

ING U.S., Inc.  
Form S-1/A  
April 25, 2013  
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As filed with the Securities and Exchange Commission on April 25, 2013

Registration No. 333-184847

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Amendment No. 5**  
**to**  
**FORM S-1**  
**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

**ING U.S., INC.**

(Exact Name of Registrant as Specified in Its Charter)

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<b>Delaware</b> (State or Other Jurisdiction of Incorporation or Organization)	<b>6311</b> (Primary Standard Industrial Classification Code Number) <b>230 Park Avenue</b>  <b>New York, New York 10169</b>  <b>(212) 309-8200</b>	<b>52-1222820</b> (I.R.S. Employer Identification Number)
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(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Bridget M. Healy**  
**Executive Vice President and**  
**Chief Legal Officer**  
  
**ING U.S., Inc.**  
**230 Park Avenue**  
  
**New York, New York 10169**  
  
**(212) 309-8200**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

**Robert G. DeLaMater**  
  
**Sullivan & Cromwell LLP**  
  
**125 Broad Street**  
  
**New York, NY 10004**  
  
**(212) 558-4000**

**Joseph A. Hall**  
  
**Davis Polk & Wardwell LLP**  
  
**450 Lexington Avenue**  
  
**New York, NY 10017**  
  
**(212) 450-4000**

**Approximate date of commencement of proposed sale to the public:**

**As soon as practicable after this registration statement becomes effective.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

**The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this preliminary prospectus is not complete and may be changed. We and the Selling Stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any jurisdiction where such offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED APRIL 25, 2013**

**Preliminary Prospectus**

**64,166,667 Shares**

**Common Stock**

This is an initial public offering (the offering) of shares of the common stock of ING U.S., Inc.

This offering will consist of both a primary component, in which ING U.S., Inc. will offer shares, and a secondary component, in which ING Insurance International B.V. (the Selling Stockholder) will offer shares. We intend for the gross proceeds to the Company from this offering to equal \$600 million, and for the Selling Stockholder to own 75% of our common stock immediately following this offering (before any exercise of the underwriters' option to purchase additional shares described below). Assuming a per-share price at the mid-point of the price range set forth below, the Company will offer 26,666,667 shares and the Selling Stockholder will offer 37,500,000 shares in this offering. ING U.S., Inc. will not receive any of the proceeds from the sale of the shares sold by the Selling Stockholder.

It is currently estimated that the initial public offering price per share will be between \$21.00 and \$24.00.

Our common stock has been approved for listing on the New York Stock Exchange ( NYSE ) under the symbol VOYA . We expect to rebrand from ING U.S. to Voya Financial over time following this offering.

**Investing in our common stock involves risk. See Risk Factors on page 19 to read about factors you should consider before buying shares of our common stock.**

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

	Per Share	Total
Initial public offering price	\$	\$
Underwriting discount <sup>(1)</sup>	\$	\$
Proceeds, before expenses, to ING U.S., Inc.	\$	\$
Proceeds, before expenses, to the Selling Stockholder	\$	\$

(1) The underwriters will receive compensation in addition to the underwriting discount. See Underwriting. To the extent that the underwriters sell more than 64,166,667 shares, the underwriters have the option to purchase up to an additional 9,625,000 shares from the Selling Stockholder at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on \_\_\_\_\_, 2013.

**Morgan Stanley**                      **Goldman, Sachs & Co.**                      **Citigroup**  
**BofA Merrill Lynch**      **Credit Suisse**      **Deutsche Bank Securities**                      **J.P. Morgan**

**ING**

**Barclays**                                      **RBC Capital Markets**                                      **SunTrust Robinson Humphrey**

**Evercore Partners**                      **Keefe, Bruyette & Woods**

*A Stifel Company*  
**Raymond James**

**Sandler O'Neill + Partners, L.P.**  
**Wells Fargo Securities**

**BNY Mellon Capital Markets, LLC**                                      **COMMERZBANK**                                      **HSBC**  
**Mediobanca**                      **Piper Jaffray**                      **Ramirez & Co., Inc.**                      **The Williams Capital Group, L.P.**

Prospectus dated \_\_\_\_\_, 2013.

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None of ING U.S., Inc., the Selling Stockholder, or the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses prepared by, or on behalf of, ING U.S., Inc. or to which ING U.S., Inc. has referred you. ING U.S., Inc., the Selling Stockholder and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Through and including \_\_\_\_\_, 2013 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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**NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements. 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 and 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.



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### **MARKET DATA**

In this prospectus, we present certain market and industry data and statistics. This information is based on third-party sources which we believe to be reliable. Market ranking information is generally based on industry surveys and therefore the reported rankings reflect the rankings only of those companies who voluntarily participate in these surveys. Accordingly, our market ranking among all competitors may be lower than the market ranking set forth in such surveys. In some cases, we have supplemented these third-party survey rankings with our own information, such as where we believe we know the market ranking of particular companies who do not participate in the surveys.

In this prospectus, the term *customers* refers to retirement plan sponsors, retirement plan participants, institutional investment clients, retail investors, corporations or professional groups offering employee benefits solutions, insurance policyholders, annuity contract holders, individuals with contractual relationships with financial advisors and holders of Individual Retirement Accounts ( *IRAs* ) or other individual retirement, investment or insurance products sold by us.

Market data sources used with respect to our various segments include:

#### **Retirement**

Our Retirement segment sources our market segment leadership positions within the retirement industry from market surveys conducted by LIMRA, an insurance and financial services industry organization, and industry-recognized publications such as *Pensions & Investments*, *PlanSponsor Magazine* and *InvestmentNews.com*. Retirement tracks market segment leadership positions by assets under management ( *AUM* ) or assets under administration ( *AUA* ), number of defined contribution plans, number of defined contribution plan participants and sales (takeover assets and contributions).

#### **Annuities**

Our Annuities segment sources our market segment leadership positions within the annuities industry primarily from LIMRA market surveys. Annuities tracks market segment leadership positions by assets under management.

#### **Investment Management**

Our Investment Management segment sources our market segment leadership positions within the investment management industry from *Morningstar* fund data and industry-recognized publications such as *Cogent Research* and *Pension & Investments*. Investment Management tracks market segment leadership positions by AUM; percentage of mutual funds that exceed their Morningstar category average (asset weighted, five-year basis); percentage of mutual funds that have lower volatility than their Morningstar competitor average (asset weighted, five-year basis); and survey ranking on loyalty, favorable impression and nine brand attributes by clients (plan sponsors) among defined contribution investment managers.

#### **Individual Life**

Our Individual Life segment sources our market segment leadership positions within the individual life insurance industry primarily from LIMRA market surveys. Individual Life tracks market segment leadership positions by premiums sold.

#### **Employee Benefits**

Our Employee Benefits segment sources our market segment leadership positions within the employee benefits industry from LIMRA market surveys and *MyHealthguide* newsletter rankings. Stop loss market rankings are derived from *MyHealthguide*, which does not include managed healthcare providers in their market positions survey. Employee Benefits tracks market segment leadership positions by new premiums and in-force premiums.

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**SUMMARY**

*This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider before deciding to invest in our common stock. Before investing in our common stock, you should carefully read this entire prospectus, including our Consolidated Financial Statements and the related notes thereto and the information set forth under the sections Risk Factors and Management's Discussion and Analysis of Results of Operations and Financial Condition, in each case included in this prospectus. Unless the context otherwise requires, we use in this prospectus the term ING U.S., Inc. to refer to ING U.S., Inc., and we use the terms Company, we, us and our to refer to ING U.S., Inc. together with its consolidated subsidiaries.*

**Our Company**

We are a premier retirement, investment and insurance company serving the financial needs of approximately 13 million individual and institutional customers in the United States as of December 31, 2012. Our vision is to be America's Retirement Company. Our approximately 7,000 employees (as of December 31, 2012) are focused on executing our mission to make a secure financial future possible—one person, one family and one institution at a time. Through our retirement, investment management and insurance businesses, we help our customers save, grow, protect and enjoy their wealth to and through retirement. We offer our products and services through a broad group of financial intermediaries, independent producers, affiliated advisors and dedicated sales specialists throughout the United States.

Our extensive scale and breadth of product offerings are designed to help Americans achieve their retirement savings, investment income and protection goals. Our strategy is centered on preparing customers for Retirement Readiness—being emotionally and economically secure and ready for their retirement. We believe that the rapid aging of the U.S. population, weakening of traditional social safety nets, shifting of responsibility for retirement planning from institutions to individuals and growth in total retirement account assets will drive significant demand for our products and services going forward. We believe that we are well positioned to deliver on this Retirement Readiness need.

We believe that we help our customers achieve four essential financial goals, as they prepare for, enter and enjoy their retirement years.

**Save.** Our products enable our customers to save for retirement by establishing investment accounts through their employers or individually.

**Grow.** We provide advisory programs, Individual Retirement Accounts (IRAs), fixed annuities, brokerage accounts, mutual funds and accumulation insurance products to help our customers achieve their financial objectives.

**Protect.** Our specialized retirement and insurance products, such as universal life (UL), indexed universal life (IUL), term life and stable value products, allow our customers to protect against unforeseen life events and mitigate market risk.

**Enjoy.** Our income products such as target date funds, guaranteed income funds, fixed annuities, IRAs, mutual funds and accumulation insurance products enable our customers to meet income needs through retirement and achieve wealth transfer objectives.

We tailor our products to meet the unique needs of our individual and institutional customers. Our individual businesses are primarily focused on the middle and mass affluent markets; however we serve customers across the full income spectrum, especially in our Institutional Retirement Plans business, Retail and Alternative Fund businesses, and Employee Benefits segment. Similarly, our institutional businesses serve a broad range of customers, with customized offerings to the small-mid, large and mega market segments.

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We believe that with our leading market positions, investment expertise, and distribution reach we are well positioned to generate attractive risk-adjusted returns and earnings growth for our shareholders over time.

We operate our principal businesses through three business lines: Retirement Solutions, Investment Management and Insurance Solutions. We refer to these business lines as our ongoing business. In addition, we also have Closed Blocks and Corporate reporting segments. Closed Blocks consists of three businesses where we have placed our portfolios in run-off Closed Block Variable Annuity, Closed Block Institutional Spread Products and Closed Block Other. Our Corporate segment includes our corporate activities and corporate-level assets and financial obligations.

The following chart presents the key products we offer across each of our businesses.

***Retirement Solutions.*** We are a leading provider of retirement services and products in the United States, with approximately \$116.6 billion in assets under management ( AUM ) and \$213.7 billion of assets under administration ( AUA ) as of December 31, 2012. We provide an extensive product range addressing both the accumulation and income distribution needs of customers, through a broad distribution footprint of nearly 2,400 affiliated representatives and thousands of non-affiliated agents and third party administrators ( TPAs ) as of December 31, 2012. Our Retirement Solutions business comprises two financial reporting segments: Retirement and Annuities.

*Retirement* provides tax-deferred, employer-sponsored retirement savings plans and administrative services to nearly 48,000 plan sponsors covering more than 5 million plan participants in corporate, education, healthcare and government markets as of December 31, 2012. Retirement also provides rollover IRAs, and other retail financial products as well as comprehensive financial advisory services to individual customers. We serve a broad spectrum of employers ranging from small companies to the very largest of corporations and government entities. As of the latest Pensions and Investments survey published in March 2013, we rank second in the U.S. defined contribution plan market by number of record kept plan sponsors, third by number of plan participants served, and fifth by assets under management and administration at September 30, 2012. Retirement had \$304.1 billion of AUM and AUA at December 31, 2012, of which \$80.2 billion was full service business, \$221.5 billion was recordkeeping and stable value business and \$2.4 billion was Individual Markets business.

*Annuities* provides fixed and indexed annuities, tax-qualified mutual fund custodial products and payout annuities for pre-retirement wealth accumulation and post-retirement income management sold through multiple channels, and had \$26.1 billion of AUM at December 31, 2012.

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**Investment Management.** We are a prominent full-service asset manager with \$181.8 billion of AUM and \$54.7 billion of AUA as of December 31, 2012, delivering client-oriented investment solutions and advisory services. We serve both individual and institutional customers, offering them domestic and international fixed income, equity, multi-asset and alternative investment products and solutions across a range of geographies, investment styles and capitalization spectrums.

As of December 31, 2012, we managed \$101.3 billion in our commercial business (comprised of \$60.7 billion for third-party institutions and individual investors, and \$40.6 billion in separate account assets for our Retirement Solutions, Insurance Solutions and Closed Block businesses) and \$80.4 billion in general account assets. We are particularly focused on growing our commercial business, in which we achieved 11.3% organic AUM growth in 2012.

We have a highly scalable business model and are among the twenty largest managers of institutional tax-exempt assets in the U.S. and ranked number one among defined contribution investment managers in client loyalty and favorability in 2011.

As of December 31, 2012, our retail mutual fund portfolio assets totaled \$22.0 billion. On a five-year asset-weighted basis, 77% of our mutual funds beat their Morningstar category average and 85% had lower volatility than their Morningstar competitor average as of December 31, 2012.

**Insurance Solutions.** We are one of the top providers of life insurance in the United States. In our focus individual products, term and universal life, we currently rank fifth and seventeenth, respectively, based on premiums sold as of December 31, 2012. We are also the fifth ranked provider of medical stop loss coverage in the United States based on in-force premiums as of September 30, 2012. Our Insurance Solutions business comprises two financial reporting segments: Individual Life and Employee Benefits.

*Individual Life* provides wealth protection and transfer opportunities through universal, variable, and term products, distributed through independent channels to meet the needs of a broad range of customers from the middle-market through affluent market segments. As of December 31, 2012, the Individual Life distribution model is supported by independent life sales agents (over 2,200 independent general agents with access to over 93,000 producers), strategic distribution (over 30 independent managing directors supporting approximately 6,900 additional producers) and specialty markets (approximately 75 general agents with access to over 7,400 producers).

*Employee Benefits* provides stop loss, group life, voluntary employee-paid and disability products to mid-sized and large businesses. As of December 31, 2012, the Company has 58 employee benefits sales representatives, across 19 sales offices, with average industry experience of 16 years. Approximately 59.4%, 18.8% and 9.6% of 2012 Employee Benefit sales were attributed to stop loss, life and voluntary products, respectively.

**Closed Blocks.** We separated our Closed Block Variable Annuity and Closed Block Institutional Spread Products segments from our other operations and made a strategic decision to stop actively writing new retail variable annuity products with substantial guarantee features and to run-off the institutional spread products portfolio over time. Accordingly, these segments have been classified as closed blocks and are managed separately from our ongoing business.

*Closed Block Variable Annuity.* In 2009, we decided to cease sales of retail variable annuity products with substantial guarantee features (the last policies were issued in early 2010) and placed this portfolio in run-off. Subsequently, we refined our hedging program to dynamically protect regulatory and rating agency capital of the variable annuities block for adverse equity market movements. In addition, since 2010, we have increased statutory reserves considerably, added significant interest rate risk protection and have more closely aligned our policyholder behavior assumptions with experience. Our focus in managing our Closed Block Variable Annuity segment is on protecting regulatory and rating agency



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capital from equity market movements via hedging and judiciously looking for opportunities to accelerate the run-off of the block, where possible. We believe that our hedging program combined with our statutory reserves of \$7.6 billion at December 31, 2012, related to the variable annuity block, provides adequate resources to fund a wide range of, but not all, possible market scenarios as well as a margin for adverse policyholder behavior.

*Closed Block Institutional Spread Products.* In 2009, we also placed the institutional spread products portfolio in run-off. As of December 31, 2012, remaining assets in the institutional spread products portfolio had an amortized cost of \$3.8 billion, down from a peak of \$14.3 billion in 2008.

As of December 31, 2012, we had \$461.0 billion in total AUM and AUA and total shareholder's equity, excluding accumulated other comprehensive income/(loss) (AOCI) and noncontrolling interests, of \$10.2 billion. In 2012, we generated \$606.0 million of income before income taxes, \$473.0 million of net income available to ING U.S., Inc.'s common shareholder and \$918.3 million of operating earnings before income taxes. Operating earnings before income taxes is a non-GAAP financial measure. For a reconciliation of operating earnings before income taxes to income (loss) before income taxes, see Management's Discussion and Analysis of Results of Operations and Financial Condition Results of Operations Company Consolidated.

The following table presents the relative contributions of each of our reporting segments to our AUM and AUA, and total operating earnings before income taxes for the year ended December 31, 2012. See Management's Discussion and Analysis of Results of Operations and Financial Condition Results of Operations Company Consolidated for a reconciliation of operating earnings before income taxes to Income (loss) before income taxes.

Business Line and Segments	AUM and AUA (As of December 31, 2012) \$ in millions	Total Operating Earnings Before Income Taxes (Year Ended December 31, 2012)	
		\$ in millions	%
<b>Retirement Solutions:</b>			
Retirement	\$ 304,147	\$ 448.6	48.9%
Annuities	26,101	102.2	11.1%
Investment Management	236,447	134.5	14.6%
<b>Insurance Solutions:</b>			
Individual Life	15,322	196.2	21.4%
Employee Benefits	1,759	109.4	11.9%
Eliminations	(170,346)		
<b>Total Ongoing Business</b>	<b>\$ 413,430</b>	<b>\$ 990.9</b>	<b>107.9%</b>
Corporate		(182.3)	(19.9)%
Closed Blocks	47,571	109.7 <sup>(1)</sup>	11.9%
<b>Total ING U.S.</b>	<b>\$ 461,001</b>	<b>\$ 918.3</b>	<b>100.0%</b>

- (1) Our Closed Block Variable Annuity segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics and, therefore, its results of operations are not reflected within operating earnings before income taxes.

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**Market Environment and Opportunities**

The current macroeconomic backdrop and financial market uncertainty, as well as the weakening of historical safety nets provided by governments and employers, such as Social Security and defined benefit plans, are increasing the need for Americans to plan for their own long-term financial security. Our products and services are designed to help individuals achieve their retirement savings, investment income and protection goals. We believe that we are uniquely positioned to benefit from a number of significant demographic and market trends, including the following:

***Rapid growth in aging U.S. population.*** In a 2010 study, the U.S. Census Bureau estimated that the number of Americans aged 65 and older will more than double over the next 40 years, increasing from 40.2 million in 2010 to 88.5 million in 2050. By 2050, it is estimated that over 20% of the U.S. population will be aged 65 or older, as compared to 13.0% in 2010.

