A sample of contracts and payments was taken from active life and disabled life reserve reports, premium collection records and paid claims reports to verify data integrity. When selections were tested for completeness and accuracy, it was determined that the calculations and record keeping were inadequate as referenced in this report. In some instances, SLIC could not produce schedules of premiums, death benefits and cash values for selected individual policies. The Company was also unable to duplicate its reserve calculations in a timely manner. These conditions resulted in time constraints requiring the OIC to retain Deloitte Consulting LLP (Deloitte Consulting) to complete the statutory actuarial review of certain Annual Statement assets and liabilities for the period ending December 31, 2005.

The purpose of the review was to:

- Determine if the methods and underlying assumptions used to calculate statutory reserves as of December 31, 2005 were reasonable and appropriate;
- Determine if the statutory reserves as of December 31, 2005 made a reasonable provision for the required liabilities as of that date; and,

- Determine if the statutory reserves as of December 31, 2005 were in compliance with applicable state of Washington statutory reserve requirements as of December 31, 2005.

Based on this review, Deloitte Consulting found that statutory reserves calculated by SLIC are based on methods and assumptions that appear reasonable and meet the valuation requirements of the state of Washington.

### REINSURANCE

SLIC has numerous ceded reinsurance treaties on active and inactive business with various reinsurers. The Company does not have a centralized function for maintaining and tracking reinsurance treaties. See Recommendation No. 3. During the review of Schedule S of the 2006 NAIC Annual Statement, numerous errors were discovered which included; missing treaties, incorrect dates, and incorrect types of reinsurance. See Instruction No. 1. The Company assumes business from seven unaffiliated companies.

Current reinsurance agreements were reviewed for compliance with Washington reinsurance statutes. All of the treaties reviewed were in compliance. The Company has an agreement with two unauthorized reinsurers, one which is misclassified as authorized (Standard Life and Casualty). No reserve credit is taken on this business. Reserve credits were reviewed in the actuarial phase of the examination.

### STATUTORY DEPOSITS

The Company has the following statutory deposits:

<u>State</u>	<u>Market Value</u>	<u>Statement Value</u>
Georgia	\$92,934	\$99,116
Indiana	3,498,775	3,558,120
New Mexico	292,569	334,184
North Carolina	777,710	879,345
Virginia	321,094	402,328
Washington	4,854,384	5,937,099

## **ACCOUNTING RECORDS AND INFORMATION SYSTEMS**

The Company maintains its accounting records on a Generally Accepted Accounting Principles (GAAP) accrual basis of accounting and adjusts to Statutory Accounting Practices (SAP) basis for NAIC Annual Statement reporting. The Company is audited annually by the certified public accounting firm of Ernst and Young. The Company received an unqualified opinion for all years under review. The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the planning and testing phase of the examination and no exceptions were noted except as indicated in the Report Instruction No. 1.

The management of the Company is sufficiently knowledgeable of the information systems (IS) process. Systems development, acquisition, and maintenance controls were evaluated to gain assurance that appropriate controls are in place. Operations and application controls were reviewed to determine the type of hardware installed; operating systems and proprietary software in use; back up and recovery facilities employed; and the controls exercised to maintain data security. Sufficient internal controls are in place and monitored by the Company. The Company's IS Department has the ability to recover from an incident or disaster and has documented these procedures in a detailed, written disaster recovery plan.

## **SUBSEQUENT EVENTS**

An extraordinary dividend of \$100,000,000 was paid to the parent, SFC, in 2007. This was approved by the OIC.

## **FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS**

All previous report instructions and comments were addressed.

## **FINANCIAL STATEMENTS**

Assets, Liabilities, Surplus and Other Funds  
Summary of Operations  
Reconciliation of Surplus For the Period Since the Last Examination  
Analysis of Changes in Financial Statements As a Result of the Examination

**SYMETRA LIFE INSURANCE COMPANY**  
**ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS**  
**DECEMBER 31, 2005**

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
<b><u>ASSETS</u></b>			
Bonds	\$13,750,098,564	\$0	\$13,750,098,564
Preferred Stock	98,761,314		98,761,314
Common stocks	87,149,884		87,149,884
Mortgage Loans	767,864,658		767,864,658
Properties Held for the Production of Income	60,000		60,000
Cash and Short Term Investments	1,213,854		1,213,854
Contract Loans	80,238,833		80,238,833
Other Invested Assets	152,444,437		152,444,437
Receivable for Securities	10,584,024		10,584,024
Aggregate Write-Ins for Invested Assets	3,330,933		3,330,933
Subtotal, Cash and Invested Assets	<u>14,951,746,501</u>	<u>0</u>	<u>14,951,746,501</u>
Investment income due and accrued	186,876,683		186,876,683
Uncollected Premiums and agents' balances	28,177,409		28,177,409
Deferred Premiums, Agents' Balances	50,541,020		50,541,020
Amount recoverable from Reinsurers	4,053,373		4,053,373
Other Amounts receivable Under Reinsurance Contracts	1,572,488		1,572,488
Federal and foreign tax recoverable	26,100,403		26,100,403
Net Deferred Tax Asset	38,424,500		38,424,500
Guaranty Funds Receivable	8,389,562		8,389,562
Receivable from parent, subsidiaries and affiliates	2,394,239		2,394,239
Other assets	64,340,472		64,340,472
From Separate Accounts	3,461,866,538		3,461,866,538
<b>TOTAL ASSETS</b>	<b><u><u>\$18,824,483,188</u></u></b>	<b><u><u>\$0</u></u></b>	<b><u><u>\$18,824,483,188</u></u></b>

