

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION
OF
SYMETRA NATIONAL LIFE INSURANCE COMPANY
BELLEVUE, WASHINGTON

NAIC CODE 90581
December 31, 2010

Order No. 12-42
Symetra National Life Insurance Company
Exhibit A

Participating States:
Washington

SALUTATION

Seattle, Washington
February 14, 2012

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

The Honorable Joseph Torti, III, Superintendent
Chair, NAIC Financial Condition (E) Committee
State of Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Building 69-2
Cranston, RI 02920

The Honorable Monica J. Lindeen, Commissioner
Secretary, NAIC Western Zone
Montana Office of the Commissioner of Securities and Insurance
840 Helena Avenue
Helena, MT 59601

Dear Commissioners and Superintendent:

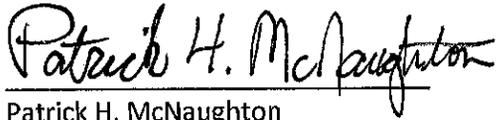
In accordance with your instructions, and in compliance with the statutory requirements of RCW 48.03.010, an examination was made of the corporate affairs and financial records of

Symetra National Life Insurance Company
of
Bellevue, Washington

hereinafter referred to as "SNLIC," or the "Company" at its home office located at 777 108th Avenue NE, Suite 1200, Bellevue, Washington 98004. This report is respectfully submitted showing the financial condition and related corporate matters of the Company as of December 31, 2010.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Symetra National Life Insurance Company of Bellevue, Washington. This report shows the financial condition and related corporate matters as of December 31, 2010.



Patrick H. McNaughton
Chief Examiner

2-14-12

Date

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SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2006 through December 31, 2010 and comprises a risk focused review of the books and records of the Company. The examination followed statutory requirements contained in the Washington Administrative Code (WAC), the Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioner (NAIC) Financial Condition Examiners Handbook (FCEH). The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination through the end of field work on December 7, 2011.

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 section of this report. In addition, the Company's Certified Public Accountants' (CPA's) work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

This examination was performed in compliance with the 2010 NAIC FCEH which requires the examiner to consider the Company's risk management process, corporate governance structure, and control environment. The examiners utilized the information obtained during the examination to assess the Company's overall potential risks both currently and on an on-going basis, allowing the examiners to focus on the Company's greatest areas of risk, and to provide assurance on the Company's financial statements as of the examination date.

INSTRUCTIONS

The examiners reviewed the Company's filed 2010 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 outlined in the NAIC Accounting Practices and Procedures Manual (AP&P).

1. Custodial Agreement Deficiencies

The Company responded in its 2010 NAIC Annual Statement General Interrogatory 27 that its custodial agreement with JP Morgan Chase complied with the FCEH. However, it did not contain several provisions as required by the FCEH.

The Company is instructed to comply with RCW 48.05.250 by filing a true statement of its financial condition, transactions and affairs and to comply with the NAIC Annual Statement Instructions and the AP&P, as required by WAC 284-07-050(2). The Company is also instructed to execute revised or amended custodial agreements that comply with the FCEH.

COMMENTS AND RECOMMENDATIONS

1. Information Technology Reporting Structure

The Chief Information Officer reports to the Chief Financial Officer. COBIT (Control Objectives for Information and Related Technology) framework standards recommend that the Information Technology (IT) department be separate from operational departments within the Company.

It is recommended that the Chief Information Officer report directly to either the Chief Executive Officer or Chief Operating Officer.

COMPANY PROFILE

Company History

The Company was incorporated on September 4, 1979 as a stock life insurance company under the laws of the state of Washington and commenced business on September 5, 1979. In 2004, the Company was purchased by a group of private investors led by White Mountains Insurance Group, and Berkshire Hathaway, which incorporated the new business as part of Symetra Financial Corporation (SFC). In 2010, SFC went public and is currently traded on the New York Stock Exchange (NYSE) under the stock symbol SYA.

Capitalization

SNLIC is 100% owned by Symetra Life Insurance Company (SLIC). The Company has 20,000 shares of common stock authorized, issued and outstanding, at a par value of \$125 dollars per share. The Company has paid-in surplus of \$4,500,000 and unassigned surplus of \$3,717,916.

Territory

As of December 31, 2010, the Company was authorized to transact business in 39 states and the District of Columbia, but has not underwritten any new business since 1988.

