

STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER



FINANCIAL EXAMINATION  
OF  
SYMETRA LIFE INSURANCE COMPANY  
BELLEVUE, WASHINGTON

NAIC CODE 68608  
December 31, 2010

Participating States:  
Washington

Order No. 12-421  
Symetra Life Insurance Company  
Exhibit A

**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 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 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 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' (CPAs') 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).

The following summarizes the exception noted while performing this review:

### **1. NAIC Annual Statement Errors, Omissions, and Misclassifications**

The examination team found instances in which the Company's filing of the 2010 NAIC Annual Statement did not conform to the NAIC Accounting Practices and Procedures Manual (AP&P) and the NAIC Annual Statement Instructions. While the Company needs to correct these errors, the following items were not material to the financial statements and no adjustments were necessary. The following errors were noted:

- a. **Schedule S, Part 3, Section 2 (Reinsurance Ceded Accident and Health)** - Reinsurance ceded to White Mountains Reinsurance Company of America was reported as non-affiliated.
- b. **Notes to Financial Statements, No. 5.A (Investments-Mortgage Loans)** – The information contained in this note was not entirely accurate. The maximum lending rate for commercial

mortgage loans was incorrectly reported as 7.50%, instead of 8.20%, and the reported carrying values for three mortgage loans with reduced interest rates, were incorrectly stated.

**The Company is instructed to comply with RCW 48.05.073 and 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. Reinsurance Treaty Clause Deficiencies**

SLIC has three reinsurance treaties that do not contain a settlement clause. According to RCW 48.12.162, payment under a reinsurance contract must be made within a reasonable time with reasonable provision for verification in accordance with the terms of the reinsurance agreement. Per WAC 284-13-855(h), no insurer subject to this regulation shall reduce any liability or establish any asset in any financial statement if by the terms of the reinsurance agreement settlements are made less frequently than quarterly or payments due from the reinsurer are not made in cash within ninety days of the settlement date.

**The Company is instructed to comply with RCW 48.12.162 and WAC 284-13-855(h) which requires that all reinsurance treaties contain a settlement clause.**

## **3. Actuarial Noncompliance**

### **a. Single Premium Immediate Annuity (SPIA) and Structured Settlement Reserves**

SLIC included all contracts issued in a calendar year in its block grouping. Actuarial Guideline IX-B allows cash flows from SPIAs, deferred annuities without cash settlement options, and structured settlement contracts, to be aggregated by issue year for the purpose of calculating reserves (Block Method) for all issue years prior to 1988. Actuarial Guideline IX-B, paragraph 5 states that only contracts having payments not less frequent than annually for at least five years are to be included in the block grouping.

### **b. Deferred Premium Asset**

SLIC uses the gross premium in the calculation of the mean reserve, yet continues to use the larger net premium in the calculation of the deferred premium asset for contracts that result in a deficiency reserve. SSAP No. 51 (Life Contracts), paragraph 23 requires that deferred premiums be computed by taking gross premiums reduced by loading (net premiums). This inconsistency results in an overstatement of the Deferred Premium Asset.

### **c. Fixed Premium Universal Life Valuation**

For a small subset of SLIC's fixed premium universal life business, specifically contracts for which the commissioner's reserve valuation method (CRVM) reserve using prescribed mortality and interest is less than either the policy value or the cash value, reserves are not in compliance. WAC 284-84-050 requires that the policy reserve shall be calculated by the commissioner's reserve valuation method for the fixed premium fixed benefit plan with all present values based on the most conservative of the mortality and interest assumptions defined by the policy guarantees for the purpose of defining benefits, or for the purpose of valuation. For this subset

of contracts, the CRVM reserve needs to be recalculated using the mortality and non-forfeiture interest rate assumptions that generate the largest reserve. As of December 31, 2010, this issue was immaterial but could become material in future years. SLIC is instructed to comply with this regulation as it introduces new products and as sales of the current fixed premium universal life products continue.

