

ING U.S., Inc.  
Form 10-Q  
November 08, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR  
 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\_\_\_\_\_

ING U.S., 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  No

Indicate by check mark whether the registrant (1) 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  No

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):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No

**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: At November 5, 2013 260,809,371 shares of Common Stock, \$.01 par value, were outstanding.

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ING U.S., Inc.  
 Form 10-Q for the period ended September 30, 2013

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## NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Results of Operations and Financial Condition," 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 or 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 Results of Operations and Financial Condition-Trends and Uncertainties" and "Business-Closed Blocks-Closed Block Variable Annuity" in our Registration Statement on Form S-1 (file no. 191163), filed with the Securities and Exchange Commission on October 23, 2013 (the "Registration Statement").

The risks included here are not exhaustive. The Registration Statement, current reports on Form 8-K and other documents filed with the 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

ING U.S., Inc.

Condensed Consolidated Balance Sheets

September 30, 2013 (Unaudited) and December 31, 2012

(In millions, except share and per share data)

	September 30, 2013	December 31, 2012
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$65,540.6 at 2013 and \$62,955.4 at 2012)	\$69,171.4	\$70,910.3
Fixed maturities, at fair value using the fair value option	2,910.2	2,771.3
Equity securities, available-for-sale, at fair value (cost of \$238.2 at 2013 and \$297.9 at 2012)	279.6	340.1
Short-term investments	2,547.3	5,991.2
Mortgage loans on real estate, net of valuation allowance of \$4.0 at 2013 and \$3.9 at 2012	9,015.6	8,662.3
Policy loans	2,147.5	2,200.3
Limited partnerships/corporations	390.0	465.1
Derivatives	1,087.4	2,374.5
Other investments	145.7	167.0
Securities pledged (amortized cost of \$1,280.4 at 2013 and \$1,470.0 at 2012)	1,312.6	1,605.5
Total investments	89,007.3	95,487.6
Cash and cash equivalents	1,716.6	1,786.8
Short-term investments under securities loan agreements, including collateral delivered	482.4	664.0
Accrued investment income	913.2	863.5
Reinsurance recoverable	6,755.6	7,379.3
Deferred policy acquisition costs and Value of business acquired	5,265.0	3,656.3
Sales inducements to contract holders	278.9	212.7
Goodwill and other intangible assets	323.4	348.5
Other assets	1,137.7	1,362.5
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	2,912.3	2,931.2
Cash and cash equivalents	313.4	440.8
Corporate loans, at fair value using the fair value option	4,670.9	3,559.3
Other assets	27.9	34.3
Assets held in separate accounts	103,853.6	97,667.4
Total assets	\$217,658.2	\$216,394.2

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



ING U.S., Inc.

Condensed Consolidated Balance Sheets

September 30, 2013 (Unaudited) and December 31, 2012

(In millions, except share and per share data)

	September 30, 2013	December 31, 2012
Liabilities and Shareholders' Equity:		
Future policy benefits	\$14,477.5	\$15,493.6
Contract owner account balances	70,410.4	70,562.1
Payables under securities loan agreement, including collateral held	576.7	1,509.8
Short-term debt	—	1,064.6
Long-term debt	3,514.5	3,171.1
Funds held under reinsurance agreements	1,212.1	1,236.6
Derivatives	1,222.3	1,944.2
Pension and other post-employment provisions	876.1	903.2
Current income taxes	52.9	11.7
Deferred income taxes	59.7	1,042.7
Other liabilities	1,387.9	1,604.2
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	4,627.1	3,829.4
Other liabilities	522.9	292.4
Liabilities related to separate accounts	103,853.6	97,667.4
Total liabilities	202,793.7	200,333.0
Shareholders' equity:		
Common stock (900,000,000 shares authorized, 260,882,850 and 230,079,120 issued as of September 30, 2013 and December 31, 2012, respectively, and 260,803,730 and 230,000,000 outstanding as of September 30, 2013 and December 31, 2012, respectively, net of 79,120 of Treasury shares as of September 30, 2013 and December 31, 2012, respectively; \$0.01 par value per share )	2.6	2.3
Additional paid-in capital	23,524.7	22,917.6
Accumulated other comprehensive income (loss)	1,950.0	3,710.7
Retained earnings (deficit):		
Appropriated-consolidated investment entities	2.4	6.4
Unappropriated	(12,709.7	) (12,762.1
Total ING U.S., Inc. shareholders' equity	12,770.0	13,874.9
Noncontrolling interest	2,094.5	2,186.3
Total shareholders' equity	14,864.5	16,061.2
Total liabilities and shareholders' equity	\$217,658.2	\$216,394.2

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

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ING U.S., Inc.

Condensed Consolidated Statements of Operations

For the Three and Nine Months Ended September 30, 2013 and 2012 (Unaudited)