**SYMETRA LIFE INSURANCE COMPANY**  
**ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS**  
**DECEMBER 31, 2005**

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
<b><u>LIABILITIES</u></b>			
Aggregate Reserve for life policies and contracts	\$10,645,676,685	\$0	\$10,645,676,685
Aggregate Reserve for accident and health policies	7,333,183		7,333,183
Liability for deposit-type contracts	2,854,619,135		2,854,619,135
Policy and contract claims: Life	28,337,142		28,337,142
Policy and contract claims: Accident and health	112,820,459		112,820,459
Dividends Apportioned for Payment	6,603		6,603
Premiums and annuity considerations received in advance	1,606,777		1,606,777
Interest Maintenance Reserve	154,638,884		154,638,884
Commissions to agents due or accrued	7,770,662		7,770,662
Commissions and expense allowances payable on reinsurance assumed	9,570		9,570
General expenses due or accrued	28,866,442		28,866,442
Transfers to Separate Accounts	(25,575,795)		(25,575,795)
Taxes, licenses and fees due or accrued excl. FIT	8,119,618		8,119,618
Unearned Investment Income	1,740,252		1,740,252
Amounts withheld or retained by company	7,836,668		7,836,668
Amounts held for agents' account	192,404		192,404
Remittances and items not allocated	22,273,461		22,273,461
Asset Valuation Reserve	140,178,131		140,178,131
Payable to Parent	14,789,645		14,789,645
Payable for Securities	30,474,700		30,474,700
Aggregate write-ins for liabilities	60,766,130		60,766,130
From Separate Account Statement	3,461,866,538		3,461,866,538
TOTAL LIABILITIES	<u>17,564,347,294</u>	<u>0</u>	<u>17,564,347,294</u>
<b><u>SURPLUS AND OTHER FUNDS</u></b>			
Common capital stock	5,000,000		5,000,000
Gross Paid in and contributed	270,107,129		270,107,129
Unassigned funds (surplus)	985,028,765		985,028,765
Capital and surplus	1,260,135,894		1,260,135,894
TOTAL LIABILITIES, SURPLUS AND OTHER FUNDS	<u>\$18,824,483,188</u>	<u>\$0</u>	<u>\$18,824,483,188</u>

**SYMETRA LIFE INSURANCE COMPANY**  
**SUMMARY OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2005**

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
<b><u>INCOME</u></b>			
Premiums and annuity considerations	\$921,368,251	\$0	\$921,368,251
Net investment income	954,203,911		954,203,911
Amortization of interest maintenance reserve	15,805,252		15,805,252
Separate accounts net gain from operations	(493,422)		(493,422)
Commission and Expense Allowance	10,276,169		10,276,169
Reserve adjustment on reinsurance ceded	28,249		28,249
Miscellaneous income	49,476,962		49,476,962
Aggregate write-ins for miscellaneous income	11,219,754		11,219,754
<b>TOTAL INCOME</b>	<b>1,961,885,126</b>	<b>0</b>	<b>1,961,885,126</b>
<b><u>BENEFITS</u></b>			
Death Benefits	92,975,077		92,975,077
Matured endowments	76,917		76,917
Annuity benefits	270,919,674		270,919,674
Disability benefits	288,970,791		288,970,791
Surrender Benefits	1,475,414,061		1,475,414,061
Interest and adjustments on contracts	187,644,341		187,644,341
Payments on supplementary contracts	12,163		12,163
Increase in aggregate reserves for life, accident and health contracts	(709,428,334)		(709,428,334)
<b>TOTAL BENEFITS</b>	<b>1,606,584,690</b>	<b>0</b>	<b>1,606,584,690</b>
<b><u>EXPENSES</u></b>			
Commissions on premiums, annuity, and deposit-type contract	95,300,031		95,300,031
Commissions and expense allowance on reinsurance assumed	(337,809)		(337,809)
General insurance expenses	189,717,230		189,717,230
Insurance taxes, licenses and fees, excl. federal income tax	20,460,154		20,460,154
Increase in loading	(3,726,041)		(3,726,041)
Net transfers to or (from) separate accounts not of reinsurance	(84,219,172)		(84,219,172)
<b>TOTAL EXPENSES AND BENEFITS</b>	<b>1,823,779,083</b>	<b>0</b>	<b>1,823,779,083</b>
Net gain from operations before dividends to policyholders and income taxes	138,106,043		138,106,043
Dividends to policyholders	(7,572)		(7,572)
Less Federal income taxes incurred (excl. tax on capital gains)	12,973,821		12,973,821
Net gain from operations after dividends to policyholders and income taxes but before realized capital gains (losses)	151,072,292		151,072,292
Net realized capital gains or (losses) less capital gains tax	11,137,447		11,137,447
<b>NET INCOME</b>	<b>\$162,209,739</b>	<b>\$0</b>	<b>\$162,209,739</b>
<b>Capital and Surplus Account</b>			
Capital and Surplus, December 31, Previous Year	\$1,138,437,319		\$1,138,437,319
Net income	162,209,739		162,209,739
Change in net unrealized capital gains	1,376,456		1,376,456
Change in net deferred income tax	(36,309,014)		(36,309,014)
Change in non-admitted assets and related items	23,382,079		23,382,079
Change in asset valuation reserve	(33,236,903)		(33,236,903)
Surplus (contributed to) withdrawn from separate account	(493,422)		(493,422)
Other changes in surplus in separate account	493,422		493,422
Aggregate write-ins	4,276,218		4,276,218
Net change in capital and surplus for the year	121,698,575	0	121,698,575
Capital and Surplus, December 31, 2005	<b>\$1,260,135,894</b>	<b>\$0</b>	<b>\$1,260,135,894</b>