**The Company is instructed to comply with Actuarial Guideline IX-B, paragraph 5 by ensuring that only contracts having payments not less frequent than annually for at least five years are included in the block grouping. The Company is instructed to comply with SSAP 51, paragraph 23 by using the gross premium reduced by loading in the calculation of Deferred Premiums as well as in the calculation of mean reserves. The Company is instructed to comply with WAC 284-84-050 which requires reserves to be equal to the largest of the cash surrender value or the policy reserve. No adjustments were necessary due to the net immateriality of all reserve accounts.**

#### **4. Impairment – Common Stock**

SLIC's impairment policy of only writing down security lots greater than \$100,000 does not take into account the many small security lots under \$100,000, which have been more than 20% of the fair value below cost for 6 months or longer. However, the Company's external auditors considered these securities Other Than Temporarily Impaired (OTTI) as of December 31, 2010. SSAP No. 30, paragraph 9, states that, "For any decline in the fair value of a common stock which is determined to be other than temporary, the common stock shall be written down to fair value as the new cost basis and the amount of the write-down shall be accounted for as a realized loss."

**The Company is instructed to comply with RCW 48.05.073, RCW 48.05.250, and WAC 284-07-050 (2) by writing down to fair value any common stocks which are determined to be Other Than Temporarily Impaired (OTTI), in accordance with SSAP No. 30, paragraph 9.**

#### **5. Incomplete Accounts and Records**

Our examination disclosed 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. More specifically, our sample of policy files disclosed numerous files which did not contain sufficient documentation.

**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.**

#### **6. Custodial Agreement Deficiencies**

In response to General Interrogatory 27 of the 2010 NAIC Annual Statement, the Company indicated that its custodial agreements with JP Morgan Chase complied with the FCEH. However, it did not contain several provisions required by the FCEH.

**The Company is instructed to execute a revised or amended custodial agreement that complies with the FCEH and RCW 48.13.480. The Company is also instructed to comply with RCW 48.05.250 by filing a true statement of its financial condition, transactions and affairs and to follow the NAIC Annual Statement Instructions and the AP&P, as required by WAC 284-07-050(2).**

## 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.**

### **2. Reinsurance Profitability Analysis**

The Company does not perform an analysis to determine whether or not the limit on reinsurance for life and annuity policies is adequate or profitable.

**It is recommended that the Company perform an annual review of the adequacy and profitability of its reinsurance program.**

### **3. Asset Adequacy Analysis**

The Company has large blocks of product liabilities, most notably for Structured Settlement Annuities and Bank Owned Life Insurance (BOLI), which are negatively impacted to prolonged periods of low interest rates. Given the current low interest rate trend, the economic environment should be closely monitored by the Company in the course of developing future actuarial opinions. Should more plausible deterministic scenarios begin to fail, more stochastic scenarios demonstrate a negative surplus, or margins begin to erode, careful consideration should be given to the need for additional asset adequacy reserves to address the reinvestment risk on these long duration liabilities.

**It is recommended that the Company continue to closely monitor the economic environment in the evaluation of the need for future additional asset adequacy reserves.**

## COMPANY PROFILE

### **Company History**

The Company was originally incorporated as the General Life Company of America on January 23, 1957, and commenced business on April 5, 1957. In 1964, the Company's name was changed to SAFECO Life Insurance Company. 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**

SLIC is 100% owned by SFC. The Company has 20,000 shares of common stock authorized, issued, and outstanding, at a par value of \$250 dollars per share. The Company has paid-in surplus of \$635.4 million and unassigned surplus of \$1,071.8 million. In 2010, the Company paid dividends of \$40 million to SFC.

### **Territory and Plan of Operations**

As of December 31, 2010, the Company was authorized to transact business in the District of Columbia and 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**