(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Net investment income	\$1,221.6	\$1,226.2	\$3,532.5	\$3,642.5
Fee income	920.8	872.9	2,722.4	2,624.8
Premiums	494.2	453.5	1,440.9	1,389.9
Net realized gains (losses):				
Total other-than-temporary impairments	(5.6	) (13.3	) (26.9	) (30.7
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(1.2	) (0.5	) (4.3	) (4.9
Net other-than-temporary impairments recognized in earnings	(4.4	) (12.8	) (22.6	) (25.8
Other net realized capital gains (losses)	(512.7	) (119.6	) (1,935.2	) (870.8
Total net realized capital gains (losses)	(517.1	) (132.4	) (1,957.8	) (896.6
Other revenue	119.6	97.2	321.3	286.7
Income (loss) related to consolidated investment entities:				
Net investment income (loss)	135.3	32.5	346.3	435.5
Changes in fair value related to collateralized loan obligations	60.9	14.4	(11.1	) (71.3
Total revenues	2,435.3	2,564.3	6,394.5	7,411.5
Benefits and expenses:				
Policyholder benefits	570.7	573.4	1,822.2	1,946.3
Interest credited to contract owner account balance	517.0	533.1	1,556.8	1,690.0
Operating expenses	762.8	858.9	2,292.1	2,330.9
Net amortization of deferred policy acquisition costs and value of business acquired	64.6	150.0	319.6	539.9
Interest expense	48.4	46.6	136.6	109.0
Operating expenses related to consolidated investment entities:				
Interest expense	50.4	26.2	130.6	74.0
Other expense	1.4	2.2	6.1	7.3
Total benefits and expenses	2,015.3	2,190.4	6,264.0	6,697.4
Income (loss) before income taxes	420.0	373.9	130.5	714.1
Income tax expense (benefit)	(27.7	) (12.9	) (6.4	) (4.0
Net income (loss)	447.7	386.8	136.9	718.1
Less: Net income (loss) attributable to noncontrolling interest	101.1	20.3	84.5	222.4
Net income (loss) available to ING U.S., Inc.'s common shareholders	\$346.6	\$366.5	\$52.4	\$495.7
Net income (loss) available to ING U.S., Inc.'s common shareholders per common share:				
Basic	\$1.33	\$1.59	\$0.21	\$2.16
Diluted	\$1.32	\$1.59	\$0.21	\$2.16
Cash dividends declared per share of common stock	\$0.01	\$—	\$0.01	\$—

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





ING U.S., Inc.

Condensed Consolidated Statements of Comprehensive Income

For the Three and Nine Months Ended September 30, 2013 and 2012 (Unaudited)

(In millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net income (loss)	\$447.7	\$386.8	\$136.9	\$718.1
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	(223.2 )	1,069.3	(2,733.4 )	1,643.4
Other-than-temporary impairments	13.5	26.3	44.8	50.2
Pension and other postretirement benefits liability	(3.4 )	(3.5 )	(10.3 )	(11.0 )
Other comprehensive income (loss), before tax	(213.1 )	1,092.1	(2,698.9 )	1,682.6
Income tax expense (benefit) related to items of other comprehensive income (loss)	(75.3 )	412.1	(938.2 )	576.1
Other comprehensive income (loss), after tax	(137.8 )	680.0	(1,760.7 )	1,106.5
Comprehensive income (loss)	309.9	1,066.8	(1,623.8 )	1,824.6
Less: Comprehensive income (loss) attributable to the noncontrolling interest	101.1	20.3	84.5	222.4
Comprehensive income (loss) attributable to ING U.S., Inc.'s common shareholders	\$208.8	\$1,046.5	\$(1,708.3 )	\$1,602.2

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

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ING U.S., Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2013 and 2012 (Unaudited)

(In millions)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained (Deficit) Earnings Appropriated	Retained (Deficit) Earnings Appropriated	Total ING U.S., 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
Dividends on common stock	—	(2.6 )	—	—	—	(2.6 )	—	(2.6 )
Employee related benefits	—	38.4	—	—	—	38.4	—	38.4
Contribution from (Distribution 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

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained (Deficit) Earnings Appropriated	Retained (Deficit) Earnings Appropriated	Total ING U.S., Inc. Shareholder's Equity	Noncontrolling Interest	Total Shareholder's Equity
Balance at January 1, 2012	\$ 2.3	\$ 22,865.2	\$ 2,595.0	\$ 126.5	\$ (13,235.1 )	\$ 12,353.9	\$ 1,572.2	\$ 13,926.1
Comprehensive income (loss):								
Net income (loss)	—	—	—	—	495.7	495.7	222.4	718.1
Other comprehensive income (loss), after tax	—	—	1,106.5	—	—	1,106.5	—	1,106.5
						1,602.2	222.4	1,824.6

Total comprehensive income (loss)								
Reclassification of noncontrolling interest	—	—	—	(78.1 )	—	(78.1 )	78.1	—
Common Stock Issuance	—	—	—	—	—	—	—	—
Dividends on common stock	—	—	—	—	—	—	—	—
Employee related benefits	—	32.5	—	—	—	32.5	—	32.5
Contribution from (Distribution to) noncontrolling interest, net	—	—	—	—	—	—	168.3	168.3
Balance at September 30, 2012	\$ 2.3	\$22,897.7	\$ 3,701.5	\$48.4	\$ (12,739.4 )	\$ 13,910.5	\$ 2,041.0	\$ 15,951.5

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

ING U.S., Inc.  
Condensed Consolidated Statements of Cash Flows  
For the Nine Months Ended September 30, 2013 and 2012 (Unaudited)  
(In millions)

	Nine Months Ended September 30,	
	2013	2012
Net cash provided by operating activities	\$2,942.1	\$2,422.0
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	11,626.7	13,430.6
Equity securities, available-for-sale	47.1	57.6
Mortgage loans on real estate	1,253.5	1,258.1
Loan - Dutch State obligation	—	284.0
Limited partnerships/corporations	274.8	318.0
Acquisition of:		
Fixed maturities	(14,281.7	) (13,636.4
Equity securities, available-for-sale	(17.9	) (17.4
Mortgage loans on real estate	(1,583.2	) (1,248.9
Limited partnerships/corporations	(81.0	) (44.5
Short-term investments, net	3,443.2	(63.5
Policy loans, net	52.8	51.0
Derivatives, net	(1,981.6	) (1,458.8
Other investments, net	34.3	4.6
Sales from consolidated investment entities	2,518.7	1,222.2
Purchase of consolidated investment entities	(3,352.2	) (1,528.1
Collateral (delivered) received, net	(751.5	) 181.5
Purchases of fixed assets, net	(25.7	) (18.8
Net cash used in investing activities	(2,823.7	) (1,208.8