**SYMETRA LIFE INSURANCE COMPANY**  
**RECONCILIATION OF SURPLUS**  
**FOR THE PERIOD SINCE THE LAST EXAMINATION**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Capital and Surplus, December 31, Previous Year	\$1,138,437,318	\$1,059,563,568	\$903,351,952	\$782,891,182	\$705,957,147
Net income	162,209,739	230,140,804	156,699,495	14,968,311	113,571,791
Change in net unrealized capital gains (losses)	1,376,456	(27,032,387)	4,118,964	(8,740,881)	14,921,481
Change in net deferred income tax	(36,309,014)	(45,094,633)	(23,418,383)	22,603,669	987,323
Change in non-admitted assets and related item	23,382,079	35,163,810	32,860,084	(32,219,996)	5,204,225
Change in asset valuation reserve	(33,236,903)	(35,818,015)	(29,710,022)	74,142,191	8,046,478
Surplus (contributed to) withdrawn from separate account	(493,422)	(2,505,721)	4,356,782	(1,847,483)	1,918,650
Other changes in surplus in separate accounts	493,422	2,505,721	(5,274,745)	1,554,959	(1,071,652)
Cumulative effect of changes in accounting principles	0	0	0	0	45,355,739
Capital changes - paid in	0	8,348,507	0	100,000,000	0
Dividends to Stockholders	0	(64,300,000)	0	(50,000,000)	(112,000,000)
Aggregate write-ins for gains and loss in surplus	4,276,218	(22,534,336)	16,579,441	0	0
Net change in capital and surplus for the year	<u>121,698,575</u>	<u>78,873,750</u>	<u>156,211,616</u>	<u>120,460,770</u>	<u>76,934,035</u>
Capital and surplus on December 31, current year	<u><u>\$1,260,135,893</u></u>	<u><u>\$1,138,437,318</u></u>	<u><u>\$1,059,563,568</u></u>	<u><u>\$903,351,952</u></u>	<u><u>\$782,891,182</u></u>

## **NOTES TO FINANCIAL STATEMENTS**

The Company has no special consents, permitted practices or orders from the state of Washington.

**ACKNOWLEDGEMENT**

The cooperation and assistance of the officers and employees of the Company during the examination are hereby acknowledged.

In addition to the undersigned, Constantine Arustamian, CPA, CFE, Financial Examiner; Tarik Subbagh, CPA, CFE, Financial Examiner; Cynthia Clark, Financial Examiner; Friday Enoye, Financial Examiner; Roy Olson, FSA, MAAA, Life Actuary; Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner and John Jacobson, AFE, CISA, AES, Automated Examination Specialist, all from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Deloitte Consulting, LLP, under contract with the OIC, participated in the examination providing specialized actuarial support in the evaluation of reserves and asset adequacy.

Respectfully submitted,



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Susan Campbell, CPA, CFE, FLMI  
Examiner in Charge  
State of Washington

**AFFIDAVIT**

State of Washington        }  
  }  
  } ss  
County of King                }

Susan Campbell, being duly sworn, deposes and says that the foregoing report subscribed by her is true to the best of her knowledge and belief.

*Susan Campbell*  
Susan Campbell, CPA, CFE, FLMI  
Examiner in Charge  
State of Washington

Subscribed and sworn to before me on this 27<sup>th</sup> day of February, 2008.

*Colleen J. Anderson*  
Notary Public in and for the  
State of Washington  
Residing in Seattle.