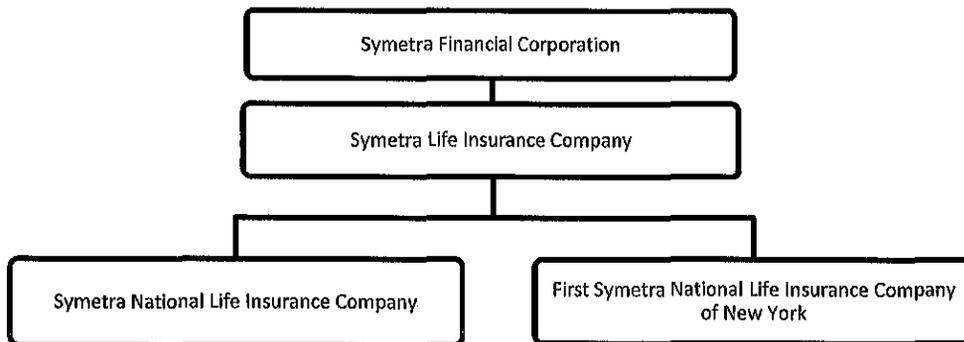
The following reflects the growth of the Company as reported in its filed NAIC Annual Statements for the five year period under examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital &amp; Surplus</u>
<b>2010</b>	\$23,192,365,853	\$21,440,060,953	\$1,752,304,900
<b>2009</b>	20,799,084,104	19,383,648,999	1,415,435,105
<b>2008</b>	18,646,102,949	17,467,128,290	1,178,974,659
<b>2007</b>	18,004,829,093	16,779,830,911	1,224,998,182
<b>2006</b>	18,364,578,031	17,098,356,071	1,266,221,960

<u>Year</u>	<u>Premium Earned</u>	<u>Total Contract Benefits - Life</u>	<u>Net Investment Gain (Loss)</u>	<u>Net Income</u>
<b>2010</b>	\$3,012,240,434	\$1,477,643,481	\$1,005,823,232	\$194,472,559
<b>2009</b>	2,827,927,555	1,483,719,490	947,509,167	43,052,267
<b>2008</b>	2,275,145,032	1,496,348,408	842,865,956	36,708,163
<b>2007</b>	1,201,424,410	1,937,344,906	855,779,066	134,105,378
<b>2006</b>	1,065,611,002	2,037,132,284	898,118,828	145,020,195

## 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 National Life Insurance Company**

Symetra National Life Insurance Company (SNLIC) is a stock life insurance company organized under the laws of the state of Washington. SNLIC has not underwritten any new business since 1988, but is licensed in 39 states and the District of Columbia.

### **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 State.

### **Intercompany Agreements**

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

- Services and Shared Expenses Agreement
- Administrative Services 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
Daniel Guilbert	Executive Vice President
Michael Fry	Executive Vice President
Richard LaVoice	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 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, 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 sponsors a defined contribution plan for all eligible employees, which includes a matching contribution of 100% of a participant's contribution up to 6% of eligible compensation. The Company does not sponsor a defined benefit plan or participate in a multi-employer plan.

The Company participates in SFC's performance share plan which provides incentives to selected members of management based on the long-term success of SFC. The Company also participates in SFC's share-based compensation plans, specifically the Equity Plan, and the Stock Purchase Plan. Under the Equity Plan, SFC has the ability to issue various types of awards, including restricted stock, stock options, stock appreciation rights, restricted stock units, performance shares, performance units and other types of awards at the discretion of the Board of Directors (BOD). The Stock Purchase Plan is a

qualified Employee Stock Purchase Plan under Section 423 of the Internal Revenue Code (IRS). Under this plan, eligible employees may purchase shares of SFC's stock on quarterly purchase dates at an amount equal to 85% of the closing market price of the common stock.

### **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 SLIC 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 were reasonable, appropriate, and in compliance with Washington State statutory reserve requirements.
- Determine if the invested assets supporting statutory reserves made a reasonable provision for the expected insurance obligations and related expenses as of this date.

SLIC provided copies of its actuarial workpapers and reserve reports as of December 31, 2010. A sample of contracts and payments was selected from active life and disabled life reserve reports, premium collection records, and paid claim reports, to verify data integrity and to establish whether the in-force information as of December 31, 2010 was accurate and complete. It was determined that the information was adequate and complete, except for the findings noted in Instruction No. 3 and Comments and Recommendations No. 3.

### **REINSURANCE**

SLIC entered into thirty-three new ceded reinsurance agreements during the examination period with sixteen different reinsurers.

Except for three treaties missing settlement clauses (See Instruction No. 2), reinsurance agreements were found to be in compliance with Washington State reinsurance statutes. All the reinsurers are authorized in the state of Washington, and the treaties were properly classified in Schedule S of the 2010 NAIC Annual Statement. The Company does not have controls in place to adequately monitor its reinsurance program. (See Comments and Recommendations No. 2.)

SLIC utilizes the services of various intermediaries to solicit, negotiate, and place reinsurance cessions on its behalf.