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

ING U.S., Inc.  
Condensed Consolidated Statements of Cash Flows  
For the Nine Months Ended September 30, 2013 and 2012 (Unaudited)  
(In millions)

	Nine Months Ended September 30,	
	2013	2012
Cash Flows from Financing Activities:		
Deposits received for investment contracts	8,985.2	12,910.8
Maturities and withdrawals from investment contracts	(9,648.9	) (15,278.5
Proceeds from issuance of debt with maturities of more than three months	2,147.1	2,911.5
Repayment of debt with maturities of more than three months	(2,697.4	) (649.2
Short-term debt, net	(171.6	) (242.4
Debt issuance costs	(24.8	) (30.3
Borrowings of consolidated investment entities	32.0	54.3
Repayments of debt of consolidated investment entities	(8.5	) (50.4
Contributions from participants in consolidated investment entities	626.7	601.7
Proceeds from issuance of common stock, net	571.6	—
Net cash (used in) provided by financing activities	(188.6	) 227.5
Net (decrease) increase in cash and cash equivalents	(70.2	) 1,440.7
Cash and cash equivalents, beginning of period	1,786.8	638.0
Cash and cash equivalents, end of period	\$1,716.6	\$2,078.7
Supplemental cash flow information:		
Income taxes paid (received), net	\$(2.8	) \$(27.6
Interest paid	126.3	98.7

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

ING U.S., 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

ING U.S., Inc. and its subsidiaries (collectively the "Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products, guaranteed investment contracts and funding agreements. The Company provides its principal products and services in three 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.

In 2009, 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, 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 in the future as Voya Financial. On May 2, 2013, the common stock of ING U.S., Inc. began trading on the New York Stock Exchange under the symbol "VOYA." On May 7, 2013 and May 31, 2013, ING U.S., Inc. completed its initial public offering of common stock, including the issuance and sale by ING U.S., 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 ING U.S., Inc., of 44,201,773 shares of outstanding common stock of ING U.S., Inc. (collectively, the "IPO"). On September 30, 2013, ING International transferred all of its shares of ING U.S., 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%.

### Basis of Presentation

On April 11, 2013, the Company filed an amended restated certificate of incorporation which provides for an authorized capital stock consisting of 1,000,000,000 shares, of which 900,000,000 shares (par value \$0.01 per share) are designated as common stock and 100,000,000 shares (par value \$0.01 per share) are designated as preferred stock. In addition, the amended and restated certificate of incorporation effected a 2,295.248835-for-1 split of the Company's then outstanding common stock, resulting in 230,079,120 shares of common stock issued, including 79,120 shares of Treasury stock, and 230,000,000 shares of common stock outstanding and held by ING International, prior to the IPO. The accompanying Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements give retroactive effect to the stock split for all periods presented. There are no preferred shares issued or outstanding.

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.

The Condensed Consolidated Financial Statements include the accounts of ING U.S., 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.

Certain immaterial reclassifications have been made to prior year financial information to conform to the current year classifications.

The accompanying Condensed Consolidated Financial Statements reflect all adjustments (including normal, recurring adjustments) necessary to present fairly the financial position of the Company as of September 30, 2013, its results of operations and comprehensive income for the three and nine months ended September 30, 2013 and 2012 and its changes in shareholders' equity



ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

and statements of cash flows for the nine months ended September 30, 2013 and 2012, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's Amendment No. 2 to its Registration Statement on Form S-1, filed with the SEC on October 21, 2013 (the "Registration Statement").

#### Adoption of New Pronouncements

##### Derivatives and Hedging

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-10, "Derivatives and Hedging (Accounting Standards Codification ("ASC") Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes" ("ASU 2013-10"), which permits an entity to use the Fed Funds Effective Swap Rate ("OIS") to be used as a U.S. benchmark interest rate for hedge accounting purposes. In addition, the guidance removes the restriction on using different benchmark rates for similar hedges.

The provisions of ASU 2013-10 were adopted by the Company on July 17, 2013 for qualifying new or redesigned hedges entered into on or after that date. The adoption had no effect on the Company's financial condition, results of operations or cash flows.

##### Disclosures about Offsetting Assets and Liabilities

In December 2011, FASB issued ASU 2011-11, "Balance Sheet (ASC Topic 210): Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11"), which requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to an agreement similar to a master netting arrangement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements.

In January 2013, the FASB issued ASU 2013-01, "Balance Sheet (ASC Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" ("ASU 2013-01"), which clarifies that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with ASU Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement.

The provisions of ASU 2013-01 and ASU 2011-11 were adopted retrospectively by the Company on January 1, 2013. The adoption had no effect on the Company's financial condition, results of operations or cash flows, as the pronouncement only pertains to additional disclosure. The disclosures required by ASU 2011-11 and ASU 2013-01 are included in the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements.

##### Disclosures about Amounts Reclassified out of Accumulated Other Comprehensive Income

In January 2013, the FASB issued ASU 2013-02, "Comprehensive Income (ASC Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-02"), which requires an entity to

provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts.