***Fraying of traditional social safety nets.*** The U.S. Government Accountability Office has indicated that increasing life expectancy has created a risk that many retirees will outlive their retirement assets. Additionally, employer-sponsored private sector pension plans face severe funding deficits. According to a report by Mercer Consulting, a consulting and research firm, the aggregate funding deficit for pension plans sponsored by companies included on the Standard & Poor's 1500 Index (S&P 1500) was \$484 billion as of December 31, 2011. Americans realize that funding deficits in government and employer-sponsored pension plans leave them exposed to retirement income shortfalls. According to a 2006 LIMRA study, more than 62% of individuals aged 55 to 70 do not expect to receive enough income from Social Security and employer pensions to cover their basic living expenses through their retirement years.

***Growth in the retirement savings market.*** The U.S. Bureau of Labor Statistics estimates that private sector participation in defined benefit plans declined from 80% of full time employees in 1985 to 22% in 2011, while employee participation in defined contribution plans increased from 41% to 50% over the same period. Between 2000 and 2011, total assets held in defined contribution plans grew from \$3.1 trillion to \$5.0 trillion and total assets held in IRAs grew from \$2.6 trillion in 2000 to \$4.8 trillion in 2011, while total private sector defined benefit plan assets only grew from \$2.0 trillion to \$2.3 trillion. According to Cerulli Associates, a financial services research firm, total U.S. retirement account assets are expected to grow 38% from \$16 trillion in 2011 to \$22 trillion by 2016. The paradigm shift in savings responsibilities from institutions to individuals will drive much of this growth into the defined contribution and IRA markets, with defined contribution plan assets expected to grow from \$4.8 trillion to \$5.8 trillion and IRA assets expected to grow from \$5.2 trillion to \$7.6 trillion between 2011 and 2016. In addition, the anticipated growth of the rollover market presents a considerable long-term opportunity: according to LIMRA, assets rolled into IRAs exceeded \$400 billion per year in 2011 (up 118% from 10 years ago) and are expected to reach approximately \$600 billion per year by 2015.

***Insufficient life insurance coverage.*** According to the most recent study published by LIMRA in September 2011, 58 million or approximately half of all U.S. households do not believe they have sufficient life insurance coverage. The average U.S. household with life insurance coverage only owns enough to replace 3.6 years of income, as compared to the 7- to 12-year average recommended range as sourced by LIMRA.

We believe these market trends will drive increasing demand for our Retirement Solutions, Investment Management and Insurance Solutions businesses, and highlight the value of our holistic investment advisory approach as a means to help customers realize their retirement savings and income goals.

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### **Our Competitive Strengths**

We believe that we have a number of competitive strengths which will allow us to capitalize on attractive market opportunities as we develop and grow our business in a consistent and prudent manner.

***Leadership positions in our ongoing business with a broad range of product offerings capable of meeting the evolving financial needs of customers throughout their lives.*** We have leading positions in our Retirement Solutions and Insurance Solutions businesses and a prominent Investment Management business with top-tier investment performance across an array of asset classes. Few of our competitors have the breadth and scale across savings and financial protection products that customers will need throughout their lives.

Our Retirement Solutions business ranks as the number two provider of defined contribution retirement plans in the U.S. as measured by the number of plan sponsors, and number three provider of plan participants for which we provide recordkeeping services as of September 30, 2012. We are one of the few retirement services providers in the U.S. capable of using our industry presence and scale to efficiently support small, mid, large and mega-sized employers in the 401(k), 403(b) and 457 market segments.

Our Investment Management business is a leading U.S. based asset manager, with 77% of our mutual funds beating their Morningstar category average and 85% having lower volatility than their Morningstar competitor average on a five-year asset-weighted basis as of December 31, 2012.

Our Insurance Solutions business provides a full range of product capabilities and is the fifth largest writer of term life, and the seventeenth largest writer of universal life based on premiums sold in the United States as of December 31, 2012. We are also the fifth largest provider of medical stop loss coverage based on premiums in force as of September 30, 2012.

***Relationships with approximately 13 million customers as of December 31, 2012.*** We believe the size, scope and long-standing market presence of our businesses provide us with access to millions of individual customers, relationships with and relevance to distributors across the financial services landscape, economies of scale, and an understanding of and ability to leverage best practices across our organization. We can offer customers with whom we have built a relationship, either through their employer or directly, a suite of products that can meet most of their lifetime protection and accumulation needs.

Our institutional businesses provide us with the ability to access millions of individual customers in a cost-effective manner, and our comprehensive product suite gives us the opportunity to convert these touch points into long-term customer relationships.

Our access to individuals at critical points in their lives and our ability to offer tailored protection, retirement, investment and savings products enables us to cultivate deep, long-lasting and profitable customer relationships. Our product suite includes roll-over IRAs, mutual funds and annuities which enables us to maintain a relationship with individuals entering retirement or exiting their current plan for any other reason. According to a 2011 report by LIMRA, approximately 75% of roll-over assets are captured by an institution with which the customer had a prior relationship.

***Extensive, multi-channel distribution network with strong producer relationships.*** We offer customers access to our products and services through a national, multi-channel distribution network that includes approximately 200,000 individual points of contact associated with both affiliated and unaffiliated distributors as of December 31, 2012.



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We cultivate long-standing, loyal relationships with our distributors by providing innovative products, highly responsive service and efficient technology solutions.

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Each of our businesses maintains its own distribution base, tailored by the nature of its products and preferences of its customers.

We have established extensive, multi-channel distribution networks in each of our ongoing businesses and believe these strong relationships are a key aspect of achieving our long term goals.

**Scalable operating platform.** We have developed a highly scalable business model which positions us well for future growth opportunities. Our operating platform supports both current and significantly higher volumes of business, positioning us favorably for margin expansion in the future.

Our Retirement Solutions business has operational centers of excellence that are leveraged across the Institutional Retirement Plans (full service and recordkeeping) and Individual Markets businesses to efficiently and cost effectively provide high quality services to all clients.

Our Investment Management business has developed product manufacturing capabilities that would enable the business to manage a significant amount of additional assets with limited increase in costs.

Our Insurance Solutions business has scalable operational models that provide us the capability to add new business at attractive marginal costs and to quickly increase capacity to take advantage of attractive market conditions.

**Renewed financial strength.** We have taken decisive actions to strengthen our balance sheet over the last four years by repositioning and reducing the risk of our investment portfolio, hedging our closed block against market-related volatility, deleveraging our capital structure and bolstering our holding company liquidity position.

Our U.S. insurance subsidiaries have maintained an estimated combined company action level risk-based capital ratio ( RBC ratio ) at or above 425% as of the end of each quarter during 2011 and 2012.

Our investment portfolio of \$95.5 billion as of December 31, 2012, is comprised of approximately 78.8% fixed maturity securities, of which 95.0% have been assigned credit quality ratings of 1 or 2 by the National Association of Insurance Commissioners ( NAIC ).

Between December 31, 2008 and December 31, 2012, we reduced our Alt-A exposure 91.4% from \$4.5 billion to \$389.2 million, our subprime holdings 72.3% from \$3.6 billion to \$998.0 million and our commercial mortgage-backed securities ( CMBS ) exposure 53.2% from \$9.4 billion to \$4.4 billion based on amortized cost. As of December 31, 2012, we had no direct sovereign exposure to Greece, Ireland, Portugal, Spain or Italy ( peripheral Europe ) and no direct exposure to financial institutions based in those countries.

We decided to cease sales of retail variable annuity products with substantial guarantee features (the last policies were issued in early 2010) and placed this portfolio and the institutional spread products portfolio in run-off. Subsequently, we refined our hedging program to dynamically protect regulatory and rating agency capital of the variable annuities block for adverse equity market movements. In addition, since 2010, we have increased statutory reserves considerably, added significant interest rate risk protection and have more closely aligned our policyholder behavior assumptions with experience.

We enhanced our capital structure and significantly reduced financial leverage.

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***Stringent risk management approach.*** Over the past few years, we have become increasingly focused on risk management and risk control. We have established an independent risk management function with responsibility for all risk management across the organization enabling clear separation of duties between risk, finance and investment functions.

We have comprehensive risk management and control procedures at all levels of our organization that support business strategies, formulate risk appetite, implement risk related policies and monitor limits.

We adhere to a strong policy and reporting framework that guides a multi-tiered risk governance structure in the assessment and management of risk and includes a daily feedback mechanism.

We follow disciplined processes to assess, measure, report and manage risks, including product development and pricing, asset-liability management ( ALM ), capital management and risk mitigating activities such as hedging and reinsurance.

We maintain a dynamic hedging program that protects against select equity market and interest rate risks as illustrated by the recent extension of our Retirement stable value hedge to 80% coverage.

***Highly experienced management team, supported by deep bench of talent.*** Our senior management team has extensive experience in the retirement, investment management and insurance sectors and is supported by a diverse group of talented executives throughout the Company.

Our 9 executive officers average over 25 years of financial services experience and are actively instilling a performance-driven, execution-oriented culture across our organization.

6 of our 9 executive officers have joined the Company since the financial crisis of 2008-2009, and have successfully put in place a set of strategies that are helping to define our Company today, including risk management initiatives, balance sheet discipline, and product portfolio improvements.

### **Summary Risk Factors**

Our business is subject to numerous risks described in the section entitled Risk Factors and elsewhere in this prospectus. You should carefully consider these risks before making an investment. Some of these risks include:

Continued difficult conditions in the global capital markets and the economy generally have affected and may continue to affect our business and results of operations;

The level of interest rates may adversely affect our profitability, particularly in the event of a continuation of the current low interest rate environment;

A downgrade or a potential downgrade in our financial strength or credit ratings could result in a loss of business and adversely affect our results of operations and financial condition;

The inability of counterparties to meet their financial obligations could have an adverse effect on our results of operations;

Our investment portfolio is subject to several risks that may diminish the value of our invested assets and the investment returns credited to customers, which could reduce our sales, revenues, AUM and results of operations;

We may face significant losses if mortality rates, morbidity rates, persistency rates or other underwriting assumptions differ significantly from our pricing expectations;

We expect that our ability to use beneficial U.S. tax attributes will be subject to limitations;

The performance of our Closed Block Variable Annuity segment depends on assumptions that may not be accurate;

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Our Closed Block Variable Annuity hedging program may not be effective and may be more costly than anticipated;

Our businesses and those of our parent company and its affiliates are heavily regulated and changes in regulation or the application of regulation may reduce our profitability;

ING Group's continuing significant interest in us following this offering may result in conflicts of interest;

Our continuing relationship with ING Group, our ultimate parent, and with affiliates of ING Group, may affect our ability to operate and finance our business as we deem appropriate and changes with respect to ING Group could negatively impact us;

Our separation from ING Group could adversely affect our business and profitability due to ING Group's strong brand and reputation;

We expect to incur incremental costs as a standalone public company; and

The ability of our insurance subsidiaries to pay dividends and other distributions to ING U.S., Inc. will depend on their earnings, tax considerations, covenants contained in financing agreements and is limited by state insurance laws.

### **Conflicts of Interest**

Because ING Financial Markets LLC, one of the participating underwriters, is an affiliate of ING U.S., Inc. as well as an affiliate of the Selling Stockholder, the Financial Industry Regulatory Authority, Inc., or FINRA, deems ING Financial Markets LLC to have a conflict of interest within the meaning of Rule 5121 of the FINRA Conduct Rules ( Rule 5121 ). Rule 5121 permits ING Financial Markets LLC to participate in the offering notwithstanding this conflict of interest because Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Citigroup Global Markets Inc., the underwriters primarily responsible for managing the offering, satisfy the criteria required by Rule 5121(f)(12)(E) and none of Morgan Stanley & Co. LLC, Goldman, Sachs & Co., Citigroup Global Markets Inc., nor their respective affiliates have a conflict of interest with us. See Underwriting Conflicts of Interest.

### **Our Business Strategy**

Building on our core strengths, we intend to pursue strategies to deliver consistent earnings growth with attractive risk-adjusted returns while maintaining a strong balance sheet. The immediate focus of our strategy is to improve the operating return on equity ( operating ROE ) of our ongoing business. We have identified more than thirty ROE-enhancing projects across our businesses and functions intended to improve operating ROE of our ongoing business to a goal in the range of 12% to 13% by 2016. The operating return on capital ( operating ROC ) of our ongoing business increased from 6.6% in 2011 to 7.2% in 2012, and is expected to increase to a goal in the range of 10% to 11% by 2016. Operating ROE and operating ROC are non-GAAP financial measures. For additional detail on our ROC expansion goal and the calculation of operating ROE and operating ROC and reconciliations, see Business Operating Return on Capital Goal. The cornerstones of our prudent ROE and ROC expansion strategy are the following:

***Improve the profitability of our existing franchises.*** We have identified and are actively pursuing several initiatives to improve profitability across our businesses. These initiatives include maintaining strict pricing discipline for new sales, re-pricing existing blocks of business that do not meet our return hurdles, allowing the run-off of unprofitable books that cannot be re-priced and adjusting policyholder crediting rates. For instance, we recently instituted price increases across certain term and universal life products, positioning them to earn double-digit returns. We are working to reduce our operating and



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information technology overhead by leveraging our procurement capabilities to reduce expenses, increasing our use of business process outsourcing services and employing Six Sigma statistical management techniques. We believe these initiatives will enhance our margins and support improved earnings and increased cash flow distributions from our operating subsidiaries to ING U.S., Inc. going forward.

***Focus on capital management across all businesses.*** We are highly focused on effectively managing the demands for capital across our businesses. We have prioritized growth in our higher return, less capital intensive Retirement Solutions and Investment Management businesses. Our Insurance Solutions business is focused on selling capital-efficient products such as indexed products in Individual Life and Employee Benefits products. The overall objective of these policies is to realign our businesses in a manner that will maximize free cash flow generation.

***Leverage leading market positions, investment performance, and distribution strength to drive profitable growth in select markets.*** Within Retirement Solutions, we are targeting the small-mid corporate and education retirement plan markets. We will target growth in the healthcare and government markets selectively based on opportunities for economically sustainable value delivery with acceptable returns. We are also seeking to expand relationships with our large recordkeeping-only clients by offering the full breadth of ING U.S.'s capabilities, including Retirement Readiness solutions, for their plan participants. Within Investment Management, we are focused on leveraging our strong investment track record and historical performance to attract new institutional and individual customers in our third party business and to increase the share of proprietary assets under the management of Retirement Solutions. Given our scalable operating platform we believe our growth will produce margin expansion in these segments. Also, although we are deemphasizing parts of our Insurance Solutions business, it provides key capabilities, broad distribution and seasoned underwriting that complement Retirement Solutions and Investment Management in helping customers attain their financial goals.

***Transcend boundaries between workplace benefits and personal financial products.*** We aim to deliver comprehensive solutions across our customer base by combining the capabilities of our three ongoing businesses. This combination of capabilities differentiates us from other financial services firms and allows us to capitalize on favorable demographic and social trends. For individuals, we intend to provide value-added services and increase the number of our products they consume. In Retirement Solutions, we have been seeking greater access to employees in employer-sponsored plans. We believe that such direct access will allow us to convert institutional relationships into individual ones and enable us to offer individuals entering retirement or exiting their current employer-sponsored plan for any other reason suitable products in which they can invest their retirement plan assets. In Insurance Solutions, we have been working with employer clients to offer a broader array of voluntary products to address the needs of their employees. Ultimately, we aspire to bridge the gap between workplace benefits and personal financial products in order to benefit our customers.

***Protect our balance sheet by prudently managing risks.*** Risk management is pervasive in everything we do as a Company. The coordination of our strategic, financial and risk functions has been critical to helping us focus on risk reduction initiatives as well as determining where to invest for the future. We have substantially reduced the risk of our investment portfolio since 2008 and intend to continue managing it conservatively. On the liability side, we have significantly deleveraged our capital structure, are keenly focused on managing tail risks and have implemented a hedging program designed to substantially mitigate the effect of market shocks on our regulatory and rating agency capital adequacy, especially as it relates to the Closed Block Variable Annuity segment. Our hedging program is constantly evaluated and revised in light of changing market conditions and to manage the trade-offs between capital preservation, cash flow, earnings and underlying economics.



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**Preliminary Results for the Quarter Ended March 31, 2013**

We are in the process of preparing our consolidated financial statements for the quarter ended March 31, 2013. The following are preliminary estimates of the financial information listed below as of and for the three months ended March 31, 2013.

Operating earnings before income taxes for the ongoing business, which comprises our Retirement Solutions, Investment Management and Insurance Solutions business lines, is expected to be between \$270 million and \$290 million for the three months ended March 31, 2013, compared to \$264 million for the three months ended March 31, 2012, consistent with the trends discussed in this prospectus and reflecting continued execution on our business development and performance goals. The expected increase is primarily the result of improved results in the Retirement and Annuity segments.

Annualized operating ROC of the ongoing business is expected to be between 7.8% and 8.1% for the three months ended March 31, 2013. Operating ROC for the ongoing business for the year ended December 31, 2012 was 7.2%. Annualized operating ROC of the ongoing business for the three months ended March 31, 2013 was favorably impacted by a \$700 million to \$800 million reduction in average capital for the ongoing business compared to 2012 due to recapitalization initiatives, as well as the improved operating performance discussed above. See Business Operating Return on Capital Goal . Operating ROC with respect to interim periods (annualized operating ROC) may not be reflective of full year operating ROC.

Net flows for the three months ended March 31, 2013, are expected to be approximately \$1.4 billion in our Retirement segment and \$3.2 billion in our Investment Management segment. These flows can be volatile by quarter, so the strong net flows in the first quarter are not expected to occur every quarter. Total AUM and AUA, including market appreciation, increased to approximately \$481 billion, composed of approximately \$258 billion total AUM and approximately \$223 billion total AUA, as of March 31, 2013.

Our Closed Block Variable Annuity segment is expected to report a loss before income taxes of between \$450 million and \$495 million for the three months ended March 31, 2013, which includes \$90 million to \$120 million in expected losses resulting from changes in nonperformance risk, which we consider a non-economic development. The Closed Block Variable Annuity hedge program focuses on protecting regulatory and rating agency capital rather than earnings, and will generate losses when equity markets increase. The significant equity market appreciation during the first quarter of 2013, which is economically a positive development over the long term, resulted in hedge program losses. For more information about the expected range of impacts on the Closed Block Variable Annuity segment in various equity market scenarios, see Business Closed Blocks Closed Block Variable Annuity Variable Annuity Hedge Program and Reinsurance .

Although we have not completed the preparation of our statutory financial statements, we believe the hedge program performed largely in line with our expectations. On a statutory basis, we estimate that Variable Annuity Guarantee Hedge Program and CHO program losses for the three months ended March 31, 2013, were more than offset by the declines in the regulatory reserves in the period due to equity market movements. Our letter of credit requirement is not expected to materially change for the period.