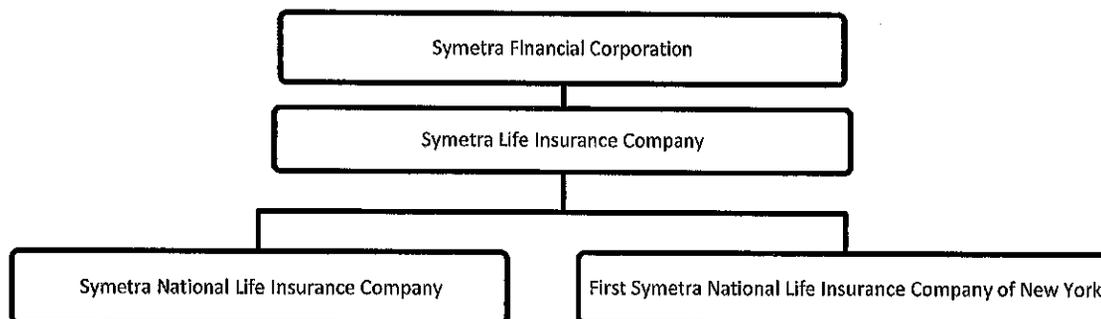
Growth of Company

The following reflects the growth of the Company as reported in its filed NAIC Annual Statements for the five year period under examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	
2010	\$17,136,479	\$6,385,341	\$10,751,138	
2009	16,784,114	6,540,528	10,243,586	
2008	17,364,526	6,379,325	10,985,201	
2007	16,807,590	6,303,626	10,503,964	
2006	16,175,307	5,952,739	10,222,568	
<u>Year</u>	<u>Premium Earned</u>	<u>Total Contract Benefits - Life</u>	<u>Net Investment Income</u>	<u>Net Income</u>
2010	\$297,410	\$298,112	\$799,097	\$510,036
2009	316,302	257,109	820,443	240,995
2008	338,945	192,854	859,671	470,235
2007	374,131	256,963	885,151	453,303
2006	397,977	387,353	874,221	1,107,097

Affiliated Companies

The following is an organization chart as of December 31, 2010:



Symetra Financial Corporation

Symetra Financial Corporation is a diversified financial services holding company. It is the holding company for the three life insurance companies.

Symetra Life Insurance Company

Symetra Life Insurance Company is a stock life insurance company organized under the state of Washington. SLIC offers annuities, life insurance, group employee benefits, and retirement plans through a network of agents and advisors. SLIC was formerly known as Safeco Life Insurance Company and changed its name to Symetra Life Insurance Company in September 2004.

First Symetra National Life Insurance Company of New York

First Symetra National Life Insurance Company of New York (FSNLICNY) is a stock life insurance company organized under the laws of the state of New York. FSNLICNY offers group and individual insurance products and retirement products, including annuities marketed through benefit consultants, financial institutions and independent agents and advisors in New York.

Intercompany Agreements

The Company is a party to various intercompany agreements with affiliates. Significant contracts in force as of December 31, 2010 include the following:

- Services and Shared Expenses Agreement
- Federal Income Tax Allocation Agreement
- Investment Management Agreement

MANAGEMENT AND CONTROL

Board of Directors

The following individuals were directors of the Company as of December 31, 2010:

- Jonathan Curley
- Michael Fry
- Daniel Guilbert
- Thomas Marra
- Margaret Meister
- George Pagos

Officers

The following individuals were officers of the Company as of December 31, 2010:

- | | |
|--------------------|--------------------------|
| • Thomas Marra | President & CEO |
| • Colleen Murphy | Treasurer |
| • George Pagos | Secretary |
| • Tommie Brooks | Chief Actuary |
| • Margaret Meister | Executive Vice President |
| • Jonathan Curley | Executive Vice President |
| • Richard LaVoice | Executive Vice President |
| • Michael Fry | Executive Vice President |
| • Daniel Guilbert | Executive Vice President |

Conflict of Interest

The Company has a policy that requires that all employees, directors, and officers 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 disclose 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. SNLIC has all the standard types of coverage normally maintained by companies of its type. Additionally, SNLIC'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 employ any staff. All work is performed by SLIC employees through the Services and Shared Expenses Agreement.

CORPORATE RECORDS

The corporate records were reviewed for the period under examination. All BOD meetings were conducted with a quorum present. The minutes support the transactions of the Company and actions taken by the officers.

MORTALITY AND LOSS

The OIC retained the services of Deloitte Consulting, LLP (Deloitte Consulting) to perform the actuarial review of SNLIC for the period ending December 31, 2010.

The purpose of the review was to:

- Determine if the methods and underlying assumptions used to calculate statutory reserves as of December 31, 2010 were reasonable, appropriate and in compliance with Washington State statutory reserve requirements.
- Determine if the invested assets supporting statutory reserves as of December 31, 2010 made a reasonable provision for the expected insurance obligations and related expenses as of that date.