The provisions of ASU 2013-02 were adopted by the Company on January 1, 2013. The adoption had no effect on the Company's financial condition, results of operations or cash flows, as the pronouncement only pertains to additional disclosure. The disclosures required by ASU 2013-02, including comparative period disclosures, are included in the Accumulated Other Comprehensive Income Note to these Condensed Consolidated Financial Statements.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

#### Future Adoption of Accounting Pronouncements

##### Fees Paid to the Federal Government by Health Insurers

In July 2011, the FASB issued ASU 2011-06, "Other Expenses (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 are effective for calendar years beginning after December 31, 2013, when the fee initially becomes effective. The Company does not expect ASU 2011-06 to have an impact on its financial condition, results of operations or cash flows, as the amount of net premium written for qualifying health insurance by the Company is expected to be below the \$25.0 threshold as defined by the Acts and, thus, not subject to the fee.

##### 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 are effective for years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied retrospectively for those obligations resulting from joint and several liability arrangements that exist at the beginning of an entity's year of adoption. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2013-04.

##### 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 are effective for interim and annual reporting periods in years beginning after December 15, 2013, and should be applied prospectively for entities that are investment companies upon the effective date of the amendments. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2013-08.

Income Taxes

In July 2013, the FASB issued ASU 2013-11, "Income Taxes (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 are effective for years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. The Company does not expect

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

ASU 2013-11 to have an impact on its financial condition, results of operations or cash flows, as the guidance is consistent with that currently applied.

## 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, 2013:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)</sup>
Fixed maturities:						
U.S. Treasuries	\$5,518.0	\$283.5	\$58.8	\$—	\$5,742.7	\$—
U.S. Government agencies and authorities	562.7	31.7	0.7	—	593.7	—
State, municipalities and political subdivisions	274.0	12.8	1.8	—	285.0	—
U.S. corporate securities	35,818.8	2,243.4	651.0	—	37,411.2	12.8
Foreign securities: <sup>(1)</sup>						
Government	1,045.6	53.7	41.8	—	1,057.5	—
Other	14,419.5	897.9	185.9	—	15,131.5	—
Total foreign securities	15,465.1	951.6	227.7	—	16,189.0	—
Residential mortgage-backed securities:						
Agency	5,411.9	457.9	47.8	90.5	5,912.5	1.1
Non-Agency	1,205.7	163.9	33.7	54.1	1,390.0	105.8
Total Residential mortgage-backed securities	6,617.6	621.8	81.5	144.6	7,302.5	106.9
Commercial mortgage-backed securities	3,509.3	360.9	2.6	—	3,867.6	4.4
Other asset-backed securities	1,965.7	88.5	44.9	(6.8)	2,002.5	5.1
Total fixed maturities, including securities pledged	69,731.2	4,594.2	1,069.0	137.8	73,394.2	129.2
Less: Securities pledged	1,280.4	53.0	20.8	—	1,312.6	—
Total fixed maturities	68,450.8	4,541.2	1,048.2	137.8	72,081.6	129.2

Equity securities:

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Common stock	185.1	2.3	0.1	—	187.3	—
Preferred stock	53.1	39.2	—	—	92.3	—
Total equity securities	238.2	41.5	0.1	—	279.6	—
Total fixed maturities and equity securities investments	\$68,689.0	\$4,582.7	\$1,048.3	\$137.8	\$72,361.2	\$129.2

(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.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2012:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)</sup>
Fixed maturities:						
U.S. Treasuries	\$5,194.3	\$691.2	\$1.8	\$—	\$5,883.7	\$—
U.S. Government agencies and authorities	645.4	78.8	—	—	724.2	—
State, municipalities and political subdivisions	320.2	32.6	—	—	352.8	—
U.S. corporate securities	32,986.1	4,226.6	48.8	—	37,163.9	13.4
Foreign securities <sup>(1)</sup> :						
Government	1,069.4	125.2	4.6	—	1,190.0	—
Other	13,321.8	1,527.4	54.7	—	14,794.5	—
Total foreign securities	14,391.2	1,652.6	59.3	—	15,984.5	—
Residential mortgage-backed securities:						
Agency	5,071.6	633.3	14.8	156.0	5,846.1	1.2
Non-Agency	1,612.6	198.6	71.9	81.6	1,820.9	139.6
Total Residential mortgage-backed securities	6,684.2	831.9	86.7	237.6	7,667.0	140.8
Commercial mortgage-backed securities	4,438.9	513.6	6.1	—	4,946.4	4.4
Other asset-backed securities	2,536.4	128.4	90.0	(10.2)	2,564.6	15.4
Total fixed maturities, including securities pledged	67,196.7	8,155.7	292.7	227.4	75,287.1	174.0
Less: Securities pledged	1,470.0	139.6	4.1	—	1,605.5	—
Total fixed maturities	65,726.7	8,016.1	288.6	227.4	73,681.6	174.0
Equity securities:						
Common stock	194.4	13.2	1.0	—	206.6	—
Preferred stock	103.5	30.0	—	—	133.5	—
Total equity securities	297.9	43.2	1.0	—	340.1	—
Total fixed maturities and equity securities investments	\$66,024.6	\$8,059.3	\$289.6	\$227.4	\$74,021.7	\$174.0

<sup>(1)</sup> Primarily U.S. dollar denominated.

<sup>(2)</sup> 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.

<sup>(3)</sup> Represents OTTI reported as a component of Other comprehensive income.