The net loss available to ING U.S., Inc.'s common shareholder for the three months ended March 31, 2013, is expected to be approximately \$190 million to \$230 million. The primary drivers of our results are the positive contributions of our operating earnings before income taxes for the ongoing business as described above, which were more than offset by losses on the Closed Block Variable Annuity segment, as described above.

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The estimates of consolidated financial information as of and for the three months ended March 31, 2013, presented above are preliminary and subject to completion of our financial closing procedures. Our independent registered public accounting firm has not audited, reviewed or performed any procedures, and does not express an opinion or any other form of assurance, with respect to this financial information. This summary is not a comprehensive statement of our financial results for this period, and our actual results may differ materially from these estimates due to the completion of our financial closing procedures, final adjustments and other developments, including subsequent events, if any, that may arise between now and the time that the consolidated financial statements for this period are issued. This summary is qualified by, and should be read together with, Management's Discussion and Analysis of Results of Operations and Financial Condition and our consolidated financial statements and the related notes included in this prospectus.

### **Our Principal Stockholder and Selling Stockholder**

Following the offering, ING Group will indirectly own approximately 75% of our outstanding common stock (before any exercise of the underwriters' option to purchase additional shares). ING Group is selling 37,500,000 shares of our outstanding common stock in this offering through ING Insurance International B.V., its wholly owned subsidiary, based on a per-share price at the mid-point of the price range shown on the cover of this prospectus. ING Group has informed us that it will divest its remaining holdings of our common stock in line with ING Group's restructuring plan as agreed with the European Commission (the "EC"). See "ING Group Restructuring Plan with European Commission."

### **ING Group Restructuring Plan with European Commission**

Prior to this offering, we are a wholly owned subsidiary of ING Group. In October 2009, ING Group submitted a restructuring plan (the "2009 Restructuring Plan") to the EC in order to receive approval for state aid (the "Dutch State Transactions") granted to ING Group by the Kingdom of the Netherlands (the "Dutch State") in November 2008 and March 2009. To receive approval for this state aid, ING Group was required to divest its insurance and investment management businesses, including the Company. In this prospectus, we refer to any sale or other divestment of all or a portion of ING U.S., Inc. common stock by ING Group, including this offering, as a "Divestment Transaction." On November 19, 2012, ING Group and the EC announced that the EC approved amendments to the 2009 Restructuring Plan (the "2012 Amended Restructuring Plan").

The 2012 Amended Restructuring Plan requires ING Group to divest at least 25% of the Company by December 31, 2013, more than 50% of the Company by December 31, 2014, and 100% of the Company by December 31, 2016. The divestment of 50% of the Company is measured in terms of a divestment of over 50% of the shares of ING U.S., Inc., the loss of ING Group's majority of directors on ING U.S., Inc.'s board of directors and the accounting deconsolidation of the Company (in line with IFRS accounting rules). In case ING Group does not satisfy its commitment to divest the Company as agreed with the EC, the Dutch State will renotify the recapitalization measure to the EC. In such a case, the EC may require additional restructuring measures or take enforcement actions against ING Group, or, at the request of ING Group and the Dutch State, could allow ING Group more time to complete the divestment. The 2012 Amended Restructuring Plan also contains provisions that could limit our business activities, including restricting our ability to make certain acquisitions or to conduct certain financing and investment activities. For additional information on the separation from ING Group and the 2012 Amended Restructuring Plan, see "Risk Factors - Risks Related to Our Separation from, and Continuing Relationship with, ING Group" and "Regulation - Dutch State Transactions and Restructuring Plan."

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### **Our Corporate Information**

Prior to this offering, we are a wholly owned subsidiary of ING Group, a global financial institution of Dutch origin offering banking, retirement, insurance and investment management services. ING Group entered the United States life insurance market in 1975 through the acquisition of Wisconsin National Life Insurance Company, followed in 1976 with its acquisition of Midwestern United Life Insurance Company and Security Life of Denver Insurance Company in 1977. ING Group significantly expanded its presence in the United States in the late 1990s and 2000s with the acquisitions of Equitable Life Insurance Company of Iowa (1997), Furman Selz, an investment advisory company (1997), ReliaStar Life Insurance Company (including Pilgrim Capital Corporation) (2000), Aetna Life Insurance and Annuity Company (including Aeltus Investment Management) (2000) and CitiStreet (2008).

ING U.S., Inc. is a holding company incorporated in Delaware on April 7, 1999. It changed its name from ING America Insurance Holdings, Inc. to ING U.S., Inc. on June 14, 2012. Our principal executive office is located at 230 Park Avenue, New York, New York 10169 and our telephone number is (212) 309-8200. Our website address is *ing.us*. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this prospectus.

We operate our businesses through a number of direct and indirect subsidiaries. The following organizational chart presents the ownership and jurisdiction of incorporation of our principal subsidiaries:

The chart above presents:

ING U.S., Inc.

Our principal intermediate holding company, Lion Connecticut Holdings Inc. ( Lion Holdings ), which is the direct parent of a number of our insurance and non-insurance operating entities.

Our principal operating entities that will be the primary sources of cash distributions to ING U.S., Inc. Specifically, these entities are our principal insurance operating companies (ING Life Insurance and Annuity Company ( ILIAC ), ING USA Annuity and Life Insurance Company ( ING USA ), Security Life of Denver Insurance Company ( SLD ) and ReliaStar Life Insurance Company ( RLI )) and ING Investment Management LLC, the holding company for entities that operate our Investment Management business.

Security Life of Denver International Limited ( SLDI ), our insurance subsidiary domiciled in the Cayman Islands.

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**THE OFFERING**

<b>Common stock offered in this offering</b>	This offering will consist of both a primary and a secondary component. We intend for the gross proceeds to the Company from this offering to equal \$600 million, and for the Selling Stockholder to own approximately 75% of our common stock immediately following this offering (and before any exercise of the option to purchase additional shares described below). Accordingly, the respective number of shares being offered by the Company and by the Selling Stockholder will depend on the initial public offering price of the common stock. In order to maintain gross proceeds to ING U.S., Inc. of \$600 million, if the price per share in this offering is higher than the mid-point of the price range set forth on the cover page of this prospectus, fewer shares will be sold by ING U.S., Inc., and more shares will be sold by the Selling Stockholder. Conversely, if the price per share in this offering is lower than the mid-point of the price range set forth on the cover page of this prospectus, more shares will be sold by ING U.S., Inc., and fewer shares will be sold by the Selling Stockholder, to maintain gross proceeds to ING U.S., Inc. of \$600 million.
<b>Common stock offered by us</b>	26,666,667 shares (based on a per-share price at the mid-point of the range set forth on the cover page of this prospectus).
<b>Common stock offered by the Selling Stockholder</b>	37,500,000 shares (based on a per-share price at the mid-point of the range set forth on the cover page of this prospectus).
<b>Common stock to be outstanding immediately after this offering</b>	256,666,667 shares (based on a per-share price at the mid-point of the range set forth on the cover page of this prospectus).
<b>Option to purchase additional shares</b>	The underwriters have an option for a period of 30 days to purchase from the Selling Stockholder up to 9,625,000 additional shares of our common stock.
<b>Voting rights</b>	Each share of our common stock entitles its holder to one vote on all matters to be voted on by stockholders generally. See Description of Capital Stock Authorized Capital Stock Common Stock.
<b>Use of proceeds</b>	We anticipate that the gross proceeds to us from this offering will be \$600 million. We estimate that the net proceeds to us from this offering will be approximately \$568 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.  See Recapitalization for a discussion of our recapitalization plan and our plans for the use of the proceeds of this offering.

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We will not receive any of the proceeds from the sale of shares by the Selling Stockholder. See Use of Proceeds.

**Conflicts of interest**

Because ING Financial Markets LLC, one of the participating underwriters, is an affiliate of ING U.S., Inc. as well as an affiliate of the Selling Stockholder, the Financial Industry Regulatory Authority, Inc., or FINRA, deems ING Financial Markets LLC to have a conflict of interest within the meaning of Rule 5121. Rule 5121 permits ING Financial Markets LLC to participate in the offering notwithstanding this conflict of interest because Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Citigroup Global Markets Inc., the underwriters primarily responsible for managing the offering, satisfy the criteria required by Rule 5121(f)(12)(E) and none of Morgan Stanley & Co. LLC, Goldman, Sachs & Co., Citigroup Global Markets Inc., nor their respective affiliates have a conflict of interest with us. See Underwriting Conflicts of Interest.

**Dividend policy**

We intend to pay quarterly cash dividends on our common stock at an initial amount of approximately \$0.01 per share, at the discretion of the Board of Directors. See Dividend Policy.

**Listing**

Our common stock has been approved for listing on the NYSE.

**Proposed ticker symbol**

VOYA . We expect to rebrand from ING U.S. to Voya Financial over time following this offering.

**Warrants**

In conjunction with this offering, we will issue to ING Group warrants that will be exercisable for a number of shares of our common stock equal in the aggregate to 9.99% (or approximately 25,641,000 shares, assuming that we issue 26,666,667 shares in this offering) of the issued and outstanding shares of our common stock immediately following the completion of this offering. The initial exercise price of the warrants will be \$ per share of common stock (which is equal to 250% of the per share public offering price), subject to adjustments. See Description of Capital Stock Warrants to be Issued to ING Group.

**Anticipated Financing Activities**

We currently anticipate that shortly after or in the months following the offering to which this prospectus relates, we will offer approximately \$700 million principal amount of long term junior subordinated debt securities, which, under certain circumstances, may limit our ability to pay dividends on or repurchase our common stock. We also currently anticipate issuing approximately \$400 million of senior unsecured notes shortly after or in the months following the offering to which this prospectus relates. The decision to proceed with either the junior subordinated debt offering or the senior unsecured notes offering and the amount and terms of any such offerings will depend on market conditions and other factors. See Recapitalization.

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The number of shares of our common stock that will be outstanding after this offering is based on the 230,000,000 shares of common stock outstanding immediately prior to completion of this offering, assumes the issuance by us of 26,666,667 shares to be sold in this offering, and excludes issuance of stock under equity compensation arrangements.

Unless otherwise indicated, all information in this prospectus assumes:

the filing of our amended and restated certificate of incorporation on April 11, 2013, reflecting a 2,295.248835-for one stock split;  
and

no exercise by the underwriters of their right to purchase up to an additional 9,625,000 shares of our common stock from the Selling Stockholder.

**Table of Contents****SUMMARY CONSOLIDATED FINANCIAL DATA**

Except for other supplementary data, the following summary consolidated financial data for the years ended December 31, 2012, 2011 and 2010 and as of December 31, 2012 and 2011 are derived from our audited Consolidated Financial Statements, which are included elsewhere in this prospectus. Except for other supplementary data, the summary consolidated financial data as of December 31, 2010 are derived from our audited Consolidated Financial Statements, which are not included in this prospectus.

Prospective investors should read these summary consolidated financial data together with Management's Discussion and Analysis of Results of Operations and Financial Condition and our Consolidated Financial Statements and the related notes.

(\$ in millions, except ratios)	As of or for the Year Ended		
	2012	2011	2010
<b>Consolidated Operating Results</b>			
Net investment income	\$ 4,697.9	\$ 4,968.8	\$ 4,987.0
Fee income	3,515.4	3,603.6	3,516.5
Premiums	1,861.1	1,770.0	1,707.5
Net realized capital gains (losses)	(1,280.8)	(1,531.4)	(1,678.0)
Total revenues	9,615.3	9,718.8	9,274.2
Interest credited and other benefits to contract owners/policyholders	4,861.6	5,742.0	5,027.3
Operating expenses	3,155.0	3,030.8	3,033.5
Net amortization of deferred policy acquisition costs and value of business acquired	722.3	387.0	746.6
Interest expense	153.7	139.3	332.5
Total benefits and expenses	9,009.3	9,441.0	9,236.4
Income (loss) before income taxes	606.0	277.8	37.8
Net income (loss)	611.2	102.8	(133.2)
Net income (loss) attributable to noncontrolling interest	138.2	190.9	(10.3)
Net income (loss) available to ING U.S., Inc.'s common shareholder	473.0	(88.1)	(122.9)
<b>Consolidated Financial Position</b>			
Total investments	\$ 95,487.6	\$ 92,819.2	\$ 86,886.1
Assets held in separate accounts	97,667.4	88,714.5	95,588.1
Total assets	216,394.2	203,572.8	204,376.5
Future policy benefits and contract owner account balances	86,055.7	88,358.4	83,642.8
Short-term debt	1,064.6	1,054.6	5,464.6
Long-term debt	3,171.1	1,343.1	2,784.0
Liabilities related to separate accounts	97,667.4	88,714.5	95,588.1
ING U.S., Inc. shareholder's equity, excluding AOCI <sup>†</sup>	10,164.2	9,758.9	5,857.5
Total ING U.S., Inc. shareholder's equity	13,874.9	12,353.9	6,830.8

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(\$ in millions, except ratios)	As of or for the Year Ended		
	2012	December 31, 2011	2010
<b>Segment Data<sup>(2)</sup></b>			
<b>Operating earnings before income taxes</b>			
Retirement Solutions			
<i>Retirement</i>	\$ 448.6	\$ 441.9	\$ 469.6
<i>Annuities</i>	102.2	387.6	115.0
Investment Management	134.5	87.5	50.1
Insurance Solutions			
<i>Individual Life</i>	196.2	279.3	313.5
<i>Employee Benefits</i>	109.4	83.3	82.0
<b>Total Ongoing Business</b>	990.9	1,279.6	1,030.2
Corporate	(182.3)	(230.2)	(399.1)
Closed Blocks			
<i>Closed Block Institutional Spread Products</i>	45.7	83.2	(3.8)
<i>Closed Block Other</i>	64.0	(13.0)	(6.7)
<b>Total Closed Blocks<sup>(3)</sup></b>	109.7	70.2	(10.5)
<b>Total operating earnings before income taxes</b>	\$ 918.3	\$ 1,119.6	\$ 620.6
<b>Other Supplementary Data (unaudited)</b>			
AUM and AUA	\$ 461,000.6	\$ 438,046.4	\$ 445,757.5
TAC <sup>(4)</sup>	7,871.9	8,071.0	6,998.0
RBC ratio <sup>(5)</sup>	526%	488%	426%

- (1) ING U.S., Inc. shareholder's equity, excluding AOCI, is derived by subtracting AOCI from ING U.S., Inc. shareholder's equity both components of which are presented in the respective Consolidated Balance Sheets. For a description of AOCI, see the Accumulated Other Comprehensive Income (Loss) note to the Consolidated Financial Statements. We provide shareholder's equity, excluding AOCI, because it is a common measure used by insurance analysts and investment professionals in their evaluations.
- (2) Operating earnings before income taxes is a non-GAAP financial measure. See Management's Discussion and Analysis of Results of Operations and Financial Condition Operating Measures for more details and Management's Discussion and Analysis of Results of Operations and Financial Condition Results of Operations Company Consolidated for a reconciliation to Income (loss) before income taxes.
- (3) Our Closed Block Variable Annuity segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics and, therefore, its results of operations are not reflected within operating earnings before income taxes.
- (4) Estimated total adjusted capital ( TAC ) of our U.S. insurance subsidiaries on a combined basis.
- (5) Estimated combined RBC ratio for our U.S. insurance subsidiaries.



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**RISK FACTORS**

*You should carefully consider the following risks and other information in this prospectus, including our Consolidated Financial Statements and related notes, before you decide to purchase our common stock. Additional risks and uncertainties of which we are not presently aware or that we currently deem immaterial could also affect our business operations and financial condition. If any of these risks actually occur, our business, financial condition and results of operations could be materially affected. As a result, the trading price of our common stock could decline and you could lose part or all of your investment.*

**Risks Related to Our Business General**

*Continued difficult conditions in the global capital markets and the economy generally have affected and may continue to affect our business and results of operations.*

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Concerns over the slow economic recovery, the level of U.S. national debt, the European sovereign debt crisis, the ability of certain countries to remain in the euro zone, unemployment, the availability and cost of credit, the U.S. housing market, inflation levels, energy costs and geopolitical issues have contributed to increased volatility and diminished expectations for the economy and the markets. In 2011, Standard & Poor's Ratings Services (S&P) lowered its long term sovereign credit rating on the United States from AAA to AA+. In addition, significant concerns regarding the sovereign debt of Greece, Ireland, Italy, Portugal and Spain, as well as certain other countries, are ongoing and in some cases have required countries to obtain emergency financing. The financial turmoil in Europe continues to be a threat to global capital markets and remains a challenge to global financial stability. If these or other countries require additional financial support or if sovereign credit ratings continue to decline, yields on the sovereign debt of certain countries may continue to increase, the cost of borrowing may increase and credit may become more limited. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains elevated. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses for which they would require additional capital, which may not be available. These factors, combined with volatile oil prices, reduced business and consumer confidence and continued high unemployment, have negatively impacted the U.S. economy. Our results of operations, investment portfolio and AUM are exposed to these risks and may be adversely affected as a result. In addition, in the event of extreme prolonged market events, such as the recent global credit crisis, we could incur significant losses.

Even in the absence of a market downturn, our insurance, annuity, retirement and investment products, as well as our investment returns and our access to and cost of financing, are sensitive to equity, fixed income, real estate and other market fluctuations and general economic and political conditions. These fluctuations and conditions could materially and adversely affect our results of operations, financial condition and liquidity, including in the following respects:

We provide a number of insurance, annuity, retirement and investment products that expose us to risks associated with fluctuations in interest rates, market indices, securities prices, default rates, the value of real estate assets, currency exchange rates and credit spreads. The profitability of many of our insurance, annuity, retirement and investment products depends in part on the value of the general accounts and separate accounts supporting them, which may fluctuate substantially depending on the foregoing conditions.

Volatility or downturns in the equity markets can cause a reduction in fee income we earn from managing investment portfolios for third parties and fee income on certain annuity, retirement and investment products. Because these products and services generate fees related primarily to the value of AUM, a decline in the equity markets could reduce our revenues because of the reduction in the value of the investments we manage.

A change in market conditions, including prolonged periods of high or low inflation or interest rates, could cause a change in consumer sentiment and adversely affect sales and could cause the actual

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persistence of these products to vary from their anticipated persistence (the probability that a product will remain in force from one period to the next) and adversely affect profitability. Changing economic conditions or adverse public perception of financial institutions can influence customer behavior, which can result in, among other things, an increase or decrease in claims, lapses, withdrawals, deposits or surrenders in certain products, any of which could adversely affect profitability.

An equity market decline, decreases in prevailing interest rates, or a prolonged period of low interest rates could result in the value of guaranteed minimum benefits contained in certain of our life insurance, annuity and retirement products being higher than current account values or higher than anticipated in our pricing assumptions, requiring us to materially increase reserves for such products, and may result in a decrease in customer lapses, thereby increasing the cost to us. In addition, such a scenario could lead to increased amortization and/or unfavorable unlocking of our deferred acquisition cost ( DAC ) and value of business acquired ( VOBA ).