### **STATUTORY DEPOSITS**

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

<b><u>STATE</u></b>	<b><u>MARKET VALUE</u></b>	<b><u>STATEMENT VALUE</u></b>
Georgia	\$ 100,428	\$ 88,860
New Mexico	189,106	145,728
North Carolina	504,281	388,604
Virginia	61,820	54,480
Washington	6,326,057	4,974,580

### **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 a 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 February 1, 2011, the Company declared a cash dividend in the amount of \$20 million, which was paid to its parent (SFC) on March 4, 2011.

On June 23, 2011, the Company paid a cash dividend of \$4 million to SFC, and received a cash dividend of \$1 million from Symetra National Life Insurance Company, a subsidiary.

During the second quarter of 2011, the Company began entering into interest rate swaps and forward contracts with off-balance sheet risk. The notional amount on the interest rate swaps and forward contracts is \$97.1 million, and \$4.4 million, respectively. The Company is exposed to credit-related losses in the event of nonperformance by counterparties to these instruments.

On July 1, 2011, the Company acquired the renewal rights for medical stop-loss insurance policies issued by American United Life Insurance Company (AUL) through its R.E. Moulton, Inc. (REM) underwriting affiliate for \$26.0 million. In addition, the Company entered into an indemnity reinsurance agreement for these policies effective July 1, 2011, and received the value of the net insurance liabilities totaling \$34.7 million.

On September 9, 2011, the Company paid a cash dividend of \$14.0 million to its parent, Symetra Financial Corporation.

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 Life Insurance Company as of December 31, 2010:

Assets, Liabilities, Surplus and Other Funds

Summary of Operations

Five Year Reconciliation of Surplus

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

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
<b>ASSETS</b>			
Bonds	\$15,660,498,408	\$0	\$15,660,498,408
Preferred stocks	98,215,712		98,215,712
Common stocks	269,217,951		269,217,951
Mortgage loans on real estate - first liens	1,642,010,304		1,642,010,304
Properties held for the production of income	1,670,000		1,670,000
Cash and short-term investments	168,314,076		168,314,076
Contract loans	71,271,669		71,271,669
Derivatives	1,801,897		1,801,897
Other invested assets	182,742,534		182,742,534
Receivables for securities	3,121,570		3,121,570
Subtotals, cash and invested assets	18,098,864,121	0	18,098,864,121
Investment income due and accrued	213,077,069		213,077,069
Premiums and considerations:			
Uncollected premium and agents' balances in the course of collection	10,369,063		10,369,063
Deferred premiums	51,042,711		51,042,711
Accrued retrospective premiums	172,987		172,987
Reinsurance:			
Amount recoverable from reinsurers	2,374,749		2,374,749
Funds held by or deposited with reinsured companies	77,089,277		77,089,277
Other amounts receivable under reinsurance contracts	1,329,765		1,329,765
Current federal income tax recoverable	2,429,464		2,429,464
Net deferred tax asset	73,214,479		73,214,479
Guaranty funds receivable or on deposit	7,260,795		7,260,795
Receivable from parent, subsidiaries, and affiliates	5,366,487		5,366,487
Aggregate write-ins for other than invested assets	539,048		539,048
Total assets excluding separate accounts	18,543,130,015		18,543,130,015
From separate accounts	4,649,235,838	0	4,649,235,838
<b>Total Assets</b>	<b>\$23,192,365,853</b>	<b>\$0</b>	<b>\$23,192,365,853</b>