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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

The amortized cost and fair value of fixed maturities, including securities pledged, as of September 30, 2013, 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	\$2,341.3	\$2,423.9
After one year through five years	15,201.6	16,036.2
After five years through ten years	19,660.3	20,113.5
After ten years	20,435.4	21,648.0
Mortgage-backed securities	10,126.9	11,170.1
Other asset-backed securities	1,965.7	2,002.5
Fixed maturities, including securities pledged	\$69,731.2	\$73,394.2

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, 2013 and December 31, 2012, 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 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, 2013				
Communications	\$4,055.9	\$278.6	\$80.0	\$4,254.5
Financial	6,419.0	551.9	72.4	6,898.5
Industrial and other companies	29,424.9	1,619.1	531.6	30,512.4
Utilities	8,890.2	600.7	125.0	9,365.9
Transportation	1,448.3	91.0	27.9	1,511.4
Total	\$50,238.3	\$3,141.3	\$836.9	\$52,542.7
December 31, 2012				
Communications	\$3,609.5	\$563.4	\$2.4	\$4,170.5
Financial	5,912.9	749.4	46.7	6,615.6
Industrial and other companies	26,613.3	3,063.3	24.2	29,652.4
Utilities	8,893.1	1,210.5	28.9	10,074.7
Transportation	1,279.1	167.4	1.3	1,445.2

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Total	\$46,307.9	\$5,754.0	\$103.5	\$51,958.4
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ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

### 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 fair value option ("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 DAC, 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 Collateralized mortgage obligations ("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, 2013 and December 31, 2012, approximately 35.5% and 33.1%, 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. As of September 30, 2013 and December 31, 2012, the Company did not have any securities pledged in dollar rolls and repurchase agreement transactions. 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, 2013 and December 31, 2012, the Company did not have any securities pledged under reverse repurchase agreements.

### Securities Lending

The Company engages in securities lending whereby certain domestic 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 portions of the program, the lending agent retains the cash collateral. For other portions of the program, a lending agent, if used, may retain up to 5% of the collateral deposited by the borrower and the remaining cash collateral is received by 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, 2013 and

December 31, 2012, the fair value of loaned securities was \$396.1 and \$601.8, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets. As of September 30, 2013 and December 31, 2012, collateral retained by the lending agent and invested in liquid assets on the Company's behalf was \$414.3 and \$619.5, respectively, and recorded in Short-term investments under securities loan agreement, including collateral delivered on the Condensed Consolidated Balance Sheets. As of September 30, 2013 and December 31, 2012, liabilities to return collateral of \$414.3 and \$619.5, respectively, were included in Payables under securities loan agreement, including collateral held on the Condensed Consolidated Balance Sheets.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

## Unrealized Capital Losses

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of September 30, 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	\$2,109.3	\$50.7	\$43.8	\$8.1	\$—	\$—	\$2,153.1	\$58.8
U.S. Government agencies and authorities	57.0	0.7	—	—	—	—	57.0	0.7
U.S. corporate, state and municipalities	9,214.3	502.6	930.4	111.5	291.3	38.7	10,436.0	652.8
Foreign	3,118.3	181.7	231.2	26.9	170.7	19.1	3,520.2	227.7
Residential mortgage-backed	1,445.8	32.3	241.6	7.2	368.7	42.0	2,056.1	81.5
Commercial mortgage-backed (1)	24.2	0.5	2.0	—	* 18.3	2.1	44.5	2.6
Other asset-backed	224.8	3.0	20.2	—	* 293.6	41.9	538.6	44.9
<b>Total</b>	<b>\$16,193.7</b>	<b>\$771.5</b>	<b>\$1,469.2</b>	<b>\$153.7</b>	<b>\$1,142.6</b>	<b>\$143.8</b>	<b>\$18,805.5</b>	<b>\$1,069.0</b>

\*Less than \$0.1

ING U.S., Inc.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of December 31, 2012:

	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	\$451.2	\$1.8	\$—	\$—	\$—	\$—	\$451.2	\$1.8
U.S. Government agencies and authorities	—	—	—	—	—	—	—	—
U.S. corporate, state and municipalities	1,333.4	19.2	116.5	3.0	231.2	26.6	1,681.1	48.8
Foreign	360.2	12.7	59.8	7.4	314.9	39.2	734.9	59.3
Residential mortgage-backed	369.3	6.4	42.0	2.1	585.1	78.2	996.4	86.7
Commercial mortgage-backed	22.0	0.2	15.3	1.7	44.4	4.2	81.7	6.1
Other asset-backed	70.2	—	* 7.0	1.2	609.2	88.8	686.4	90.0
Total	\$2,606.3	\$40.3	\$240.6	\$15.4	\$1,784.8	\$237.0	\$4,631.7	\$292.7

\*Less than \$0.1

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 88.8% and 88.3% of the average book value as of September 30, 2013 and December 31, 2012, respectively.

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(Dollar amounts in millions, unless otherwise stated)

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

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
September 30, 2013						
Six months or less below amortized cost	\$17,030.2	\$197.7	\$779.2	\$47.3	1,137	31
More than six months and twelve months or less below amortized cost	1,710.8	3.3	154.5	1.1	182	5
More than twelve months below amortized cost	822.3	110.2	58.9	28.0	252	29
Total	\$19,563.3	\$311.2	\$992.6	\$76.4	1,571	65
December 31, 2012						
Six months or less below amortized cost	\$3,154.6	\$42.1	\$95.2	\$11.4	308	21
More than six months and twelve months or less below amortized cost	363.3	30.2	19.5	10.3	83	9
More than twelve months below amortized cost	940.1	394.1	35.9	120.4	221	95
Total	\$4,458.0	\$466.4	\$150.6	\$142.1	612	125

ING U.S., Inc.