Reductions in employment levels of our existing employer customers may result in a reduction in underlying employee participation levels, contributions, deposits and premium income for certain of our retirement products. Participants within the retirement plans for which we provide certain services may elect to effect withdrawals from these plans, or reduce or stop their payroll deferrals to these plans, which would reduce assets under management or administration and our revenues.

We have significant investment and derivative portfolios that include, among other investments, corporate securities, asset-backed securities ( ABS ), equities and commercial mortgages. Economic conditions as well as adverse capital market and credit conditions, interest rate changes, changes in mortgage prepayment behavior or declines in the value of underlying collateral will impact the credit quality, liquidity and value of our investment and derivative portfolios, potentially resulting in higher capital charges and unrealized or realized losses and decreased investment income. The value of our investments and derivative portfolios may also be impacted by reductions in price transparency, changes in the assumptions or methodology we use to estimate fair value and changes in investor confidence or preferences, which could potentially result in higher realized or unrealized losses and have a material adverse effect on our results of operations or financial condition. Market volatility may also make it difficult to value certain of our securities if trading becomes less frequent.

Market conditions determine the availability and cost of the reinsurance protection we purchase and may result in additional expenses for reinsurance or an inability to obtain sufficient reinsurance on acceptable terms, which could adversely affect the profitability of future business and the availability of capital to support new sales.

Hedging instruments we use to manage product and other risks might not perform as intended or expected, which could result in higher realized losses and unanticipated cash needs to collateralize or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralized.

Regardless of market conditions, certain investments we hold, including privately placed fixed income investments, investments in private equity funds and commercial mortgages, are relatively illiquid. If we need to sell these investments, we may have difficulty selling them in a timely manner or at a price equal to what we could otherwise realize by holding the investment to maturity.

We are exposed to interest rate and equity risk based upon the discount rate and expected long-term rate of return assumptions associated with our pension and other retirement benefit obligations. Sustained declines in long-term interest rates or equity returns could have a negative effect on the funded status of these plans and/or increase our future funding costs.

Fluctuations in our operating results and our investment portfolio may impact our tax profile, our ability to optimally utilize tax attributes and our deferred income tax assets. See We expect that our ability to use beneficial U.S. tax attributes will be subject to limitations.



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A default by any financial institution or by a sovereign could lead to additional defaults by other market participants. The failure of a sufficiently large and influential institution could disrupt securities markets or clearance and settlement systems and lead to a chain of defaults, because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of a counterparty may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which we interact on a daily basis. Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, results of operations, financial condition, liquidity and/or business prospects. In addition, such a failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

Widening credit spreads, if not offset by equal or greater declines in the risk-free interest rate, would also cause the total interest rate payable on newly issued securities to increase, and thus would have the same effect as an increase in underlying interest rates with respect to the valuation of our current portfolio.

Continuing market turmoil has resulted in, and may continue to raise the possibility of, legislative, regulatory and governmental actions. We cannot predict whether or when such actions may occur, or what impact, if any, such actions could have on our business, results of operations and financial condition.

***Adverse capital and credit market conditions may impact our ability to access liquidity and capital, as well as the cost of credit and capital.***

Adverse capital market conditions may affect the availability and cost of borrowed funds, thereby impacting our ability to support or grow our businesses. We need liquidity to pay our operating expenses, interest on our debt and dividends on our capital stock, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations and our business will suffer. As a holding company with no direct operations, our principal assets are the capital stock of our subsidiaries. Payments of dividends and advances or repayment of funds to us by our insurance subsidiaries are restricted by the applicable laws and regulations of their respective jurisdictions, including laws establishing minimum solvency and liquidity thresholds.

For our insurance and other subsidiaries, the principal sources of liquidity are insurance premiums and fees, annuity deposits and cash flow from investments and assets. At the holding company level, sources of liquidity in normal markets also include a variety of short-term liquid investments and short- and long-term instruments, including credit facilities, commercial paper, equity securities and medium- and long-term debt.

In the event current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry and our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects. Similarly, our access to funds may be limited if regulatory authorities or rating agencies take negative actions against us. If our internal sources of liquidity prove to be insufficient, there is a risk that we may not be able to successfully obtain additional financing on favorable terms, or at all. Any actions we might take to access financing may cause rating agencies to reevaluate our ratings.

Disruptions, uncertainty or volatility in the capital and credit markets, such as that experienced over the past few years, may also limit our access to capital. Such market conditions may in the future limit our ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory reserves and rating agency capital requirements. This could force us to (1) delay raising capital,

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(2) reduce, cancel or postpone interest payments on our debt, (3) issue capital of different types or under different terms than we would otherwise or (4) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results of operations, financial condition, liquidity, statutory capital and rating agency capital position could be materially and adversely affected by disruptions in the financial markets.

***The level of interest rates may adversely affect our profitability, particularly in the event of a continuation of the current low interest rate environment.***

Changes in prevailing interest rates may negatively affect our business including the level of net interest margin we earn. In a period of changing interest rates, interest expense may increase and interest credited to policyholders may change at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest margin. Changes in interest rates may negatively affect the value of our assets and our ability to realize gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings. In addition, our insurance and annuity products and certain of our retirement and investment products are sensitive to inflation rate fluctuations. A sustained increase in the inflation rate in our principal markets may also negatively affect our business, financial condition and results of operation. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in mispricing of our products, which could materially and adversely impact our results of operations.

During periods of declining interest rates or a prolonged period of low interest rates, life insurance and annuity products may be relatively more attractive to consumers due to minimum guarantees that are frequently mandated by regulators, resulting in increased premium payments on products with flexible premium features and a higher percentage of insurance and annuity contracts remaining in force from year-to-year than we anticipated in our pricing, potentially resulting in greater claims costs than we expected and asset liability cash flow mismatches. A decrease in interest rates or a prolonged period of low interest rates may also require additional provisions for guarantees included in life insurance and annuity contracts, as the guarantees become more valuable to policyholders. During a period of decreasing interest rates or a prolonged period of low interest rates, our investment earnings may decrease because the interest earnings on our recently purchased fixed income investments will likely have declined in parallel with market interest rates. In addition, a prolonged low interest rate period may result in higher costs for certain derivative instruments that may be used to hedge certain of our product risks. Residential mortgage-backed securities ( RMBS ) and callable fixed income securities in our investment portfolios will be more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Consequently, we may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of declining interest rates, our profitability may suffer as the result of a decrease in the spread between interest rates credited to policyholders and contract owners and returns on our investment portfolios. An extended period of declining interest rates or a prolonged period of low interest rates may also cause us to change our long-term view of the interest rates that we can earn on our investments. Such a change in our view would cause us to change the long-term interest rate that we assume in our calculation of insurance assets and liabilities under U.S. generally accepted accounting principles ( GAAP ). This revision would result in increased reserves, accelerated amortization of DAC and other unfavorable consequences. In addition, certain statutory capital and reserve requirements are based on formulas or models that consider interest rates, and an extended period of low interest rates may increase the statutory capital we are required to hold and the amount of assets we must maintain to support statutory reserves.

We believe a continuation of the current low interest rate environment would also negatively affect our financial performance. For example, should new money investment rates remain at approximately the same level observed over the second half of 2012 and not rise through the end of 2016, we estimate that would reduce our current operating earnings projections by 3-5% in each of 2013, 2014, 2015 and 2016, in each case as compared to our current projections for such year. See Business Operating Return on Capital Goal. This estimated reduction in operating earnings primarily reflects (1) lower investment income, as we invest new premiums and

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reinvest proceeds from maturing investments at rates lower than the yield on our current investment portfolio, and (2) higher amortization of DAC/VOBA. We believe reduced crediting rates offset the lower investment income, but that such reductions would only be partially effective due to the presence of minimum credited rates on many of our products. Under this scenario, we do not currently expect that loss recognition testing will result in charges to net income. These estimates do not assume any changes to our long-term DAC assumptions and do not reflect significant management actions, other than reductions to crediting rates. In addition, we estimate that a continuation of the current low interest rate environment would reduce our total company estimated combined RBC ratio (which includes the effect from the Closed Blocks) by approximately 10 percentage points in 2013, and by 2016 the cumulative reduction of our RBC ratio would be approximately 50 percentage points from our current expectations. These estimates include the consideration of cash flow testing and other statutory reserve requirements, and exclude potential secondary impacts, such as adverse changes in policyholder behavior. See The performance of our Closed Block Variable Annuity segment depends on assumptions that may not be accurate.

Conversely, in periods of rapidly increasing interest rates, policy loans, withdrawals from, and/or surrenders of, life insurance and annuity contracts and certain guaranteed investment contracts ( GICs ) may increase as policyholders choose to seek higher investment returns. Obtaining cash to satisfy these obligations may require us to liquidate fixed income investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realized investment losses. Regardless of whether we realize an investment loss, such cash payments would result in a decrease in total invested assets and may decrease our net income and capitalization levels. Premature withdrawals may also cause us to accelerate amortization of DAC, which would also reduce our net income. An increase in market interest rates could also have a material adverse effect on the value of our investment portfolio by, for example, decreasing the estimated fair values of the fixed income securities within our investment portfolio. An increase in market interest rates could also create a significant collateral posting requirement associated with our interest rate hedge programs, which could materially and adversely affect liquidity. In addition, an increase in market interest rates could require us to pay higher interest rates on debt securities we may issue in the financial markets from time to time to finance our operations, which would increase our interest expenses and reduce our results of operations. Lastly, an increase in interest rates could result in decreased fee income associated with a decline in the value of variable annuity account balances invested in fixed income funds.

***A downgrade or a potential downgrade in our financial strength or credit ratings could result in a loss of business and adversely affect our results of operations and financial condition.***

Ratings are important to our business. Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. Our credit ratings are important to our ability to raise capital through the issuance of debt and to the cost of such financing. Financial strength ratings, which are sometimes referred to as claims-paying ratings, represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Financial strength ratings are important factors affecting public confidence in insurers, including our insurance company subsidiaries. The financial strength ratings of our insurance subsidiaries are important to our ability to sell our products and services to our customers. Ratings are not recommendations to buy our securities. Each of the rating agencies reviews its ratings periodically, and our current ratings may not be maintained in the future.

Our ratings could be downgraded at any time and without notice by any rating agency. For example, in December 2011, both S&P and Moody's Investors Service, Inc. ( Moody's ) downgraded the financial strength ratings of our insurance companies as a result of the announcement by ING Group regarding the financial impact of the change in policyholder behavior assumptions in our Closed Block Variable Annuity segment, which resulted in a charge of \$1.1 billion against the results of that segment, as reflected in ING Group's 2011 financial statements reported under International Financial Reporting Standards ( IFRS ). For a description of material rating actions that have occurred from the beginning of 2011 through the date of this filing, see Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Ratings.

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We receive explicit guarantees of our commercial paper program and certain credit facilities from ING Verzekeringen N.V. ( ING V ), a wholly owned subsidiary of ING Group and our indirect parent. We expect the balance of commercial paper outstanding under the commercial paper program to be reduced to zero prior to completion of this offering, and thereafter expect to terminate this program. A downgrade of the credit rating of ING V could impact our ability to increase the amount of collateral that we are required to provide under these credit facilities. Also, ING Bank N.V. ( ING Bank ), an affiliate, provides certain letter of credit ( LOC ) facilities to the Company, including without limitation, a \$1.5 billion contingent capital LOC. See Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Contingent Capital Letter of Credit. A downgrade of ING Bank could negatively impact our ability to utilize these facilities as reinsurance collateral. On June 15, 2012, Moody s downgraded the long-term debt ratings of ING Group from A1 to A3 with negative outlook and ING Bank from Aa3 to A2 with negative outlook. At the same time, Moody s took negative ratings actions with respect to a number of European-based banking organizations. On November 16, 2012, S&P lowered its starting point for ratings for commercial banks operating in the Netherlands to BBB from A- and therefore revised the outlook on ING Bank to negative and affirmed the respective A+ and A counterparty credit ratings. At the same time S&P took various ratings actions on Dutch banks. For information on additional collateral requirements in case of a downgrade of our or ING V s ratings, see Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Potential Impact of a Ratings Downgrade.

A downgrade of the financial strength rating of one of our principal insurance subsidiaries could affect our competitive position by making it more difficult for us to market our products as potential customers may select companies with higher financial strength ratings and by leading to increased withdrawals by current customers seeking companies with higher financial strength ratings. This could lead to a decrease in AUM and result in lower fee income. Furthermore, sales of assets to meet customer withdrawal demands could also result in losses, depending on market conditions. In addition, a downgrade in either our financial strength or credit ratings could potentially, among other things, increase our borrowing costs and make it more difficult to access financing; adversely affect access to the commercial paper market or the availability of LOCs and other financial guarantees; result in additional collateral requirements, or other required payments or termination rights under derivative contracts or other agreements; and/or impair, or cause the termination of, our relationships with creditors, broker-dealers, distributors, reinsurers or trading counterparties, which could potentially negatively affect our profitability, liquidity and/or capital. In addition, we use assumptions of market participants in estimating the fair value of our liabilities, including insurance liabilities that are classified as embedded derivatives under GAAP. These assumptions include our nonperformance risk (i.e., the risk that the obligations will not be fulfilled). Therefore, changes in our credit or financial strength ratings may affect the fair value of our liabilities.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of us would have additional adverse ratings consequences, which could have a material adverse effect on our results of operations, financial condition and liquidity. We may need to take actions in response to changing standards or capital requirements set by any of the rating agencies which could cause our business and operations to suffer. We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies.

***Because we operate in highly competitive markets, we may not be able to increase or maintain our market share, which may have an adverse effect on our results of operations.***

In each of our businesses we face intense competition, including from domestic and foreign insurance companies, broker-dealers, financial advisors, asset managers and diversified financial institutions, both for the ultimate customers for our products and for distribution through independent distribution channels. We compete

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based on a number of factors including brand recognition, reputation, quality of service, quality of investment advice, investment performance of our products, product features, scope of distribution, price, perceived financial strength and credit ratings. A decline in our competitive position as to one or more of these factors could adversely affect our profitability. In addition, we may in the future sacrifice our competitive or market position in order to improve our profitability. Many of our competitors are large and well-established and some have greater market share or breadth of distribution, offer a broader range of products, services or features, assume a greater level of risk, or have higher claims-paying or credit ratings than we do.

In recent years, there has been substantial consolidation among companies in the financial services industry resulting in increased competition from large, well-capitalized financial services firms. Future economic turmoil may accelerate additional consolidation activity. Many of our competitors also have been able to increase their distribution systems through mergers or contractual arrangements. Furthermore, larger competitors may have lower operating costs and have an ability to absorb greater risk, while maintaining financial strength ratings, allowing them to price products more competitively. These competitive pressures could result in increased pressure on the pricing of certain of our products and services, and could harm our ability to maintain or increase profitability. In addition, if our financial strength and credit ratings are lower than our competitors, we may experience increased surrenders and/or a significant decline in sales. The competitive landscape in which we operate may be further affected by the government sponsored programs in the United States and similar governmental actions outside of the United States in response to the dislocations in financial markets. Competitors that receive governmental financing, guarantees or other assistance, or that are not subject to the same regulatory constraints, may have or obtain pricing or other competitive advantages. Due to the competitive nature of the financial services industry, there can be no assurance that we will continue to effectively compete within the industry or that competition will not have a material adverse impact on our business, results of operations and financial condition.

***Our risk management policies and procedures, including hedging programs, may prove inadequate for the risks we face, which could negatively affect our business or result in losses.***

We have developed risk management policies and procedures, including hedging programs that utilize derivative financial instruments, and expect to continue to do so in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. Many of our methods of managing risk and exposures are based upon observed historical market behavior or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, customers, catastrophe occurrence or other matters that is publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

We employ various strategies, including hedging and reinsurance, with the objective of mitigating risks inherent in our business and operations. These risks include current or future changes in the fair value of our assets and liabilities, current or future changes in cash flows, the effect of interest rates, equity markets and credit spread changes, the occurrence of credit defaults, currency fluctuations and changes in mortality and longevity. We seek to control these risks by, among other things, entering into reinsurance contracts and derivative instruments, such as swaps, options, futures and forward contracts. See Reinsurance subjects us to the credit risk of reinsurers and may not be available, affordable or adequate to protect us against losses for a description of risks associated with our use of reinsurance. Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from such risks. Our hedging strategies also rely on assumptions and projections regarding our assets, liabilities, general market factors and the creditworthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Hedging strategies



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involve transaction costs and other costs, and if we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. We may incur losses on transactions after taking into account our hedging strategies. In particular, certain of our hedging strategies focus on the protection of regulatory and rating agency capital, rather than GAAP earnings. Because our regulatory capital and rating agency capital react differently to market movements than our variable annuity guarantee hedge program target, we have executed a capital hedge overlay ( CHO ) program to generally target these differences. As GAAP accounting differs from the methods used to determine regulatory reserves and rating agency capital requirements, our hedge programs may create earnings volatility in our GAAP financial statements. Further, the nature, timing, design or execution of our hedging transactions could actually increase our risks and losses. Our hedging strategies and the derivatives that we use, or may use in the future, may not adequately mitigate or offset the hedged risk and our hedging transactions may result in losses.

Past or future misconduct by our employees, registered representatives of our broker-dealer subsidiaries or employees of our vendors could result in violations of law by us or our subsidiaries, regulatory sanctions and/or serious reputational or financial harm and the precautions we take to prevent and detect this activity may not be effective in all cases. Although we employ controls and procedures designed to monitor associates' business decisions and to prevent us from taking excessive or inappropriate risks, associates may take such risks regardless of such controls and procedures. Our compensation policies and practices are reviewed by us as part of our overall risk management program, but it is possible that such compensation policies and practices could inadvertently incentivize excessive or inappropriate risk taking. If our associates take excessive or inappropriate risks, those risks could harm our reputation and have a material adverse effect on our results of operations and financial condition.

***The inability of counterparties to meet their financial obligations could have an adverse effect on our results of operations.***

Third parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers or guarantors of securities we hold, customers, reinsurers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other factors, or even rumors about potential defaults by one or more of these parties, could have a material adverse effect on our results of operations, financial condition and liquidity.