SNLIC provided copies of its actuarial workpapers and reserve reports as of December 31, 2010. A sample of contracts and payments was made from active life and disabled life reserve reports, premium collection records, and paid claim reports to verify data integrity and to establish that the in-force information as of December 31, 2010 was accurate and complete. When selections were tested for completeness and accuracy, it was determined that the calculations and record keeping were adequate. The methods, assumptions, and methodologies used by the Company were appropriate and reserves were within a reasonable range.

REINSURANCE

The Company did not cede or assume any reinsurance during the examination period.

STATUTORY DEPOSITS

The Company maintained the following statutory deposits as of December 31, 2010:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Georgia	\$49,821	\$52,752
New Mexico	149,971	151,635
North Carolina	400,388	431,303
Oklahoma	149,463	158,256
Virginia	99,839	105,641
Washington	1,521,261	1,650,816
Total	<u>\$2,370,743</u>	<u>\$2,550,403</u>

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 the Statutory Accounting Principles (SAP) basis for NAIC Annual Statement reporting. The Company is audited annually by the certified public accounting firm of Ernst & Young and 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.

The Company's IT environment was reviewed during the planning and testing phase of the examination, focusing on the following COBIT Framework domains:

- Plan and Organize
- Acquire and Implement
- Deliver and Support
- Monitor and Evaluate

The IT systems and controls were evaluated to gain an understanding of general IT control risks and assess the effectiveness of these controls. Appropriate mitigating and internal controls have been implemented to reduce residual risk to appropriate levels.

SUBSEQUENT EVENTS

On June 23, 2011, the Company paid a cash dividend of \$1 million to its parent, SLIC.

On September 30, 2011, the Company's Senior Vice President, General Counsel, and Secretary, George Pagos, retired following more than 35 years of service.

There were no other significant events impacting the Company between the examination date and the last day of fieldwork, December 7, 2011.

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

All previous report instructions and recommendations were corrected and satisfactorily addressed.

FINANCIAL STATEMENTS

The following financial statements show the financial condition of Symetra National Life Insurance Company as of December 31, 2010:

Assets, Liabilities, Surplus and Other Funds

Summary of Operations

Five Year Reconciliation of Surplus

Symetra National Life Insurance Company
Assets, Liabilities, Surplus and Other Funds
December 31, 2010

	<u>BALANCE PER</u> <u>COMPANY</u>	<u>EXAMINATION</u> <u>ADJUSTMENTS</u>	<u>BALANCE PER</u> <u>EXAMINATION</u>
ASSETS			
Bonds	\$16,425,572	\$0	\$16,425,572
Cash and short term investments	255,699		255,699
Contract Loans	168,334		168,334
Receivables for securities	11,718		11,718
Subtotals, cash and invested assets	16,861,323	0	16,861,323
Investment income due and accrued	152,923		152,923
Premiums and considerations:			
Uncollected premium and agents' balances in the course of collection	3,383		3,383
Deferred premiums	46,403		46,403
Net deferred tax asset	62,614		62,614
Guaranty funds receivable or on deposit	9,833		9,833
Total Assets	<u>\$17,136,479</u>	<u>\$0</u>	<u>\$17,136,479</u>
LIABILITIES, CAPITAL AND SURPLUS			
Aggregate reserve for life contracts	\$6,178,641	\$0	\$6,178,641
Contract claims - life	2,000		2,000
Premiums and annuity considerations received in advance	3,001		3,001
Contract liabilities not included elsewhere:			
Interest maintenance reserve	66,066		66,066
Commissions to agents due or accrued	214		214
General expenses due or accrued	897		897
Taxes, licenses and fees due or accrued	15,567		15,567
Current federal and foreign income taxes	48,511		48,511
Unearned investment income	5,598		5,598
Amounts held for agents' account	186		186
Remittances and items not allocated	(126)		(126)
Miscellaneous liabilities:			
Asset valuation reserve	48,197		48,197
Payable to parent, subsidiaries, and affiliates	16,571		16,571
Aggregate write-ins for liabilities	18		18
Total Liabilities	<u>\$6,385,341</u>	<u>\$0</u>	<u>\$6,385,341</u>

Symetra National Life Insurance Company
Assets, Liabilities, Surplus and Other Funds (Continued)
December 31, 2010

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
Common capital stock	\$2,500,000	\$0	\$2,500,000
Gross paid in and contributed surplus	4,500,000		4,500,000
Aggregate write-ins for special surplus fund	33,222		33,222
Unassigned funds (surplus)	3,717,916		3,717,916
Total Capital and Surplus	<u>10,751,138</u>	<u>0</u>	<u>10,751,138</u>
Total Liabilities, Capital and Surplus	<u>\$17,136,479</u>	<u>\$0</u>	<u>\$17,136,479</u>

Symetra National Life Insurance Company
Summary of Operations
For the Year Ended December 31, 2010