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(Dollar amounts in millions, unless otherwise stated)

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

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
September 30, 2013						
U.S. Treasuries	\$2,211.9	\$—	\$58.8	\$—	20	—
U.S. Government agencies and authorities	57.7	—	0.7	—	2	—
U.S. corporate, state and municipalities	10,976.6	112.2	625.5	27.3	684	7
Foreign	3,665.0	82.9	209.5	18.2	284	9
Residential mortgage-backed	2,084.1	53.5	66.6	14.9	470	35
Commercial mortgage-backed	47.1	—	2.6	—	9	—
Other asset-backed	520.9	62.6	28.9	16.0	102	14
Total	\$19,563.3	\$311.2	\$992.6	\$76.4	1,571	65
December 31, 2012						
U.S. Treasuries	\$453.0	\$—	\$1.8	\$—	3	—
U.S. Government agencies and authorities	—	—	—	—	—	—
U.S. corporate, state and municipalities	1,688.5	41.4	33.1	15.7	109	3
Foreign	684.9	109.3	24.1	35.2	50	14
Residential mortgage-backed	938.3	144.8	42.5	44.2	343	77
Commercial mortgage-backed	85.9	1.9	5.6	0.5	19	1
Other asset-backed	607.4	169.0	43.5	46.5	88	30
Total	\$4,458.0	\$466.4	\$150.6	\$142.1	612	125



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(Dollar amounts in millions, unless otherwise stated)

The following tables summarize loan-to-value, credit enhancement and fixed floating rate details for RMBS and Other ABS in a gross unrealized loss position as of the dates indicated:

	Loan-to-Value Ratio		Unrealized Capital Losses	
	Amortized Cost			
September 30, 2013	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS > 100%	\$ 174.2	\$ 54.5	\$ 11.3	\$ 14.4
Non-agency RMBS 90% - 100%	185.6	18.7	11.5	4.5
Non-agency RMBS 80% - 90%	138.2	12.3	12.5	3.0
Non-agency RMBS < 80%	283.4	12.9	15.4	3.4
Agency RMBS	1,629.6	15.6	42.7	5.1
Other ABS (Non-RMBS)	194.0	2.1	2.1	0.5
Total RMBS and Other ABS	\$2,605.0	\$ 116.1	\$ 95.5	\$ 30.9

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
September 30, 2013	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS 10% +	\$ 472.4	\$ 61.8	\$ 35.8	\$ 15.6
Non-agency RMBS 5% - 10%	57.8	—	2.0	—
Non-agency RMBS 0% - 5%	170.0	7.5	6.1	1.8
Non-agency RMBS 0%	81.2	29.1	6.8	7.9
Agency RMBS	1,629.6	15.6	42.7	5.1
Other ABS (Non-RMBS)	194.0	2.1	2.1	0.5
Total RMBS and Other ABS	\$2,605.0	\$ 116.1	\$ 95.5	\$ 30.9

	Fixed Rate/Floating Rate		Unrealized Capital Losses	
	Amortized Cost			
September 30, 2013	< 20%	> 20%	< 20%	> 20%
Fixed Rate	\$ 1,308.1	\$ 10.4	\$ 35.5	\$ 3.0
Floating Rate	1,296.9	105.7	60.0	27.9
Total	\$2,605.0	\$ 116.1	\$ 95.5	\$ 30.9

<sup>(1)</sup> For purposes of this table, subprime mortgages are included in Non-agency RMBS categories.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

(Dollar amounts in millions, unless otherwise stated)

	Loan-to-Value Ratio		Unrealized Capital Losses	
	Amortized Cost			
December 31, 2012	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS > 100%	\$562.3	\$203.8	\$39.5	\$58.0
Non-agency RMBS 90% - 100%	134.2	35.2	12.8	10.7
Non-agency RMBS 80% - 90%	78.9	46.9	7.5	12.1
Non-agency RMBS < 80%	288.9	17.5	14.0	5.5
Agency RMBS	398.0	8.1	11.0	3.8
Other ABS (Non-RMBS)	83.4	2.3	1.2	0.6
Total RMBS and Other ABS	\$1,545.7	\$313.8	\$86.0	\$90.7

	Credit Enhancement Percentage		Unrealized Capital Losses	
	Amortized Cost			
December 31, 2012	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS <sup>(1)</sup>				
Non-agency RMBS 10% +	\$706.8	\$187.1	\$53.8	\$51.2
Non-agency RMBS 5% - 10%	187.6	2.2	6.8	0.7
Non-agency RMBS 0% - 5%	89.4	12.3	7.6	4.2
Non-agency RMBS 0%	80.5	101.8	5.6	30.2
Agency RMBS	398.0	8.1	11.0	3.8
Other ABS (Non-RMBS)	83.4	2.3	1.2	0.6
Total RMBS and Other ABS	\$1,545.7	\$313.8	\$86.0	\$90.7

	Fixed Rate/Floating Rate		Unrealized Capital Losses	
	Amortized Cost			
December 31, 2012	< 20%	> 20%	< 20%	> 20%
Fixed Rate	\$669.4	\$33.3	\$14.2	\$10.2
Floating Rate	876.3	280.5	71.8	80.5
Total	\$1,545.7	\$313.8	\$86.0	\$90.7

<sup>(1)</sup> For purposes of this table, subprime mortgages are included in Non-agency RMBS categories.

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All 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.

#### Fixed Maturity Securities Credit Quality - Ratings

Information about certain of the Company's fixed maturity securities holdings by the National Association of Insurance Commissioners ("NAIC") designations is set forth in the following tables. Corresponding rating agency designation does not directly translate into NAIC designation, but represents the Company's best estimate of comparable ratings from rating agencies, including Fitch Ratings, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P"). If no rating is available from a rating agency, then an internally developed rating is used.

The fixed maturities in the Company's portfolio are generally rated by external rating agencies and, if not externally rated, are rated by the Company on a basis similar to that used by the rating agencies. Ratings are derived from three ARO ratings and are applied as follows based on the number of agency ratings received:

- when three ratings are received, the middle rating is applied;
- when two ratings are received, the lower rating is applied;
- when a single rating is received, the ARO rating is applied; and
- when ratings are unavailable, an internal rating is applied.