We routinely execute a high volume of transactions such as unsecured debt instruments, derivative transactions and equity investments with counterparties and customers in the financial services industry, including brokers and dealers, commercial and investment banks, mutual and hedge funds, institutional clients, futures clearing merchants, swap dealers, insurance companies and other institutions, resulting in large periodic settlement amounts which may result in our having significant credit exposure to one or more of such counterparties or customers. Many of these transactions are comprised of derivative instruments with a number of counterparties in order to hedge various risks, including equity and interest rate market risk features within many of our insurance and annuity products. Our obligations under our products are not changed by our hedging activities and we are liable for our obligations even if our derivative counterparties do not pay us. As a result, we face concentration risk with respect to liabilities or amounts we expect to collect from specific counterparties and customers. A default by, or even concerns about the creditworthiness of, one or more of these counterparties or customers could have an adverse effect on our results of operations or liquidity. There is no assurance that losses on, or impairments to the carrying value of, these assets due to counterparty credit risk would not materially and adversely affect our business, results of operations or financial condition.

We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/or adversely affect our ability to rehypothecate or otherwise use

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those securities or obligations for liquidity purposes. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Our credit risk may also be exacerbated when the collateral we hold cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those experienced during the recent financial crisis. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of rights under the contracts. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

***Requirements to post collateral or make payments related to changes in market value of specified assets may adversely affect liquidity.***

The amount of collateral we may be required to post under short-term financing agreements and derivative transactions may increase under certain circumstances. Pursuant to the terms of some transactions, we could be required to make payment to our counterparties related to any change in the market value of the specified collateral assets. Such requirements could have an adverse effect on liquidity. Furthermore, with respect to any such payments, we may have unsecured risk to the counterparty as these amounts may not be required to be segregated from the counterparty's other funds, may not be held in a third-party custodial account and may not be required to be paid to us by the counterparty until the termination of the transaction. Additionally, the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and the resultant changes in collateral requirements may increase the need for liquidity and eligible collateral assets in excess of what is already being held.

For a discussion on certain obligations we have with respect to the posting of collateral upon the occurrence of certain events, see Management's Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Potential Impact of a Ratings Downgrade.

***Our investment portfolio is subject to several risks that may diminish the value of our invested assets and the investment returns credited to customers, which could reduce our sales, revenues, AUM and results of operations.***

Fixed income securities represent a significant portion of our investment portfolio. We are subject to the risk that the issuers, or guarantors, of fixed income securities we own may default on principal and interest payments they owe us. We are also subject to the risk that the underlying collateral within ABS, including mortgage-backed securities, may default on principal and interest payments causing an adverse change in cash flows. The occurrence of a major economic downturn, acts of corporate malfeasance, widening mortgage or credit spreads, or other events that adversely affect the issuers, guarantors or underlying collateral of these securities could cause the estimated fair value of our fixed income securities portfolio and our earnings to decline and the default rate of the fixed income securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of securities in our investment portfolio, or similar trends that could worsen the credit quality of such issuers, or guarantors could also have a similar effect. Similarly, a ratings downgrade affecting a security we hold could indicate the credit quality of that security has deteriorated and could increase the capital we must hold to support that security to maintain our RBC ratio. See

A decrease in the RBC ratio (as a result of a reduction in statutory surplus and/or increase in risk-based capital (RBC) requirements) of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our business, results of operations and financial condition. We are also subject to the risk that cash flows resulting from the payments on pools of mortgages that serve as collateral underlying the mortgage-backed securities we own may differ from our expectations in timing or size. Cash flow variability arising from an unexpected acceleration in mortgage prepayment behavior can be significant, and could cause a decline in the estimated fair value of certain interest-only securities within our mortgage-backed securities portfolio. Any event reducing the estimated fair value of these securities, other than on a temporary basis, could have a material adverse effect on our business, results of operations and financial condition.

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We derive operating revenues from providing investment management and related services. Our revenues depend largely on the value and mix of AUM. Our investment management related revenues are derived primarily from fees based on a percentage of the value of AUM. Any decrease in the value or amount of our AUM because of market volatility or other factors negatively impacts our revenues and income. Global economic conditions, changes in the equity markets, currency exchange rates, interest rates, inflation rates, the yield curve, defaults by derivative counterparties and other factors that are difficult to predict affect the mix, market values and levels of our AUM. The funds we manage may be subject to an unanticipated large number of redemptions as a result of such events, causing the funds to sell securities they hold, possibly at a loss, or draw on any available lines of credit to obtain cash, or use securities held in the applicable fund, to settle these redemptions. We may, in our discretion, also provide financial support to a fund to enable it to maintain sufficient liquidity in such an event. Additionally, changing market conditions may cause a shift in our asset mix towards fixed-income products and a related decline in our revenue and income, as we generally derive higher fee revenues and income from equity products than from fixed-income products we manage. Any decrease in the level of our AUM resulting from price declines, interest rate volatility or uncertainty, increased redemptions or other factors could negatively impact our revenues and income.

From time to time we invest our capital to seed a particular investment strategy or investment portfolio. We may also co-invest in funds or take an equity ownership interest in certain structured finance/investment vehicles that we manage for our customers. Any decrease in the value of such investments could negatively affect our revenues and income.

Our investment performance is critical to the success of our investment management and related services business, as well as to the profitability of our insurance, annuity and retirement products. Poor investment performance as compared to third-party benchmarks or competitor products could lead to a decrease in sales of investment products we manage and lead to redemptions from existing products, generally lowering the overall level of AUM and reducing the management fees we earn. We cannot assure you that past or present investment performance in the investment products we manage will be indicative of future performance. Any poor investment performance may negatively impact our revenues and income.

***Some of our investments are relatively illiquid and are in asset classes that have been experiencing significant market valuation fluctuations.***

We hold certain assets that may lack liquidity, such as privately placed fixed income securities, commercial mortgage loans, policy loans and limited partnership interests. These asset classes represented 26.0% of the carrying value of our total cash and invested assets as of December 31, 2012. If we require significant amounts of cash on short notice in excess of normal cash requirements or are required to post or return collateral in connection with our investment portfolio, derivatives transactions or securities lending activities, we may have difficulty selling these investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both.

The reported values of our relatively illiquid types of investments do not necessarily reflect the current market price for the asset. If we were forced to sell certain of our assets in the current market, there can be no assurance that we would be able to sell them for the prices at which we have recorded them and we might be forced to sell them at significantly lower prices.

We invest a portion of our invested assets in investment funds, many of which make private equity investments. The amount and timing of income from such investment funds tends to be uneven as a result of the performance of the underlying investments, including private equity investments. The timing of distributions from the funds, which depends on particular events relating to the underlying investments, as well as the funds' schedules for making distributions and their needs for cash, can be difficult to predict. As a result, the amount of income that we record from these investments can vary substantially from quarter to quarter. Recent equity and credit market volatility may reduce investment income for these types of investments.

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**Table of Contents*****Our CMO-B portfolio exposes us to market and behavior risks.***

We manage a portfolio of various collateralized mortgage obligation ( CMO ) tranches in combination with financial derivatives as part of a proprietary strategy we refer to as CMO-B, as described under Investments CMO-B Portfolio. As of December 31, 2012, our CMO-B portfolio had \$3.6 billion in total assets, consisting of notional or principal securities backed by mortgages secured by single-family residential real estate, and including interest-only securities, principal-only securities, inverse-floating rate (principal) securities and inverse interest-only securities. The CMO-B portfolio is subject to a number of market and behavior risks, including interest rate risk and prepayment risk. Interest rate risk represents the potential for adverse changes in portfolio value resulting from changes in the general level of interest rates. Prepayment risk represents the potential for adverse changes in portfolio value resulting from changes in residential mortgage prepayment speed, which in turn depends on a number of factors, including conditions in both credit markets and housing markets. As of December 31, 2012 and December 31, 2011, approximately 33.1% and 32.8%, respectively, of the Company's CMO holdings were invested in those types of CMOs, such as interest-only or principal-only strips, which are subject to more prepayment and extension risk than traditional CMOs. In addition, government policy changes affecting residential housing and residential housing finance, such as government agency reform and government sponsored refinancing programs, and Federal Reserve Bank purchases of agency mortgage securities, or QE3, could alter prepayment behavior and result in adverse changes to portfolio values. While we actively monitor our exposure to these and other risks inherent in this strategy, we cannot assure you that our hedging and risk management strategies will be effective; any failure to manage these risks effectively could materially and adversely affect our results of operations and financial condition. In addition, although we believe our CMO-B portfolio has performed well for a number of years, and particularly well since the recent financial crisis, primarily due to persistently low levels of short-term interest rates and mortgage prepayments in an atmosphere of tightened housing-related credit availability, this portfolio may not continue to perform as well in the future.

***Defaults or delinquencies in our commercial mortgage loan portfolio may adversely affect our profitability.***

The commercial mortgage loans we hold face both default and delinquency risk. We establish loan specific estimated impairments at the balance sheet date. These impairments are based on the excess carrying value of the loan over the present value of expected future cash flows discounted at the loan's original effective interest rate, the estimated fair value of the loan's collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or the loan's observable market price. We also establish valuation allowances for loan losses when, based on past experience, it is probable that a credit event has occurred and the amount of the loss can be reasonably estimated. These valuation allowances are based on loan risk characteristics, historical default rates and loss severities, real estate market fundamentals and outlook as well as other relevant factors. As of December 31, 2012, our commercial loan portfolio included \$9.0 million (0.1%) of commercial loans that were in the process of foreclosure. No other commercial mortgage loans were 90 or more days past due. The performance of our commercial mortgage loan investments may fluctuate in the future. In addition, legislative proposals that would allow or require modifications to the terms of commercial mortgage loans could be enacted. We cannot predict whether these proposals will be adopted, or what impact, if any, such laws, if enacted, could have on our business or investments. An increase in the delinquency and default rate of our commercial mortgage loan portfolio could adversely impact our results of operations and financial condition.

Further, any geographic or sector concentration of our commercial mortgage loans may have adverse effects on our investment portfolios and consequently on our results of operations or financial condition. While we generally seek to mitigate the risk of sector concentration by having a broadly diversified portfolio, events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on the investment portfolios to the extent that the portfolios are concentrated, which could affect our results of operations and financial condition.

In addition, liability under environmental protection laws resulting from our commercial mortgage loan portfolio and real estate investments could affect our results of operations or financial condition. Under the laws

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of several states, contamination of a property may give rise to a lien on the property to secure recovery of the costs of cleanup. In some states, such a lien has priority over the lien of an existing mortgage against the property, which would impair our ability to foreclose on that property should the related loan be in default. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, we may be liable for costs of addressing releases or threatened releases of hazardous substances that require remedy at a property securing a mortgage loan held by us, regardless of whether or not the environmental damage or threat was caused by the obligor, which could harm our results of operations and financial condition. We also may face this liability after foreclosing on a property securing a mortgage loan held by us.

***Our investment management business operations are complex and a failure to properly perform services could have an adverse effect on our revenues and income.***

Our investment management and related services include, among other things, portfolio management, investment advice, fund administration, shareholder services, transfer agency, underwriting, distribution, custodial, trustee and other fiduciary services. In order to be competitive, we must properly perform our administrative and related responsibilities, including recordkeeping and accounting, security pricing, corporate actions, compliance with investment restrictions, daily net asset value computations, account reconciliations and required distributions to fund shareholders. Further, certain of our subsidiaries may act as general partner for various investment partnerships, which may subject them to liability for the partnerships' liabilities. If we fail to properly perform and monitor our investment management operations, our business could suffer and our revenues and income could be adversely affected.

***Our products and services are complex and are frequently sold through intermediaries, and a failure to properly perform services or the misrepresentation of our products or services could have an adverse effect on our revenues and income.***

Many of our products and services are complex and are frequently sold through intermediaries. In particular, our insurance businesses are reliant on intermediaries to describe and explain their products to potential customers. The intentional or unintentional misrepresentation of our products and services in advertising materials or other external communications, or inappropriate activities by our personnel or an intermediary, could adversely affect our reputation and business prospects, as well as lead to potential regulatory actions or litigation.

***Revenues, earnings and income from our investment management business operations could be adversely affected if the terms of our asset management agreements are significantly altered or the agreements are terminated.***

Our revenues from our investment management business operations are dependent on fees earned under asset management and related services agreements that we have with the clients and funds we advise. Operating revenues for this segment were \$545.5 million for the year ended December 31, 2012 and \$491.9 million for the year ended December 31, 2011, and could be adversely affected if these agreements are altered significantly or terminated. The decline in revenue that might result from alteration or termination of our asset management services agreements could have a material adverse impact on our results of operations or financial condition. Operating earnings before income taxes was \$134.5 million for the year ended December 31, 2012 and \$87.5 million for the year ended December 31, 2011. In addition, under certain laws, most notably the Investment Company Act of 1940, as amended (the "Investment Company Act") and the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"), advisory contracts may require approval or consent from clients or fund shareholders in the event of an assignment of the contract or a change in control of the investment adviser. Were a transaction to result in an assignment or change in control, the inability to obtain consent or approval from clients or shareholders of mutual funds or other investment funds could result in a significant reduction in advisory fees.

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*The valuation of many of our financial instruments includes methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may materially and adversely affect our results of operations and financial condition.*

The following financial instruments are carried at fair value in our financial statements: fixed income securities, equity securities, derivatives, embedded derivatives, assets and liabilities related to consolidated investment entities, and separate account assets. We have categorized these instruments into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3), while quoted prices in markets that are not active or valuation techniques requiring inputs that are observable for substantially the full term of the asset or liability are Level 2.

Factors considered in estimating fair values of securities, and derivatives and embedded derivatives related to our securities include coupon rate, maturity, principal paydown including prepayments, estimated duration, call provisions, sinking fund requirements, credit rating, industry sector of the issuer and quoted market prices of comparable securities. Factors considered in estimating the fair values of embedded derivatives and derivatives related to product guarantees (collectively, guaranteed benefit derivatives ) include risk-free interest rates, long-term equity implied volatility, interest rate implied volatility, correlations among mutual funds associated with variable annuity contracts and actuarial assumptions such as mortality rates, lapse rates and benefit utilization, as well as the amount and timing of policyholder deposits and partial withdrawals. The impact of our risk of nonperformance is also reflected in the estimated fair value of guaranteed benefit derivatives. In many situations, inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In these situations, we will determine the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value.

The determinations of fair values are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts.

During periods of market disruption, including periods of rapidly changing credit spreads or illiquidity, it has been and will likely continue to be difficult to value certain of our securities, such as certain mortgage-backed securities, if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that could become illiquid in a difficult financial environment. In such cases, more securities may fall to Level 3 and thus require more subjectivity and management judgment in determining fair value. As such, valuations may include inputs and assumptions that are less observable or require greater estimation, thereby resulting in values that may differ materially from the value at which the investments may be ultimately sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within the financial statements, and the period-to-period changes in value could vary significantly. Decreases in value could have a material adverse effect on our results of operations and financial condition. As of December 31, 2012, 7.3%, 91.5% and 1.2% of our available-for-sale securities were considered to be Level 1, 2 and 3, respectively.

*The determination of the amount of allowances and impairments taken on our investments is subjective and could materially and adversely impact our results of operations or financial condition. Gross unrealized losses may be realized or result in future impairments, resulting in a reduction in our net income (loss).*

We evaluate investment securities held by us for impairment on a quarterly basis. This review is subjective and requires a high degree of judgment. For fixed income securities held, an impairment loss is recognized if the fair value of the debt security is less than the carrying value and we no longer have the intent to hold the debt security; if it is more likely than not that we will be required to sell the debt security before recovery of the amortized cost basis; or if a credit loss has occurred.

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When we do not intend to sell a security in an unrealized loss position, potential credit related other-than-temporary impairments are considered using a variety of factors, including the length of time and extent to which the fair value has been less than cost, adverse conditions specifically related to the industry, geographic area in which the issuer conducts business, financial condition of the issuer or underlying collateral of a security, payment structure of the security, changes in credit rating of the security by the rating agencies, volatility of the fair value changes and other events that adversely affect the issuer. In addition, we take into account relevant broad market and economic data in making impairment decisions.

As part of the impairment review process, we utilize a variety of assumptions and estimates to make a judgment on how fixed income securities will perform in the future. It is possible that securities in our fixed income portfolio will perform worse than our expectations. There is an ongoing risk that further declines in fair value may occur and additional other-than-temporary impairments may be recorded in future periods, which could materially and adversely affect our results of operations and financial condition. Furthermore, historical trends may not be indicative of future impairments or allowances.

Fixed income and equity securities classified as available-for-sale are reported at their estimated fair value. Unrealized gains or losses on available-for-sale securities are recognized as a component of other comprehensive income (loss) and are therefore excluded from net income (loss). The accumulated change in estimated fair value of these available-for-sale securities is recognized in net income (loss) when the gain or loss is realized upon the sale of the security or in the event that the decline in estimated fair value is determined to be other-than-temporary ( OTTI ) and an impairment charge to earnings is taken. Such realized losses or impairments may have a material adverse effect on our net income (loss) in a particular quarterly or annual period. For example, we recorded OTTI of \$55.1 million, \$502.7 million and \$890.8 million in net realized capital losses for the years ended December 31, 2012, 2011 and 2010, respectively.

### ***Our participation in a securities lending program and a reverse repurchase program subjects us to potential liquidity and other risks.***

We participate in a securities lending program whereby blocks of securities, which are included in fixed income securities and short-term investments, are loaned to third-party borrowers, primarily major brokerage firms and commercial banks. We generally obtain cash collateral in an amount equal to 102% of the estimated fair value of the loaned securities, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. The cash collateral received is typically invested in fixed income securities. A return of loaned securities by a borrower would require us to liquidate the investments held as collateral and return the cash collateral associated with such loaned securities.

We also participate in a reverse repurchase program for our general account whereby we sell fixed income securities to third-party repurchase counterparties, primarily major brokerage firms and commercial banks, with a concurrent agreement to repurchase those same securities at a determined future date. Our policy requires that, at all times during the term of the reverse repurchase agreements, cash or other types of collateral types provided is sufficient to allow the counterparty to fund substantially all of the cost of purchasing replacement assets. The cash proceeds received under the reverse repurchase program are typically invested in fixed income securities and cannot be returned prior to the scheduled repurchase date; however, market conditions on the repurchase date may limit our ability to enter into new agreements. The repurchase of securities or our inability to enter into new reverse repurchase agreements would require us to return the cash collateral proceeds associated with such transactions on the repurchase or maturity date.

For both securities lending and reverse repurchase transactions, in some cases, the maturity of the securities held as invested collateral (i.e., securities that we have purchased with cash collateral received) may exceed the term of the related securities on loan and the estimated fair value may fall below the amount of cash received as collateral and invested. If we are required to return significant amounts of cash collateral on short notice and we are forced to sell securities to meet the return obligation, we may have difficulty selling such collateral that is

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invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than we otherwise would have been able to realize under normal market conditions, or both. In addition, under adverse capital market and economic conditions, liquidity may broadly deteriorate, which would further restrict our ability to sell securities. If we decrease the amount of our securities lending and reverse repurchase activities over time, the amount of net investment income generated by these activities will also likely decline. See Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Securities Lending.