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
Income			
Premiums and annuity considerations	\$297,410	\$0	\$297,410
Net investment income	799,097		799,097
Amortization of interest maintenance reserve	7,053		7,053
Total Income	1,103,560	0	1,103,560
Benefits			
Death benefits	206,732		206,732
Disability benefits	6,644		6,644
Surrender benefits	84,736		84,736
Interest and adjustments on contract	1,318		1,318
Increase in aggregate reserves for life, accident and health contracts	(161,067)		(161,067)
Total Benefits	138,363	0	138,363
Expenses			
Commissions on premiums, annuity considerations and deposit-type contracts	1,054		1,054
General insurance expenses	147,990		147,990
Insurance taxes, licenses and fees, excluding federal income taxes	67,174		67,174
Increase in loading on deferred and uncollected premiums	(344)		(344)
Total Benefits and Expenses	354,237	0	354,237
Net gain from operations before dividends to policyholders and federal income taxes incurred	749,323		749,323
Dividends to policyholders	0		0
Net gain from operations after dividends to policyholders but before federal income taxes incurred	749,323		749,323
Federal and foreign income taxes incurred	232,283		232,283
Net gain from operations after dividends to policyholders and federal income taxes incurred	517,040		517,040
Net realized capital gains (losses)	(7,004)		(7,004)
Net Income	\$510,036	\$0	\$510,036

Symetra National Life Insurance Company
Summary of Operations (Continued)
For the Year Ended December 31, 2010

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
<u>CAPITAL AND SURPLUS ACCOUNT</u>			
Capital and Surplus December 31, Prior Year	<u>\$10,243,586</u>	<u>\$0</u>	<u>\$10,243,586</u>
Net income or (loss)	510,036		510,036
Change in net deferred income tax	(21,178)		(21,178)
Change in nonadmitted assets	18,304		18,304
Change in asset valuation reserve	2,294		2,294
Aggregate write-ins for gains and losses in surplus	(1,904)		(1,904)
Net change in Capital & Surplus	<u>507,552</u>	<u>0</u>	<u>507,552</u>
Capital and Surplus, December 31, Current Year	<u>\$10,751,138</u>	<u>\$0</u>	<u>\$10,751,138</u>

Symetra National Life Insurance Company
Five Year Reconciliation of Surplus
As of December 31, 2010

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Capital and Surplus December 31, Prior Year	<u>\$10,243,586</u>	<u>\$10,985,201</u>	<u>\$10,503,964</u>	<u>\$10,222,568</u>	<u>\$9,814,931</u>
Net income or (loss)	510,036	240,995	470,235	453,303	1,107,097
Change in net deferred income tax	(21,178)	34,460	(21,010)	(104,635)	(193,180)
Change in nonadmitted assets	18,304	(41,801)	39,098	146,682	22,348
Change in asset valuation reserve	2,294	(10,395)	(7,086)	13,003	1,372
Dividends to stockholders		(1,000,000)			(530,000)
Aggregate write-ins for gains and losses in surplus	(1,904)	35,126		(226,957)	
Net change in Capital & Surplus	<u>507,552</u>	<u>(741,615)</u>	<u>481,237</u>	<u>281,396</u>	<u>407,637</u>
Capital and Surplus, December 31, Current Year	<u>\$10,751,138</u>	<u>\$10,243,586</u>	<u>\$10,985,201</u>	<u>\$10,503,964</u>	<u>\$10,222,568</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Special Consent

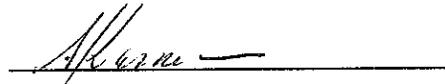
The Company holds a special consent, issued by the state of Washington, with an effective date of January 1, 2010, and subsequently renewed effective January 1, 2011, which allows the Company to own and purchase mutual funds if certain statutory requirements have been met. SNLIC is allowed to acquire and hold a single entity's mutual funds not totaling more than 4% of SNLIC's assets, and an unlimited amount of its assets in NAIC exempt listed mutual funds. As of December 31, 2010, SNLIC's investments in a single entity's mutual fund represented 1.3 percent of its admitted assets.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Symetra National Life Insurance Company and its affiliates during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; John Jacobson, AFE, CISA, AES, Automated Examination Specialist; Susan Campbell, CPA, CFE, FLMI, Reinsurance Specialist; Timothy F. Hays, CPA, JD, Investment Specialist; Constantine Arustamian, CPA, CFE, Examiner in Charge; Youngjae Lee, CPA, Examiner in Charge; Orlando Gabriel, AFE, Financial Examiner; Cynthia Clark, CPA, Financial Examiner; Richard Bologna, Financial Examiner; Katy Bardsley, CPA, Financial Examiner and Euli Rath, CPA, Financial Examiner, all from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,



Albert Karau, Jr., CPA, CFE, FLMI
Examiner-in-Charge
State of Washington