#### Subprime and Alt-A Mortgage Exposure

The Company does not originate or purchase subprime or Alt-A whole-loan mortgages. Subprime lending is the origination of loans to customers with weaker credit profiles. The Company defines Alt-A mortgages to include the

following: residential mortgage loans to customers who have strong credit profiles but lack some element(s), such as documentation to substantiate income; residential mortgage loans to borrowers that would otherwise be classified as prime but whose loan structure provides repayment options to the borrower that increase the risk of default; and any securities backed by residential mortgage collateral not clearly identifiable as prime or subprime.

The Company's exposure to subprime mortgage-backed securities is primarily in the form of ABS structures collateralized by subprime residential mortgages and the majority of these holdings are included in Other ABS in the "Fixed Maturities and Equity Securities" section above. As of September 30, 2013, the fair value, amortized cost, and gross unrealized losses related to the Company's exposure to subprime mortgage-backed securities were \$657.7, \$657.5 and \$43.0, representing 0.9% of total fixed maturities, including securities pledged, based on fair value, respectively. As of December 31, 2012, the fair value, amortized cost and gross unrealized losses related to the Company's exposure to subprime mortgage-backed securities were \$967.3, \$998.0 and \$89.1, representing 1.3% of total fixed maturities, including securities pledged, based on fair value, respectively.

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The following tables summarize the Company's exposure to subprime mortgage-backed securities by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total Subprime Mortgage-backed Securities								
	NAIC Designation		ARO Ratings		Vintage				
September 30, 2013									
	1	61.9	%	AAA	0.4	%	2007	28.6	%
	2	5.1	%	AA	1.1	%	2006	26.5	%
	3	24.0	%	A	5.4	%	2005 and prior	44.9	%
	4	7.6	%	BBB	6.0	%		100.0	%
	5	1.1	%	BB and below	87.1	%			
	6	0.3	%		100.0	%			
		100.0	%						
December 31, 2012									
	1	60.3	%	AAA	1.1	%	2007	29.1	%
	2	11.9	%	AA	1.0	%	2006	36.8	%
	3	16.7	%	A	5.4	%	2005 and prior	34.1	%
	4	8.1	%	BBB	6.0	%		100.0	%
	5	2.8	%	BB and below	86.5	%			
	6	0.2	%		100.0	%			
		100.0	%						

The Company's exposure to Alt-A mortgages is included in Residential mortgage-backed securities in the "Fixed Maturities and Equity Securities" section above. As of September 30, 2013, the fair value, amortized cost and gross unrealized losses related to the Company's exposure to Alt-A RMBS aggregated to \$358.8, \$326.0 and \$21.3, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2012, the fair value, amortized cost and gross unrealized losses related to the Company's exposure to Alt-A RMBS aggregated to \$411.3, \$389.2 and \$47.9, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value.

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The following tables summarize the Company's exposure to Alt-A residential mortgage-backed securities by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

		% of Total Alt-A Mortgage-backed Securities							
		NAIC Designation	ARO Ratings		Vintage				
September 30, 2013									
1	45.1	%	AAA	0.1	%	2007	21.7	%	
2	13.8	%	AA	—	%	2006	26.0	%	
3	23.8	%	A	1.5	%	2005 and prior	52.3	%	
4	13.8	%	BBB	4.0	%		100.0	%	
5	2.9	%	BB and below	94.4	%			%	
6	0.6	%		100.0	%			%	
	100.0	%							
December 31, 2012									
1	34.1	%	AAA	0.2	%	2007	20.4	%	
2	11.9	%	AA	1.2	%	2006	25.9	%	
3	18.8	%	A	1.5	%	2005 and prior	53.7	%	
4	26.9	%	BBB	4.1	%		100.0	%	
5	7.5	%	BB and below	93.0	%			%	
6	0.8	%		100.0	%			%	
	100.0	%							

#### Commercial Mortgage-backed and Other Asset-backed Securities

The following tables summarize the Company's exposure to CMBS holdings by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

		% of Total CMBS							
		NAIC Designation	ARO Ratings		Vintage				
September 30, 2013									
1	98.6	%	AAA	38.3	%	2008	0.3	%	
2	1.0	%	AA	20.5	%	2007	32.7	%	
3	0.3	%	A	11.0	%	2006	34.6	%	
4	0.1	%	BBB	15.6	%	2005 and prior	32.4	%	
5	—	%	BB and below	14.6	%		100.0	%	
6	—	%		100.0	%			%	
	100.0	%							
December 31, 2012									
1	98.3	%	AAA	38.1	%	2008	0.3	%	
2	1.4	%	AA	17.2	%	2007	37.4	%	
3	0.2	%	A	11.2	%	2006	30.2	%	

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4	0.1	%	BBB	17.8	%	2005 and prior	32.1	%
5	—	%	BB and below	15.7	%		100.0	%
6	—	%		100.0	%			
	100.0	%						

As of September 30, 2013 the fair value, amortized cost and gross unrealized losses of the Company's Other ABS, excluding subprime exposure, totaled \$1.4 billion, \$1.3 billion and \$2.6, respectively. As of December 31, 2012, the fair value, amortized

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cost and gross unrealized losses of the Company's Other ABS, excluding subprime exposure, totaled \$1.6 billion, \$1.6 billion and \$1.8, respectively.

As of September 30, 2013, Other ABS was also broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 40.8%, 3.6% and 34.8%, respectively, of total Other ABS, excluding subprime exposure. As of December 31, 2012, Other ABS was also broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 40.5%, 4.1% and 33.3%, respectively, of total Other ABS, excluding subprime exposure.