**Symetra 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>
<b>LIABILITIES, CAPITAL AND SURPLUS</b>			
Aggregate reserve for life contracts	\$13,818,477,506	\$0	\$13,818,477,506
Aggregate reserve for accident and health contracts	4,723,814		4,723,814
Liability for deposit-type contracts	2,194,027,627		2,194,027,627
Contract claims - life	10,658,060		10,658,060
Contract claims - accident & health	101,070,052		101,070,052
Dividends apportioned for payment	4,232		4,232
Premiums and annuity considerations received in advance	2,299,376		2,299,376
Contract liabilities not included elsewhere:			
Interest Maintenance Reserve	230,733,774		230,733,774
Commissions to agents due or accrued	7,075,425		7,075,425
General expenses due or accrued	24,380,411		24,380,411
Transfers to separate accounts due or accrued	(5,726,051)		(5,726,051)
Taxes, licenses and fees due or accrued	16,353,962		16,353,962
Unearned investment income	1,579,831		1,579,831
Amounts withheld or retained by company as agent	7,003,086		7,003,086
Amounts held for agents account	5,762		5,762
Remittances and items not allocated	35,917,025		35,917,025
Miscellaneous liabilities:			
Asset valuation reserve	182,926,909		182,926,909
Payable to parent, subsidiaries and affiliates	14,076,758		14,076,758
Payable for securities	23,342,154		23,342,154
Aggregate write-ins for liabilities	129,161,720		129,161,720
Total liabilities excluding Separate Accounts business	16,798,091,433	0	16,798,091,433
From Separate Accounts Statement	4,641,969,520		4,641,969,520
<b>Total Liabilities</b>	<b>21,440,060,953</b>	<b>0</b>	<b>21,440,060,953</b>
Common capital stock	5,000,000		5,000,000
Gross paid in and contributed surplus	635,439,895		635,439,895
Aggregate write-ins for special surplus funds	40,053,051		40,053,051
Unassigned funds (surplus)	1,071,811,954		1,071,811,954
<b>Total Capital and Surplus</b>	<b>1,752,304,900</b>	<b>0</b>	<b>1,752,304,900</b>
<b>Total Liabilities, Capital and Surplus</b>	<b>\$23,192,365,853</b>	<b>\$0</b>	<b>\$23,192,365,853</b>

**Symetra 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>
<b>Income</b>			
Premiums and annuity considerations	\$3,012,240,434	\$0	\$3,012,240,434
Net investment income	1,005,823,232		1,005,823,232
Amortization of interest maintenance reserve	22,434,578		22,434,578
Separate accounts net gain from operations	9,316,611		9,316,611
Commission and expenses allowance	8,813,305		8,813,305
Reserve adjustment on reinsurance ceded	61,947		61,947
Miscellaneous income:			
Income from fees associated with investment management	43,622,993		43,622,993
Aggregate write-ins for miscellaneous income	13,218,293		13,218,293
<b>Total Income</b>	<b>4,115,531,393</b>	<b>0</b>	<b>4,115,531,393</b>
<b>Benefits</b>			
Death Benefits	88,196,259		88,196,259
Matured endowments	106,404		106,404
Annuity benefits	300,912,374		300,912,374
Disability benefits	270,317,678		270,317,678
Surrender benefits	818,110,766		818,110,766
Interest and adjustments on contracts	131,619,781		131,619,781
Payments on supplementary contracts	11,979		11,979
Increase in aggregate reserves for life, accident and health contracts	1,539,841,277		1,539,841,277
<b>Total Benefits</b>	<b>3,149,116,518</b>	<b>0</b>	<b>3,149,116,518</b>
<b>Expenses</b>			
Commissions on premiums, annuity considerations and deposit-type contracts	148,256,021		148,256,021
Commissions and expense allowance on reinsurance assumed	489,772		489,772
General insurance expenses	181,010,165		181,010,165
Insurance taxes, licenses and fees, excluding federal income taxes	26,184,285		26,184,285
Increase in loading on deferred and uncollected premiums	(1,169,220)		(1,169,220)
Net transfers to or (from) separate accounts net of reinsurance	358,791,602		358,791,602
<b>Total Benefits and Expenses</b>	<b>3,862,679,143</b>	<b>0</b>	<b>3,862,679,143</b>