***Differences between actual claims experience and reserving assumptions may adversely affect our results of operations or financial condition.***

We establish and hold reserves to pay future policy benefits and claims. Our reserves do not represent an exact calculation of liability, but rather are actuarial or statistical estimates based on data and models that include many assumptions and projections, which are inherently uncertain and involve the exercise of significant judgment, including assumptions as to the levels and/or timing of receipt or payment of premiums, benefits, claims, expenses, interest credits, investment results (including equity market returns), retirement, mortality, morbidity and persistency. We periodically review the adequacy of reserves and the underlying assumptions. We cannot, however, determine with precision the amounts that we will pay for, or the timing of payment of, actual benefits, claims and expenses or whether the assets supporting our policy liabilities, together with future premiums, will grow to the level assumed prior to payment of benefits or claims. If actual experience differs significantly from assumptions or estimates, reserves may not be adequate. If we conclude that our reserves, together with future premiums, are insufficient to cover future policy benefits and claims, we would be required to increase our reserves and incur income statement charges for the period in which we make the determination, which could materially and adversely affect our results of operations and financial condition.

***We may face significant losses if mortality rates, morbidity rates, persistency rates or other underwriting assumptions differ significantly from our pricing expectations.***

We set prices for many of our insurance and annuity products based upon expected claims and payment patterns, using assumptions for mortality rates, or likelihood of death, and morbidity rates, or likelihood of sickness, of our policyholders. In addition to the potential effect of natural or man-made disasters, significant changes in mortality or morbidity could emerge gradually over time due to changes in the natural environment, the health habits of the insured population, technologies and treatments for disease or disability, the economic environment, or other factors. The long-term profitability of our insurance and annuity products depends upon how our actual mortality rates, and to a lesser extent actual morbidity rates, compare to our pricing assumptions. In addition, prolonged or severe adverse mortality or morbidity experience could result in increased reinsurance costs, and ultimately, reinsurers might not offer coverage at all. If we are unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient, we would have to accept an increase in our net risk exposures, revise our pricing to reflect higher reinsurance premiums, or otherwise modify our product offering.

Pricing of our insurance and annuity products is also based in part upon expected persistency of these products, which is the probability that a policy will remain in force from one period to the next. Persistency of our annuity products may be significantly and adversely impacted by the increasing value of guaranteed minimum benefits contained in many of our variable annuity products due to poor equity market performance or extended periods of low interest rates as well as other factors. The minimum interest rate guarantees in our fixed annuities may also be more valuable in extended periods of low interest rates. Persistency could be adversely affected generally by developments adversely affecting customer perception of us. Results may also vary based on differences between actual and expected premium deposits and withdrawals for these products. Many of our deferred annuity products also contain optional benefits that may be exercised at certain points within a contract. We set prices for such products using assumptions for the rate of election of deferred annuity living benefits and other optional benefits offered to our contract owners. The profitability of our deferred annuity products may be



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less than expected, depending upon how actual contract owner decisions to elect or delay the utilization of such benefits compare to our pricing assumptions. The development of a secondary market for life insurance, including stranger-owned life insurance, life settlements or viaticals and investor-owned life insurance, and the potential development of third-party investor strategies in the annuities business, could also adversely affect the profitability of existing business and our pricing assumptions for new business. Actual persistency that is lower than our persistency assumptions could have an adverse effect on profitability, especially in the early years of a policy, primarily because we would be required to accelerate the amortization of expenses we defer in connection with the acquisition of the policy. Actual persistency that is higher than our persistency assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience is higher in these later years. If actual persistency is significantly different from that assumed in our current reserving assumptions, our reserves for future policy benefits may prove to be inadequate. Although some of our products permit us to increase premiums or adjust other charges and credits during the life of the policy, the adjustments permitted under the terms of the policies may not be sufficient to maintain profitability. Many of our products, however, do not permit us to increase premiums or adjust charges and credits during the life of the policy or during the initial guarantee term of the policy. Even if permitted under the policy, we may not be able or willing to raise premiums or adjust other charges for regulatory or competitive reasons.

Pricing of our products is also based on long-term assumptions regarding interest rates, investment returns and operating costs. Management establishes target returns for each product based upon these factors, the other underwriting assumptions noted above and the average amount of regulatory and rating agency capital that we must hold to support in-force contracts. We monitor and manage pricing and sales to achieve target returns. Profitability from new business emerges over a period of years, depending on the nature and life of the product, and is subject to variability as actual results may differ from pricing assumptions. Our profitability depends on multiple factors, including the comparison of actual mortality, morbidity and persistency rates and policyholder behavior to our assumptions; the adequacy of investment margins; our management of market and credit risks associated with investments; our ability to maintain premiums and contract charges at a level adequate to cover mortality, benefits and contract administration expenses; the adequacy of contract charges and availability of revenue from providers of investment options offered in variable contracts to cover the cost of product features and other expenses; and management of operating costs and expenses.

***Unfavorable developments in interest rates, credit spreads and policyholder behavior can result in adverse financial consequences related to our stable value products, and our hedging program and risk mitigation features may not successfully offset these consequences.***

We offer stable value products primarily as a fixed rate, liquid asset allocation option for employees of our plan sponsor customers within the defined contribution funding plans offered by our Retirement business. These products are designed to provide a guaranteed annual credited rate (currently between zero and three percent) on the invested assets in addition to enabling participants the right to withdraw and transfer funds at book value.

The sensitivity of our statutory reserves and surplus established for the stable value products to changes in interest rates, credit spreads and policyholder behavior will vary depending on the magnitude of these changes, as well as on the book value of assets, the market value of assets, the guaranteed credited rates available to customers and other product features. Realization or re-measurement of these risks may result in an increase in the reserves for stable value products, and could materially and adversely affect our financial position or results of operations. In particular, in low interest rate environments, we bear exposure to the risk that the credited rate exceeds the earned rate on guaranteed annual credited rate products, and, in a rising interest rate environment, we are exposed to the risk of financial disintermediation through a potential increase in the level of book value withdrawals.

To the extent that our hedging program and other risk mitigating features do not operate as intended or are not fully effective, we remain exposed to the risks described above.

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*We may be required to accelerate the amortization of DAC, deferred sales inducements ( DSI ) and/or VOBA, any of which could adversely affect our results of operations or financial condition.*

DAC represents the incremental costs related directly to the acquisition of new and renewal insurance and annuity contracts. DSI represents amounts that are credited to a policyholder's account balance as an inducement to purchase a contract. VOBA represents the present value of estimated cash flows embedded in acquired business, plus renewal commissions and certain other costs on such acquired business. Capitalized costs associated with DAC, DSI and VOBA are amortized in proportion to actual and estimated gross profits, gross premiums or gross revenues depending on the type of contract. Management, on an ongoing basis, tests the DAC, DSI and VOBA recorded on our balance sheets to determine if these amounts are recoverable under current assumptions. In addition, management regularly reviews the estimates and assumptions underlying DAC, DSI and VOBA. The projection of estimated gross profits, gross premiums or gross revenues requires the use of certain assumptions, principally related to separate account fund returns in excess of amounts credited to policyholders, policyholder behavior such as surrender and lapse rates, interest margin, expense margin, mortality, future impairments and hedging costs. Estimating future gross profits, gross premiums or gross revenues is a complex process requiring considerable judgment and the forecasting of events well into the future. If these assumptions prove to be inaccurate, if an estimation technique used to estimate future gross profits, gross premiums or gross revenues is changed, or if significant or sustained equity market declines occur and/or persist, we could be required to accelerate the amortization of DAC, DSI and VOBA, which would result in a charge to earnings. Such adjustments could have a material adverse effect on our results of operations and financial condition.

*Reinsurance subjects us to the credit risk of reinsurers and may not be available, affordable or adequate to protect us against losses.*

We cede life insurance policies and annuity contracts to other insurance companies through reinsurance. However, we remain liable to the underlying policyholders, even if the reinsurer defaults on its obligations with respect to the ceded business. If a reinsurer fails to meet its obligations under the reinsurance contract, we will be forced to cover the claims on the reinsured policies. In addition, a reinsurer insolvency may cause us to lose our reserve credits on the ceded business, in which case we would be required to establish additional reserves.

In addition, if a reinsurer loses its accredited reinsurer status in any state where we are licensed to do business, we will not be entitled to take credit for reinsurance in that state if the reinsurer does not post sufficient qualifying assets in a qualifying trust or post qualifying LOCs, and we would be required to establish additional reserves. Similarly, the credit for reinsurance taken by our insurance subsidiaries under affiliated and unaffiliated offshore reinsurance agreements is, under certain conditions, dependent upon the offshore reinsurer's ability to obtain and provide sufficient qualifying assets in a qualifying trust or qualifying letters of credit issued by qualifying lending banks. The cost of letters of credit, when available, continues to be very expensive in the current economic environment. Because of this, our affiliated offshore reinsurer has established and will continue to pursue alternative sources for qualifying reinsurance collateral. If these steps are unsuccessful, or if unaffiliated non-accredited reinsurers that have reinsured business from our insurance subsidiaries are unsuccessful in obtaining sources of qualifying reinsurance collateral, our insurance subsidiaries might not be able to obtain full reserve credit. Loss of reserve credit by an insurance subsidiary would require it to establish additional reserves and would result in a decrease in the level of its capital, which could have a material adverse effect on our profitability, results of operations and financial condition.

We had \$696.7 million and \$679.1 million of unsecured unaffiliated reinsurance recoverable balances with offshore or other reinsurers not accredited by the domiciliary regulators of our insurance operating companies as of December 31, 2012 and 2011, respectively. These reinsurance recoverable balances are periodically assessed for uncollectability and there were no significant allowances for uncollectible reinsurance as of December 31, 2012 and December 31, 2011.

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The collectability of reinsurance recoverables is subject to uncertainty arising from a number of factors, including whether the insured losses meet the qualifying conditions of the reinsurance contract, whether reinsurers or their affiliates have the financial capacity and willingness to make payments under the terms of the reinsurance contract, and the degree to which our reinsurance balances are secured by sufficient qualifying assets in qualifying trusts or qualifying LOCs issued by qualifying lender banks. Although a substantial portion of our reinsurance exposure is secured by assets held in trusts or LOCs, the inability to collect a material recovery from a reinsurer could have a material adverse effect on our profitability, results of operation and financial condition.

The premium rates and other fees that we charge are based, in part, on the assumption that reinsurance will be available at a certain cost. Some of our reinsurance contracts contain provisions that limit the reinsurer's ability to increase rates on in-force business; however, some do not. If a reinsurer raises the rates that it charges on a block of in-force business, our profitability may be negatively impacted if we are not able to pass the increased costs on to our customers. If reinsurers raise the rates that they charge on new business, we may be forced to raise the premiums that we charge, which could have a negative impact on our competitive position.

***A decrease in the RBC ratio (as a result of a reduction in statutory surplus and/or increase in risk-based capital ( RBC ) requirements) of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our business, results of operations and financial condition.***

The NAIC has established regulations that provide minimum capitalization requirements based on RBC formulas for insurance companies. The RBC formula for life insurance companies establishes capital requirements relating to asset, insurance, interest rate and business risks, including equity, interest rate and expense recovery risks associated with variable annuities and group annuities that contain guaranteed minimum death and living benefits. Each of our insurance subsidiaries is subject to RBC standards and/or other minimum statutory capital and surplus requirements imposed under the laws of its respective jurisdiction of domicile.

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors, including the amount of statutory income or losses generated by the insurance subsidiary (which itself is sensitive to equity market and credit market conditions), the amount of additional capital such insurer must hold to support business growth, changes in equity market levels, the value and credit ratings of certain fixed-income and equity securities in its investment portfolio, the value of certain derivative instruments that do not receive hedge accounting and changes in interest rates, as well as changes to the RBC formulas and the interpretation of the NAIC's instructions with respect to RBC calculation methodologies. Many of these factors are outside of our control. Our financial strength and credit ratings are significantly influenced by statutory surplus amounts and RBC ratios. In addition, rating agencies may implement changes to their own internal models, which differ from the RBC capital model that have the effect of increasing or decreasing the amount of statutory capital we or our insurance subsidiaries should hold relative to the rating agencies' expectations. In extreme scenarios of equity market declines, sustained periods of low interest rates, rapidly rising interest rates or credit spread widening, the amount of additional statutory reserves that an insurance subsidiary is required to hold for certain types of GICs and variable annuity guarantees and stable value contracts may increase at a greater than linear rate. This increase in reserves would decrease the statutory surplus available for use in calculating the subsidiary's RBC ratios. To the extent that an insurance subsidiary's RBC ratios are deemed to be insufficient, we may seek to take actions either to increase the capitalization of the insurer or to reduce the capitalization requirements. If we were unable to accomplish such actions, the rating agencies may view this as a reason for a ratings downgrade.

The failure of any of our insurance subsidiaries to meet its applicable RBC requirements or minimum capital and surplus requirements could subject it to further examination or corrective action imposed by insurance regulators, including limitations on its ability to write additional business, supervision by regulators or seizure or liquidation. Any corrective action imposed could have a material adverse effect on our business, results of operations and financial condition. A decline in RBC ratios also limits the ability of an insurance

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subsidiary to make dividends or distributions to us and could be a factor in causing ratings agencies to downgrade the insurer's financial strength ratings, which could have a material adverse effect on our business, results of operations and financial condition.

*Our statutory reserve financings may be subject to cost increases and new financings may be subject to limited market capacity.*

We have financing facilities in place for our previously written business and have remaining capacity in existing facilities to support writings through the end of 2013 or later. However certain of these facilities mature prior to the run off of the reserve liability so that we are subject to cost increases or unavailability of capacity upon the refinancing. If we are unable to refinance such facilities, or if the cost of such facilities were to significantly increase, we would be required to increase statutory reserves or incur higher operating or tax costs. For more details, see Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Credit Facilities and Subsidiary Credit Support Arrangements.

*A significant portion of our institutional funding originates from two Federal Home Loan Banks, which subjects us to liquidity risks associated with sourcing a large concentration of our funding from two counterparties.*

A significant portion of our institutional funding agreements originates from the Federal Home Loan Bank of Topeka and the Federal Home Loan Bank of Des Moines (each an FHLB), which primarily serve as a source of funding for our Closed Block Institutional Spread Products segment. As of December 31, 2012, we had issued \$2.6 billion of non-putable funding agreements and obtained a \$265 million LOC in exchange for eligible collateral in the form of cash, mortgage backed securities and U.S. Treasury securities. Should the FHLBs choose to change their definition of eligible collateral, or if the market value of the pledged collateral decreases in value due to changes in interest rates or credit ratings, we may be required to post additional amounts of collateral in the form of cash or other eligible collateral. Additionally, we may be required to find other sources to replace this funding if we lose access to FHLB funding. This could occur if our creditworthiness falls below either of the FHLB's requirements or if legislative or other political actions cause changes to the FHLBs' mandate or to the eligibility of life insurance companies to be members of the FHLB system.

*Any failure to protect the confidentiality of customer information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operation.*

Our businesses and relationships with customers are dependent upon our ability to maintain the confidentiality of our and our customers' trade secrets and confidential information (including customer transactional data and personal data about our employees, our customers and the employees and customers of our customers). Pursuant to federal laws, various federal regulatory and law enforcement agencies have established rules protecting the privacy and security of personal information. In addition, most states have enacted laws, which vary significantly from jurisdiction to jurisdiction, to safeguard the privacy and security of personal information. Certain of our employees and contractors and many sales representatives of our broker-dealer subsidiaries have access to and routinely process personal information of customers through a variety of media, including the internet and software applications. We rely on various internal processes and controls to protect the confidentiality of customer information that is accessible to, or in the possession of, us, our employees, contractors and sales representatives. It is possible that an employee, contractor or sales representative could, intentionally or unintentionally, disclose or misappropriate confidential customer information. If we fail to maintain adequate internal controls, including any failure to implement newly-required additional controls, or if our employees, contractors or sales representatives fail to comply with our policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of customer information could occur. Such internal control inadequacies or non-compliance could materially damage our reputation, result in regulatory action or lead to civil or criminal penalties, which, in turn, could have a material adverse effect on our business, results of operations and financial condition.

**Table of Contents*****Changes in accounting standards could adversely impact our reported results of operations and our reported financial condition.***

Our financial statements are subject to the application of GAAP, which is periodically revised or expanded. Accordingly, from time to time we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board ( FASB ). For example, the adoption of the provision of Accounting Standards Update ( ASU ) 2010-26, Financial Services: Insurance (Accounting Standards Codification ( ASC ) Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts decreased our retained earnings by \$1.2 billion as of January 1, 2011. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our results of operations and financial condition.

In addition, FASB is working on several projects with the International Accounting Standards Board, which could result in significant changes as GAAP converges with IFRS, including how we account for our insurance policies, annuity contracts and financial instruments and how our financial statements are presented. Furthermore, the U.S. Securities and Exchange Commission ( SEC ) is considering whether and how to incorporate IFRS into the U.S. financial reporting system. The changes to GAAP and ultimate conversion to IFRS, if undertaken, could affect the way we account for and report significant areas of our business, could impose special demands on us in the areas of governance, employee training, internal controls and disclosure and will likely affect how we manage our business.

***We may be required to establish an additional valuation allowance against the deferred income tax asset if our business does not generate sufficient taxable income or if our tax planning strategies are modified. Increases in the deferred tax valuation allowance could have a material adverse effect on results of operations and financial condition.***

Deferred income tax represents the tax effect of the differences between the book and tax basis of assets and liabilities. Deferred tax assets represent the tax benefit of future deductible temporary differences, operating loss carryforwards and tax credits carryforward. We periodically evaluate and test our ability to realize our deferred tax assets. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. In assessing the more likely than not criteria, we consider future taxable income as well as prudent tax planning strategies. Future facts, circumstances, tax law changes and FASB developments may result in an increase in the valuation allowance. An increase in the valuation allowance could have a material adverse effect on the Company's results of operations and financial condition.

As of December 31, 2012, we have recognized deferred tax assets based on tax planning related to unrealized gains on investment assets. To the extent these unrealized gains decrease, the tax benefit will be reduced by increasing the tax valuation allowance. For example, if interest rates increase, the amount of the unrealized gains will, most likely, decrease, with all other things constant. The decrease in the deferred tax asset may be recorded as a tax expense in tax on continuing operations based on the intra period tax allocation rules described in ASC Topic 740, Income Taxes .