The following tables summarize the Company's exposure to Other ABS holdings, excluding subprime exposure, by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total Other ABS		ARO Ratings		Vintage				
	NAIC Designation								
September 30, 2013									
	1	98.9	%	AAA	92.5	%	2013	6.6	%
	2	0.9	%	AA	2.2	%	2012	23.5	%
	3	—	%	A	4.2	%	2011	9.9	%
	4	—	%	BBB	0.9	%	2010	4.8	%
	5	—	%	BB and below	0.2	%	2009	2.3	%
	6	0.2	%		100.0	%	2008	4.7	%
		100.0	%				2007 and prior	48.2	%
								100.0	%
December 31, 2012									
	1	97.7	%	AAA	91.9	%	2012	24.6	%
	2	1.7	%	AA	0.9	%	2011	14.9	%
	3	0.1	%	A	4.9	%	2010	5.8	%
	4	—	%	BBB	1.7	%	2009	2.1	%
	5	—	%	BB and below	0.6	%	2008	5.9	%
	6	0.5	%		100.0	%	2007	18.4	%
		100.0	%				2006 and prior	28.3	%
								100.0	%

#### Troubled Debt Restructuring

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt restructuring has occurred. A modification is a troubled debt restructuring when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate,



extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. As of September 30, 2013, the Company did not have any new private placement troubled debt restructurings and had 21 new commercial mortgage loan troubled debt restructurings with 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, 2013, these loans have repaid \$4.2 in principal. As of December 31, 2012, the Company had one private placement troubled debt restructuring

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with a pre-modification carrying value of \$1.2, which was written down to zero and no commercial mortgage loan troubled debt restructurings.

During the three and nine months ended September 30, 2013 and 2012, 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 all 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 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 summarizes the Company's investment in mortgage loans as of the dates indicated:

	September 30, 2013	December 31, 2012
Commercial mortgage loans	\$9,019.6	\$8,666.2
Collective valuation allowance	(4.0	) (3.9
Total net commercial mortgage loans	\$9,015.6	\$8,662.3

There were no impairment charges taken on the mortgage loan portfolio for the three and nine months ended September 30, 2013 and 2012.

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

	September 30, 2013	December 31, 2012
Collective valuation allowance for losses, balance at January 1	\$3.9	\$4.4
Addition to (reduction of) allowance for losses	0.1	(0.5
Collective valuation allowance for losses, end of period	\$4.0	\$3.9

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

	September 30, 2013	December 31, 2012
Impaired loans with allowances for losses	\$—	\$—
Impaired loans without allowances for losses	94.4	16.8

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Subtotal	94.4	16.8
Less: Allowances for losses on impaired loans	—	—
Impaired loans, net	\$94.4	\$16.8
Unpaid principal balance of impaired loans	\$96.9	\$31.9

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The following table presents information on restructured loans and loans in foreclosure as of the dates indicated:

	September 30, 2013	December 31, 2012
Troubled debt restructured loans	\$86.6	\$—
Loans in foreclosure, at amortized cost	5.1	9.0

There was one mortgage loan in the Company's portfolio in process of foreclosure as of September 30, 2013, with a total amortized cost of \$5.1. There were no other loans in arrears with respect to principal and interest as of September 30, 2013.

There were four mortgage loans in the Company's portfolio in process of foreclosure as of December 31, 2012, with a total amortized cost of \$9.0. There were no other loans in arrears with respect to principal and interest as of December 31, 2012.

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,	
	2013	2012
Impaired loans, average investment during the period (amortized cost)	\$55.6	\$24.6
Interest income recognized on impaired loans, on an accrual basis	1.0	0.2
Interest income recognized on impaired loans, on a cash basis	1.0	0.1
Interest income recognized on troubled debt restructured loans, on an accrual basis	0.8	—
	Nine Months Ended September 30,	
	2013	2012
Impaired loans, average investment during the period (amortized cost)	\$55.6	\$36.6
Interest income recognized on impaired loans, on an accrual basis	1.3	0.5
Interest income recognized on impaired loans, on a cash basis	1.3	0.6
Interest income recognized on troubled debt restructured loans, on an accrual basis	0.8	0.3

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, 2013<sup>(1)</sup> December 31, 2012<sup>(1)</sup>

Loan-to-Value Ratio:

0% - 50%	\$1,774.8	\$1,987.9
50% - 60%	2,352.5	2,425.2
60% - 70%	4,404.2	3,736.1
70% - 80%	468.2	481.7
80% and above	19.9	35.3
Total Commercial mortgage loans	\$9,019.6	\$8,666.2

(1) Balances do not include allowance for mortgage loan credit losses.

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

	September 30, 2013 <sup>(1)</sup>	December 31, 2012 <sup>(1)</sup>
Debt Service Coverage Ratio:		
Greater than 1.5x	\$6,134.2	\$5,953.7
1.25x - 1.5x	1,513.4	1,336.3
1.0x - 1.25x	997.4	992.7
Less than 1.0x	374.6	374.6
Commercial mortgage loans secured by land or construction loans	—	8.9
Total Commercial mortgage loans	\$9,019.6	\$8,666.2

<sup>(1)</sup> Balances do not include allowance for mortgage loan credit 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, 2013 <sup>(1)</sup>		December 31, 2012 <sup>(1)</sup>		
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total	
Commercial Mortgage Loans by U.S. Region:					
Pacific	\$2,054.5	22.7	% \$1,973.9	22.8	%
South Atlantic	1,851.4	20.5	% 1,687.6	19.4	%
West South Central	1,232.9				