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

	<u>BALANCE PER COMPANY</u>	<u>EXAMINATION ADJUSTMENTS</u>	<u>BALANCE PER EXAMINATION</u>
Net gain from operations before dividends to policyholders and federal income taxes incurred	\$252,852,250	\$0	\$252,852,250
Dividends to policyholders	4,301		4,301
Net gain from operations after dividends to policyholders but before federal income taxes incurred	252,847,949		252,847,949
Federal and foreign income taxes incurred	58,882,802		58,882,802
Net gain from operations after dividends to policyholders and federal income taxes incurred	193,965,147		193,965,147
Net realized capital gains (losses)	507,412		507,412
<b>Net Income</b>	<b>\$194,472,559</b>	<b>\$0</b>	<b>\$194,472,559</b>
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
<b>Capital and Surplus, December 31, Prior Year</b>	\$1,415,435,105	\$0	\$1,415,435,105
Net Income or (loss)	194,472,559		194,472,559
Change in net unrealized capital gains (losses)	31,102,942		31,102,942
Change in net unrealized foreign exchange capital gain (loss)	(63,459)		(63,459)
Change in net deferred income tax	(8,887,661)		(8,887,661)
Change in non-admitted assets	24,319,576		24,319,576
Change in reserve on account of change in valuation basis	(10,628,440)		(10,628,440)
Change in asset valuation reserve	(61,316,188)		(61,316,188)
Other changes in surplus in Separate Accounts Statement	(2,050,292)		(2,050,292)
Surplus adjustment: Paid in	213,264,501		213,264,501
Dividends to stockholders	(40,000,000)		(40,000,000)
Aggregate write-ins for gains and losses in surplus	(3,343,743)		(3,343,743)
Net change in Capital and Surplus	336,869,795	0	336,869,795
<b>Capital and Surplus, December 31, Current Year</b>	<b>\$1,752,304,900</b>	<b>\$0</b>	<b>\$1,752,304,900</b>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Capital and Surplus, December 31,</b>					
<b>Prior Year</b>	<u>\$1,415,435,105</u>	<u>\$1,178,974,659</u>	<u>\$1,224,998,183</u>	<u>\$1,266,221,960</u>	<u>\$1,260,135,894</u>
Net Income or (loss)	194,472,559	43,052,267	36,708,163	134,105,378	145,020,195
Change in net unrealized capital gains (losses)	31,102,942	34,790,607	(72,916,349)	1,234,881	12,903,228
Change in net unrealized foreign exchange capital gain (loss)	(63,459)	818,471	(733,381)	202,552	
Change in net deferred income tax	(8,887,661)	9,019,416	13,881,238	(12,788,306)	(25,296,602)
Change in non-admitted assets	24,319,576	14,497,469	(35,504,892)	19,913,997	20,943,403
Change in liability for reinsurance in unauthorized companies		46,632	(46,632)		
Change in reserve on account of change in valuation basis	(10,628,440)				
Change in asset valuation reserve	(61,316,188)	(6,313,243)	62,588,329	(17,492,279)	(17,650,771)
Surplus (contributed to) withdrawn from Separate Accounts			384,566	1,433,377	1,324,250
Other changes in surplus in Separate Accounts Statement	(2,050,292)		(384,566)	(1,433,377)	(1,324,250)
Cumulative effect of changes in accounting principles		(182,021)			
Surplus adjustment: Paid in	213,264,501	102,068,265	50,000,000		
Dividends to stockholders	(40,000,000)		(100,000,000)	(166,400,000)	(122,500,000)
Aggregate write-ins for gains and losses in surplus	<u>(3,343,743)</u>	<u>38,662,583</u>			<u>(7,333,387)</u>
Net change in Capital and Surplus	<u>336,869,795</u>	<u>236,460,446</u>	<u>(46,023,524)</u>	<u>(41,223,777)</u>	<u>6,086,066</u>
<b>Capital and Surplus, December 31, Current Year</b>	<u>\$1,752,304,900</u>	<u>\$1,415,435,105</u>	<u>\$1,178,974,659</u>	<u>\$1,224,998,183</u>	<u>\$1,266,221,960</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. SLIC is allowed to acquire and hold a single entity's mutual funds not totaling more than 4% of SLIC's assets, and an unlimited amount of its assets in NAIC exempt listed mutual funds. As of December 31, 2010, SLIC's mutual fund investments represented 0.9 percent of its admitted assets. None of SLIC's mutual fund investments exceeded the one percent of assets limitation that would have been imposed by RCW 48.13.240(3) without the special consent.

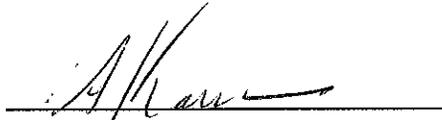
The Company has no additional special consents, permitted practices, or orders from the state of Washington.

**ACKNOWLEDGMENT**

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Symetra 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,

A handwritten signature in black ink, appearing to read "A. Karau", is written over a horizontal line.

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