***We expect that our ability to use beneficial U.S. tax attributes will be subject to limitations.***

Section 382 ( Section 382 ) and Section 383 of the U.S. Internal Revenue Code of 1986, as amended (the Internal Revenue Code ) operate as anti-abuse rules, the general purpose of which is to prevent trafficking in tax losses and credits, but which can apply without regard to whether a loss trafficking transaction occurs or is intended. These rules are triggered when an ownership change generally defined as when the ownership of a company, or its parent, changes by more than 50% (measured by value) on a cumulative basis in any three year period occurs ( Section 382 event ). If triggered, the amount of the taxable income for any post-change year which may be offset by a pre-change loss is subject to an annual limitation. Generally speaking, this limitation is

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derived by multiplying the fair market value of the stock of the taxpayer immediately before the date of the ownership change by the applicable federal long-term tax-exempt rate. In addition, to the extent that a company has a net unrealized built-in loss or deduction at the time of an ownership change, Sections 382 and 383 limit the utilization of any such loss or deduction which is realized and recognized during the five-year period following the ownership change.

Based on the expected size of this offering, we do not believe an ownership change will occur at the time of the offering. Under the current base case for ING Group's divestiture of its remaining ownership stake in the Company, however, it is likely that an ownership change will occur by December 31, 2014. As discussed in Summary ING Group Restructuring Plan with European Commission, ING Group is required, under the terms of the 2012 Amended Restructuring Plan, to fully divest its ownership of the Company by the end of 2016.

In addition, in November 2008, ING Group issued 10 billion of core Tier 1 securities to the Dutch State in connection with a capital infusion that would need to be taken into account for purposes of determining if an ownership change has occurred. ING Group redeemed approximately half ( 5 billion) of these securities in December 2009 and issued new shares to the public at that time, and an additional 20% ( 2 billion) in May 2011 and, 7.5% ( 0.75 billion) in November 2012. As part of the 2012 Amended Restructuring Plan, ING Group has committed to repay the remaining 2.25 billion of Core Tier I securities, plus a 50% premium in three equal tranches in the next three years. The redemption by ING Group of an additional amount of these securities or other transfers of securities may, depending on the facts and circumstances, trigger an ownership change, as described above.

Under GAAP, as of December 31, 2012, our tax attributes included gross deferred tax assets of \$5.7 billion, against which there was an offsetting valuation allowance of \$3.0 billion, and gross deferred tax liabilities of \$3.7 billion. We are uncertain as to the ultimate financial impact of an ownership change. Using amounts available at December 31, 2012, we estimate that the deferred tax asset potentially subject to an additional tax valuation allowance is \$80 million to \$180 million (mainly as a result of built-in losses). Such an additional tax valuation allowance may be recorded as a tax expense in tax on continuing operations, which could change following the final Section 382 calculations. The actual impact on the valuation allowance is dependent mainly on the level of unrealized capital gains and losses at the time of the ownership change, the calculated Section 382 limitation, the estimated reversal pattern of capital losses otherwise supported by tax planning strategies, the estimated reversal pattern of unrealized capital gains comprising such strategies, the estimated reversal pattern of unrealized built-in capital losses subject to the limitation and the level of the valuation allowance otherwise held prior to the Section 382 event.

Under statutory accounting, a Section 382 event could reduce the admitted deferred tax asset by \$91.0 million if measured at December 31, 2012. This amount could change following the final Section 382 calculations. The reduction in the admitted deferred tax asset could adversely impact our insurance company subsidiaries' ability to pay dividends or other distributions (directly or indirectly) to ING U.S., Inc. This in turn could negatively impact our ability to pay dividends to our stockholders and to service our debt. The actual impact is dependent mainly on the level of unrealized gains and losses at the time of the ownership change and the calculated Section 382 limitation.

Numerous aspects of the application of Section 382 are subject to potential challenge by the U.S. Internal Revenue Service ( IRS ). Among these is our calculation of the value of the Company at the time of an ownership change. If the IRS were to successfully challenge this valuation, the annual limitation calculated for purposes of Section 382 could be reduced, thereby further limiting our ability to use losses.

Our amended and restated certificate of incorporation contains provisions designed to preserve our ability to use beneficial U.S. tax attributes and avoid triggering the Section 382 limitation prior to the time when ING Group's divestment of its remaining ownership stake in the Company would otherwise trigger the limitation. See Description of Capital Stock Ownership Limitations.

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***We are unable to offset our U.S. taxable income against the losses of one of our reinsurance subsidiaries.***

As described in Risks Related to Our Closed Block Variable Annuity Segment and Business Closed Blocks Closed Block Variable Annuity, we may incur losses in the future in our Closed Block Variable Annuity segment. We expect that a significant portion of any such loss would be realized in SLDI, a subsidiary domiciled in the Cayman Islands. SLDI has made an election to be treated as a U.S. corporation for U.S. federal income tax purposes. However, U.S. federal income tax law does not allow the operating losses of a foreign company making such an election to offset the taxable income of its U.S. affiliates. Through a reinsurance arrangement, SLDI is obligated to indemnify one of our other U.S. subsidiaries in the event of losses. To the extent SLDI remains a foreign entity and has operating losses that exceed its taxable income, the losses would not be available to offset taxable income for U.S. federal income tax purposes and would increase our effective tax rate.

***Our business may be negatively affected by adverse publicity or increased governmental and regulatory actions with respect to us, other well-known companies or the financial services industry in general.***

Governmental scrutiny with respect to matters relating to compensation and other business practices in the financial services industry has increased dramatically in the past several years and has resulted in more aggressive and intense regulatory supervision and the application and enforcement of more stringent standards. The recent financial crisis and the current political and public sentiment regarding financial institutions has resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators and elected officials. Press coverage and other public statements that assert some form of wrongdoing, regardless of the factual basis for the assertions being made, could result in some type of inquiry or investigation by regulators, legislators and/or law enforcement officials or in lawsuits. Responding to these inquiries, investigations and lawsuits, regardless of the ultimate outcome of the proceeding, is time-consuming and expensive and can divert the time and effort of our senior management from its business. Future legislation or regulation or governmental views on compensation may result in us altering compensation practices in ways that could adversely affect our ability to attract and retain talented employees. Adverse publicity, governmental scrutiny, pending or future investigations by regulators or law enforcement agencies and/or legal proceedings involving us or our affiliates, including ING Group, can also have a negative impact on our reputation and on the morale and performance of employees, and on business retention and new sales, which could adversely affect our businesses and results of operations.

***Litigation may adversely affect our profitability and financial condition.***

We are, and may be in the future, subject to legal actions in the ordinary course of insurance, investment management and other business operations. Some of these legal proceedings may be brought on behalf of a class. Plaintiffs may seek large or indeterminate amounts of damage, including compensatory, liquidated, treble and/or punitive damages. Our reserves for litigation may prove to be inadequate. It is possible that our results of operations or cash flow in a particular quarterly or annual period could be materially affected by an ultimate unfavorable resolution of pending litigation depending, in part, upon the results of operations or cash flow for such period. Given the large or indeterminate amounts sometimes sought, and the inherent unpredictability of litigation, it is also possible that in certain cases an ultimate unfavorable resolution of one or more pending litigation matters could have a material adverse effect on our financial condition.

***A loss of, or significant change in, key product distribution relationships could materially affect sales.***

We distribute certain products under agreements with affiliated distributors and other members of the financial services industry that are not affiliated with us. We compete with other financial institutions to attract and retain commercial relationships in each of these channels, and our success in competing for sales through these distribution intermediaries depends upon factors such as the amount of sales commissions and fees we pay, the breadth of our product offerings, the strength of our brand, our perceived stability and financial strength ratings, and the marketing and services we provide to, and the strength of the relationships we maintain with,

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individual distributors. An interruption or significant change in certain key relationships could materially affect our ability to market our products and could have a material adverse effect on our business, operating results and financial condition. Distributors may elect to alter, reduce or terminate their distribution relationships with us, including for such reasons as changes in our distribution strategy, adverse developments in our business, adverse rating agency actions or concerns about market-related risks. Alternatively, we may terminate one or more distribution agreements due to, for example, a loss of confidence in, or a change in control of, one of the distributors, which could reduce sales.

We are also at risk that key distribution partners may merge or change their business models in ways that affect how our products are sold, either in response to changing business priorities or as a result of shifts in regulatory supervision or potential changes in state and federal laws and regulations regarding standards of conduct applicable to distributors when providing investment advice to retail and other customers.

***The occurrence of natural or man-made disasters may adversely affect our results of operations and financial condition.***

We are exposed to various risks arising from natural disasters, including hurricanes, climate change, floods, earthquakes, tornadoes and pandemic disease, as well as man-made disasters and core infrastructure failures, including acts of terrorism, military actions, power grid and telephone/internet infrastructure failures, which may adversely affect AUM, results of operations and financial condition by causing, among other things:

losses in our investment portfolio due to significant volatility in global financial markets or the failure of counterparties to perform;

changes in the rate of mortality, claims, withdrawals, lapses and surrenders of existing policies and contracts, as well as sales of new policies and contracts; and

disruption of our normal business operations due to catastrophic property damage, loss of life, or disruption of public and private infrastructure, including communications and financial services.

There can be no assurance that our business continuation and crisis management plan or insurance coverages would be effective in mitigating any negative effects on operations or profitability in the event of a disaster, nor can we provide assurance that the business continuation and crisis management plans of the independent distributors and outside vendors on whom we rely for certain services and products would be effective in mitigating any negative effects on the provision of such services and products in the event of a disaster.

Claims resulting from a catastrophic event could also materially harm the financial condition of our reinsurers, which would increase the probability of default on reinsurance recoveries. Our ability to write new business could also be adversely affected.

In addition, the jurisdictions in which our insurance subsidiaries are admitted to transact business require life insurers doing business within the jurisdiction to participate in guaranty associations, which raise funds to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. It is possible that a catastrophic event could require extraordinary assessments on our insurance companies, which may have a material adverse effect on our business, results of operations and financial condition.

***The loss of key personnel could negatively affect our financial results and impair our ability to implement our business strategy.***

Our success depends in large part on our ability to attract and retain key people. Intense competition exists for key employees with demonstrated ability, and we may be unable to hire or retain such employees. Our key employees include investment professionals, such as portfolio managers, sales and distribution professionals, actuarial and finance professionals and information technology professionals. While we do not believe that the



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departure of any particular individual would cause a material adverse effect on our operations, the unexpected loss of several of our senior management, portfolio managers or other key employees could have a material adverse effect on our operations due to the loss of their skills, knowledge of our business, and their years of industry experience as well as the potential difficulty of promptly finding qualified replacement employees. We also rely upon the knowledge and experience of employees involved in functions that require technical expertise in order to provide for sound operational controls for our overall enterprise, including the accurate and timely preparation of required regulatory filings and GAAP and statutory financial statements and operation of internal controls. A loss of such employees could adversely impact our ability to execute key operational functions and could adversely affect our operational controls, including internal controls over financial reporting.

***Interruption or other operational failures in telecommunication, information technology and other operational systems, or a failure to maintain the security, integrity, confidentiality or privacy of sensitive data residing on such systems, including as a result of human error, could harm our business.***

We are highly dependent on automated and information technology systems to record and process our internal transactions and transactions involving our customers, as well as to calculate reserves, value invested assets and complete certain other components of our GAAP and statutory financial statements. We could experience a failure of one of these systems, our employees or agents could fail to monitor and implement enhancements or other modifications to a system in a timely and effective manner, or our employees or agents could fail to complete all necessary data reconciliation or other conversion controls when implementing a new software system or implementing modifications to an existing system. Despite the implementation of security and back-up measures, our information technology systems may be vulnerable to physical or electronic intrusions, viruses or other attacks, programming errors and similar disruptions. We may also be subject to disruptions of any of these systems arising from events that are wholly or partially beyond our control (for example, natural disasters, acts of terrorism, epidemics, computer viruses and electrical/telecommunications outages). All of these risks are also applicable where we rely on outside vendors to provide services to us and our customers. The failure of any one of these systems for any reason, or errors made by our employees or agents, could in each case cause significant interruptions to our operations, which could harm our reputation, adversely affect our internal control over financial reporting, or have a material adverse effect on our business, results of operations and financial condition.

We retain confidential information in our information technology systems, and we rely on industry standard commercial technologies to maintain the security of those systems. Anyone who is able to circumvent our security measures and penetrate our information technology systems could access, view, misappropriate, alter, or delete information in the systems, including personally identifiable customer information and proprietary business information. Information security risks also exist with respect to the use of portable electronic devices, such as laptops, which are particularly vulnerable to loss and theft. In addition, an increasing number of jurisdictions require that customers be notified if a security breach results in the disclosure of personally identifiable customer information. Any compromise of the security of our information technology systems that results in inappropriate disclosure or use of personally identifiable customer information could damage our reputation in the marketplace, deter purchases of our products, subject us to heightened regulatory scrutiny or significant civil and criminal liability and require us to incur significant technical, legal and other expenses.

***We may not be able to protect our intellectual property and may be subject to infringement claims.***

We rely on a combination of contractual rights with third parties and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. Although we endeavor to protect our rights, third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our copyrights, trademarks, patents, trade secrets and know-how or to determine their scope, validity or enforceability. This would represent a diversion of resources that may be significant and our efforts may not prove successful. The inability to secure or protect our intellectual property assets could have a material adverse effect on our business and our ability to compete.

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We may also be subject to claims by third parties for (i) patent, trademark or copyright infringement, (ii) breach of copyright, trademark or license usage rights, or (iii) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If we were found to have infringed or misappropriated a third-party patent or other intellectual property right, we could in some circumstances be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licenses. Alternatively, we could be required to enter into costly licensing arrangements with third parties or implement a costly work around. Any of these scenarios could have a material adverse effect on our business and results of operations.

***We may incur further liabilities in respect of our defined benefit retirement plans for our employees if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between results underlying actuarial assumptions and models.***

We operate various defined benefit retirement plans covering a significant number of our employees. The liability recognized in our consolidated balance sheet in respect of our defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan's assets, together with adjustments for unrecognized actuarial gains and losses and unrecognized past service costs. We determine our defined benefit plan obligations based on external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, consumer price index and the expected return on plan assets. These assumptions are updated annually based on available market data and the expected performance of plan assets. Nevertheless, the actuarial assumptions may differ significantly from actual results due to changes in market conditions, economic and mortality trends and other assumptions. Any changes in these assumptions could have a significant impact on our present and future liabilities to and costs associated with our defined benefit retirement plans and may result in increased expenses and reduce our profitability.

When contributing to the plan, we will take into consideration the minimum and maximum amounts required by the Employee Retirement Income Security Act of 1974 ( ERISA ), the attained funding target percentage of the plan, the variable-rate premiums that may be required by the U.S. Pension Benefit Guaranty Corporation ( PBGC ), and any funding relief that might be enacted by Congress, such as the interest rate stabilization corridor rules used for discounting pension liabilities contained in the Moving Ahead for Progress in the 21st Century Act ( MAP-21 ). Based on our actuarial assumptions, incorporating the provisions of MAP-21 reduces the required contributions to the plan in 2013. However, reduced funding levels in the near term could lead to increased PBGC variable-rate premiums and/or increases in plan funding in following years.

***Although our retail variable annuity products are now managed within our Closed Block Variable Annuity segment, we continue to offer variable annuity products and other products with similar features in our ongoing business.***

In 2009, we decided to cease sales of retail variable annuities with substantial guarantee features and now manage that business within our Closed Block Variable Annuity segment. However, we continue to offer variable annuity products in our ongoing business as well as products that have some of the features of variable annuities such as guaranteed benefits. For example, certain of the deferred annuities sold by our Retirement segment are on group and individual variable annuity policy forms, since these product types allow customers to allocate their retirement savings to a variety of different investment options. These products may contain guaranteed death benefit features, but they do not offer guaranteed living benefit features of the type found within the Closed Block Variable Annuity segment.

The Retirement segment has recently introduced an optional guaranteed retirement income portfolio ( GRIP ) feature that, if elected by an employee of one of our plan sponsor customers, provides guaranteed lifetime withdrawal benefits ( GLWB ) to such employees. The GLWB is offered through a multi-insurer model, whereby we and two unaffiliated insurers provide GLWB coverage to participating employees. In contrast to the retail guaranteed minimum withdrawal benefits for life ( GMWBL ) provisions formerly offered by the Closed

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Block Variable Annuity segment, the GLWB provisions within GRIP do not offer rollup benefits; furthermore, we reprice the GLWB amount purchased by contributions to the GRIP feature on a quarterly basis. In addition, the investment elections available to participating employees have substantially less flexibility than the elections offered to retail customers of the Closed Block Variable Annuity segment. We also have the right to cease accepting new contributions to the GRIP feature, subject to providing 180 days advance notice to the plan sponsor.

Our Annuities segment also offers optional living benefit provisions on its indexed annuity products.

To the extent that these risk-control provisions do not mitigate the risks of the GLWB and to the extent that we continue to offer variable annuity products and products with similar features in our ongoing business, the risks described below under Risks Related to Our Closed Block Variable Annuity Segment will impact our ongoing business.

### **Risks Related to Our Closed Block Variable Annuity Segment**

*Although we no longer actively market retail variable annuities, our business, results of operations, financial condition and liquidity will continue to be affected by our Closed Block Variable Annuity segment for the foreseeable future.*

Our Closed Block Variable Annuity segment consists of retail variable annuity insurance policies sold primarily from 2001 to early 2010, when the block entered run-off. This segment represented 17.5% of our total AUM as of December 31, 2012, income (loss) before income taxes was (\$692.3) million, (\$564.5) million and (\$220.2) million for the years ended December 31, 2012, 2011 and 2010, respectively. Revenues for the segment were (\$70.0) million, \$794.9 million and \$677.7 million for the years ended December 31, 2012, 2011 and 2010, respectively. See Business Closed Blocks Closed Block Variable Annuity. These products offered long-term savings vehicles in which customers (policyholders) made deposits that were invested, largely at the customer's direction, in a variety of U.S. and international equity, fixed income, real estate and other investment options. In addition, these products provided customers with the option to purchase living benefit riders, including GMWBL, guaranteed minimum income benefits (GMIB), guaranteed minimum accumulation benefits (GMAB) and guaranteed minimum withdrawal benefits (GMWB). All retail variable annuity products include guaranteed minimum death benefits (GMDB). In 2009, we decided to cease sales of retail variable annuity products with substantial guarantee features. In early 2010, we ceased all new sales of these products with substantial guarantees, although we continue to accept new deposits in accordance with, and subject to the limitations of, the provisions of existing contracts.

Market movements and actuarial assumption changes (including, with respect to policyholder behavior and mortality) can result in material adverse impacts to our results of operations, financial condition and liquidity. Because policyholders have various contractual rights to defer withdrawals, annuitization and/or maturity of their contracts, the nature and period of contract maturity is subject to policyholder behavior and is therefore indeterminate. Future market movements and changes in actuarial assumptions can result in significant earnings and liquidity impacts, as well as increases in regulatory reserve and capital requirements for the Closed Block Variable Annuity segment. The latter may necessitate additional capital contributions into the business and/or adversely impact dividend capacity.

*Our Closed Block Variable Annuity segment is subject to market risks.*

Our Closed Block Variable Annuity segment is subject to a number of market risks, primarily associated with U.S. and other global equity market values and interest rates. For example, declining equity market values, increasing equity market volatility, declining interest rates or a prolonged period of low interest rates can result in an increase in the valuation of future policy benefits, reducing our net income. Declining market values for bonds and equities also reduce the account balances of our variable annuity contracts, and since we collect fees and risk charges based on these account balances, our net income may be further reduced.

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Declining interest rates, a prolonged period of low interest rates, increased equity market volatility or declining equity market values may also subject us to increased hedging costs. Market events can cause an increase in the amount of statutory reserves that our insurance subsidiaries are required to hold for variable annuity guarantees, lowering their statutory surplus, which would adversely impact their ability to pay dividends to us.

*The performance of our Closed Block Variable Annuity segment depends on assumptions that may not be accurate.*

Our Closed Block Variable Annuity segment is subject to risks associated with the future behavior of policyholders and future claims payment patterns, using assumptions for mortality experience, lapse rates, GMIB annuitization rates, and GMWB/GMWBL withdrawal rates. We are required to make assumptions about these behaviors and patterns, which may not reflect the actual behaviors and patterns we experience in the future.

In particular, we have only minimal experience on policyholder behavior for our GMIB and GMWBL products and, as a result, future experience could lead to significant changes in our assumptions. Our GMIB contracts have a ten-year waiting period before annuitization is available, with most of these GMIB contracts issued during the period 2004 to 2006. These contracts first become eligible to annuitize during the period 2014 to 2016, but contain significant incentives to delay annuitization beyond the first eligibility date. As a result, to date we have only a statistically small sample of experience used to set annuitization rates. Therefore, we anticipate that observable experience data will become statistically credible later this decade, when a large volume of GMIB benefits begin to reach their maximum benefit over the four-year period from 2019 to 2022. It is possible, however, that policyholders may choose to annuitize soon after the first annuitization date, rather than delay annuitization to receive increased guarantee benefits, in which case we may have statistically credible experience as early as in the period from 2014 to 2016.

Similarly, most of our GMWBL contracts are still in the first three to five policy years, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges over the next five to seven years. In addition, like our GMIB contracts, many of our GMWBL contracts contain significant incentives to delay withdrawal. We expect customer decisions on annuitization and withdrawal will be influenced by customers' financial plans and needs as well as by interest rate and market conditions over time and by the availability and features of competing products. If emerging experience deviates from our assumptions on either GMIB annuitization or GMWBL withdrawal, we could experience losses and a significant increase to reserve and capital requirements.

We also make estimates of expected lapse of these products, which is the probability that a policy will not remain in force from one period to the next. Lapse rates of our annuity products may be significantly impacted by the value of guaranteed minimum benefits relative to the value of the underlying separate accounts (account value or account balance). In general, policies with guarantees that are in the money (i.e., where the notional benefit amount is in excess of the account value) are assumed to be less likely to lapse. Conversely, out of the money guarantees are assumed to be more likely to lapse as the policyholder has less incentive to retain the policy. Lapse rates could also be adversely affected generally by developments that affect customer perception of us.

We make estimates of expected election rates of living benefits for these products and of the rate of election of certain optional benefits that may be exercised. The profitability of our deferred annuity products depends upon actual contract owner decisions to elect or delay the utilization of such benefits. The development of a secondary market for third-party investor strategies in the annuities business could also adversely affect the profitability of existing business by reducing lapse rates of in-the-money contracts in excess of current expectations or by causing living benefits to be elected at points in time that are more unfavorable than our current expectations. Actual lapse rates that are lower than our lapse rate assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience may be higher than expected in these later years. If actual lapse rates are significantly different from that assumed in our current reserving assumptions, our reserves for future policy benefits may prove to be inadequate.

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Our variable annuity lapse rate experience has varied significantly over the period from 2006 to the present, reflecting among other factors, both pre-and post-financial crisis experience. During the early years of this period, our variable annuity policyholder lapse rate experience was higher than our current best estimate of policyholder lapse behavior would have indicated; in the later part of this period, after mid-2009, it was lower. Management's current best estimate of variable annuity policyholder lapse behavior incorporates actual experience over the entire period, as we believe that over the duration of the Closed Block Variable Annuity policies we will experience the full range of policyholder behavior and market conditions. If our future experience were to approximate our lapse experience from later in the period, we would likely need to increase reserves by an amount that could be material.

We review overall policyholder experience annually (including lapse, annuitization, withdrawal and mortality), or more frequently if necessary. As customer experience continues to materialize, we may adjust our assumptions. The magnitude of any required changes could be material and adverse to the results of operations or financial condition of the Company. We increased reserves in the fourth quarter of 2011 after a comprehensive review of our assumptions relating to lapses, mortality, annuitization of income benefits and utilization of withdrawal benefits. The review in 2011 included an analysis of a larger body of actual experience than was previously available, including a longer period with low equity markets and interest rates, which we believe provided greater insight into anticipated policyholder behavior for contracts that are in the money. This resulted in an increase of GAAP reserves of \$741 million and gross U.S. statutory reserves of \$2,776 million in the fourth quarter of 2011. It is possible that future assumption changes could produce reserve changes of this magnitude or even greater.

During the third quarter of 2012 we conducted a periodic review of actuarial assumptions, including policyholder behavior assumptions. As a result of this review, we increased GAAP reserves by \$114.6 million as of September 30, 2012, driven primarily by an update to lapse rates on variable annuity contracts with lifetime living benefit guarantees. The same update to lapse rates, implemented in isolation, would have increased U.S. statutory reserves by approximately \$150 million. However, the net change for U.S. statutory reserves was not material, due to offsetting revisions to projection model inputs. This change in lapse assumptions, taken together with the update to lapse assumptions we made in late 2011, moved our assumptions to be in line with lapse experience over the study period of 2006 to present. Although we believe it is appropriate to consider actual experience over that entire period in setting our assumptions, this recent change also causes our assumption to move considerably closer to our actual lapse experience for the period from mid-2009 to present. We will continue to monitor the emergence of experience. We review our assumptions at least annually, and, if necessary, update our assumptions more frequently as additional information becomes available. If adjustments to assumptions are necessary, which is ordinary course for interest-sensitive long-dated liabilities, we anticipate that the financial impact of such a change will likely be in a range, either up or down, that is generally consistent with the impact experienced in the third quarter of 2012. However, as described in the previous paragraph, future reserve increases in connection with experience updates could be material and adverse to the results of operations or financial condition of the Company. Any such increase to reserves could require us to make material additional capital contributions to one or more of our insurance company subsidiaries or could otherwise be material and adverse to the results of operations or financial condition of the Company.

***Our Closed Block Variable Annuity hedging program currently focuses on the protection of regulatory and rating agency capital from market movements and less on the GAAP earnings impact of this block, which could result in materially lower or more volatile GAAP earnings.***

Our Closed Block Variable Annuity hedging program currently focuses on the protection of regulatory and rating agency capital from equity market movements and less on the GAAP earnings impact of this block. GAAP accounting differs from the methods used to determine regulatory and rating agency capital measures. Therefore our Closed Block Variable Annuity hedge program may create earnings volatility in our GAAP financial statements, or produce lower GAAP income or even GAAP losses compared to what our unhedged results would have been. In general, in any given period rising equity market values can produce losses in our Closed Block

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Variable Annuity hedging program that substantially exceed the benefit we derive from the associated decrease in valuation of the future policy benefits associated with Closed Block Variable Annuity products on a GAAP basis, and the impact of declining equity markets can produce gains in our Closed Block Variable Annuity hedging program that substantially exceed the loss we derive from the associated increase in valuation of the future policy benefits on a GAAP basis. We recorded net gains (losses) related to incurred guaranteed benefits and guaranteed benefit hedging, including the CHO program, but excluding the effect of nonperformance risk, of (\$1,209.3) million, (\$2,192.2) million and (\$1,493.9) million for the years ended December 31, 2012, 2011 and 2010, respectively. See Management's Discussion and Analysis of Results of Operations and Financial Condition Results of Operations Company Consolidated.

***Our Closed Block Variable Annuity hedging program may not be effective and may be more costly than anticipated.***

We periodically re-evaluate our Closed Block Variable Annuity hedging program to respond to changing market conditions and balance the trade-offs among several important factors, including regulatory reserves, rating agency capital, underlying economics, earnings and other factors. While our Closed Block Variable Annuity hedging program is intended to balance numerous critical metrics, we are subject to the risk that our strategies and other management decisions may prove ineffective or that unexpected policyholder behavior, alone or in combination with unfavorable market events, may produce losses or unanticipated cash needs beyond the scope of the risk management strategies employed. In addition, our Closed Block Variable Annuity hedging program does not hedge certain non-market risks inherent in this segment, including business, credit, insurance and operational risks; any of these risks could cause us to experience unanticipated losses or cash needs. For example, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralized. Finally, the cost of the Closed Block Variable Annuity hedging program itself may be greater than anticipated as adverse market conditions can limit the availability and increase the costs of the hedging instruments we employ, and such costs may not be recovered in the pricing of the underlying products being hedged. For example, the cost of hedging guaranteed minimum benefits increases as market volatilities increase and/or interest rates decrease, resulting in a reduction to net income.

### **Risks Related to Regulation**

***Our businesses and those of our parent company and its affiliates are heavily regulated and changes in regulation or the application of regulation may reduce our profitability.***

We are subject to detailed insurance, asset management and other financial services laws and government regulation. In addition to the insurance, asset management and other regulations and laws specific to the industries in which we operate, regulatory agencies have broad administrative power over many aspects of our business, which may include ethical issues, money laundering, privacy, recordkeeping and marketing and sales practices. Also, bank regulators and other supervisory authorities in the United States and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. The financial market dislocations we have experienced have produced, and are expected to continue to produce, extensive changes in existing laws and regulations applicable to our businesses.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in laws and regulations may materially increase the cost of compliance and other expenses of doing business. There are a number of risks that may arise where applicable regulations may be unclear, subject to multiple interpretations or under development or where regulations may conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, which could result in our failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, among other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition. If we fail to address, or appear to fail to address, appropriately any of these

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matters, our reputation could be harmed and we could be subject to additional legal risk, which could increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties. See Regulation for further discussion of the impact of regulations on our businesses.

As long as we remain affiliated with ING Group, we may be subject to laws, regulations, disclosures and restrictions to which we would not be subject as a standalone enterprise. These restrictions could be extensive and include limitations on the activities we may conduct and the way in which we organize and operate our businesses. Various jurisdictions in which ING Group and its subsidiaries operate, including the United States, apply prudential and other regulations to the holding companies and affiliates of financial institutions. If the applicable laws and regulations in any of these jurisdictions, or the application or interpretation of such laws and regulations by applicable regulators and other authorities, were to change, or if ING Group or one of its subsidiaries (other than the Company) were to change the nature of the regulated activities they conduct, we could in the future become subject to restrictions to which we are not currently subject, and to which we would not be subject as a standalone enterprise. This could require us to incur material compliance, reporting or other costs or to forego certain types of material revenues or we could otherwise be confronted with consequences that are material and adverse to us. We do not have any control over the activities conducted by ING Group or its subsidiaries (other than the Company). As one source of potential change in the regulations applied to ING Group and its subsidiaries, we expect that in 2014 the European Central Bank will assume responsibility for part of the prudential supervision of ING Bank and its holding company ING Group that is currently exercised by the Dutch Central Bank (*De Nederlandsche Bank*, or DNB). It is uncertain if and how this new supervisory structure will impact the Company.

In addition, the 2012 Amended Restructuring Plan contains provisions that could limit our business activities, including restricting our ability to make certain acquisitions or to conduct certain financing and investment activities. See Regulation Dutch State Transactions and Restructuring Plan.

***If ING Group or one of its subsidiaries (other than the Company) were to change the nature of the regulated activities it conducts, we could in the future become subject to restrictions to which we are not currently subject, and to which we would not otherwise be subject as a standalone enterprise.***

As long as we remain affiliated with ING Group, we may be subject to laws, regulations, disclosures and restrictions to which we would not be subject as a standalone enterprise. These restrictions could be extensive and include limitations on the activities we may conduct and the way in which we organize and operate our businesses. For instance, ING Group's wholly owned subsidiary, ING Bank, may from time to time consider whether to establish a branch office in the United States. If ING Bank were to establish a U.S. branch, ING Group, ING Bank and we would be subject to supervision and regulation by the Board of Governors of the Federal Reserve System (Federal Reserve) under various laws, including the Bank Holding Company Act of 1956, as amended (BHCA), and the International Banking Act of 1978. If ING Bank were to establish a U.S. branch, the BHCA could impose restrictions on our non-financial activities until we are no longer deemed controlled by ING Group for BHCA purposes. As a result, we could be required to incur material compliance, reporting or other costs or to forego certain types of material revenues or could otherwise be confronted with consequences that are material and adverse to us.

Moreover, if ING Bank were to establish a U.S. branch while we remained affiliated with ING Group, several regulatory developments could materially impact our operations, including proposed rules under the Dodd-Frank Act issued by U.S. regulators with respect to the Volcker Rule and heightened supervisory requirements and prudential standards. Under the proposed rules issued by U.S. regulators in October 2011, we would be subject to the Volcker Rule as an affiliate of a company that is treated as a bank holding company. The Volcker Rule will, once effective, significantly restrict the ability of U.S. bank holding companies and their affiliates to conduct proprietary trading in securities and derivatives as well as certain activities related to hedge funds and private equity funds. However, the proposed rules provide an exemption for a regulated insurance company trading on behalf of customers and trading solely for its general account if, among other requirements, it is acting

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in compliance with insurance company investment laws and regulations. Although the full impact of the Volcker Rule on our operations will not be known with certainty until the final rules are issued, the timing of which is uncertain, we will likely experience significant additional compliance and operational costs if we are a covered entity under the final rules.

The BHCA, however, would provide ING Group, ING Bank and us a two-year period in which to comply with the BHCA activity restrictions, with the possibility of our obtaining up to three one-year extensions. Further, the Federal Reserve would have discretion to extend the Volcker Rule conformance period and application of any heightened supervisory requirements and prudential standards with respect to the Company until past December 31, 2016 (the date by which ING Group is required to fully divest the Company). There is no guarantee, however, that the Federal Reserve would grant these requests.

***Our insurance businesses are heavily regulated, and changes in regulation in the United States, enforcement actions and regulatory investigations may reduce profitability.***

Our insurance operations are subject to comprehensive regulation and supervision throughout the United States. State insurance laws regulate most aspects of our insurance businesses, and our insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled and the states in which they are licensed. The primary purpose of state regulation is to protect policyholders, and not necessarily to protect creditors and investors. See Regulation Insurance Regulation.

State insurance guaranty associations have the right to assess insurance companies doing business in their state in order to help pay the obligations of insolvent insurance companies to policyholders and claimants. Because the amount and timing of an assessment is beyond our control, liabilities we have currently established for these potential assessments may not be adequate.

State insurance regulators and the NAIC regularly reexamine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the insurer and could materially and adversely affect our business, results of operations or financial condition. For example, in October 2011, the NAIC established a subgroup to study insurers' use of captives and special purpose vehicles to transfer insurance risk in relation to existing state laws and regulations, and to establish appropriate regulatory requirements to address concerns identified in the study. We cannot predict what actions and regulatory changes will result from this study and what impact such changes will have on our financial condition and results of operations.

Insurance regulators have implemented, or begun to implement significant changes in the way in which insurers must determine statutory reserves and capital, particularly for products with contractual guarantees such as variable annuities and universal life policies, and are considering further potentially significant changes in these requirements. The NAIC is currently working on comprehensive reforms related to life insurance reserves and the accounting for such reserves. The timing and extent of further changes to statutory reserves and reporting requirements are uncertain.

In addition, state insurance regulators are becoming more active in adopting and enforcing suitability standards with respect to sales of fixed, indexed and variable annuities. In particular, the NAIC has adopted a revised Suitability in Annuity Transactions Model Regulation ( SAT ), which will, if enacted by the states, place new responsibilities upon issuing insurance companies with respect to the suitability of annuity sales, including responsibilities for training agents. Several states have already enacted laws based on the SAT.

In addition to the foregoing risks, the financial services industry is the focus of increased regulatory scrutiny as various state and federal governmental agencies and self-regulatory organizations conduct inquiries and investigations into the products and practices of the financial services industries. See the Note for *Commitments and Contingencies* in our Consolidated Financial Statements for the year ended December 31, 2012 for a



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description of certain regulatory inquiries affecting the Company. It is possible that future regulatory inquiries or investigations involving the insurance industry generally, or the Company specifically, could materially and adversely affect our business, results of operations or financial condition.

In some cases, this regulatory scrutiny has led to legislation and regulation, or proposed legislation and regulation that could significantly affect the financial services industry, or has resulted in regulatory penalties, settlements and litigation. New laws, regulations and other regulatory actions aimed at the business practices under scrutiny could materially and adversely affect our business, results of operations or financial condition. The adoption of new laws and regulations, enforcement actions, or litigation, whether or not involving us, could influence the manner in which we distribute our products, result in negative coverage of the industry by the media, cause significant harm to our reputation and materially and adversely affect our business, results of operations or financial condition.

***Our products are subject to extensive regulation and failure to meet any of the complex product requirements may reduce profitability.***

Our insurance, annuity, retirement and investment products are subject to a complex and extensive array of state and federal tax, securities, insurance and employee benefit plan laws and regulations, which are administered and enforced by a number of different governmental and self-regulatory authorities, including state insurance regulators, state securities administrators, state banking authorities, the SEC, the Financial Industry Regulatory Authority ( FINRA ), the Department of Labor ( DOL ), the IRS and the Office of the Comptroller of the Currency ( OCC ).

For example, U.S. federal income tax law imposes requirements relating to insurance and annuity product design, administration and investments that are conditions for beneficial tax treatment of such products under the Internal Revenue Code. Additionally, state and federal securities and insurance laws impose requirements relating to insurance and annuity product design, offering and distribution and administration. Failure to administer product features in accordance with contract provisions or applicable law, or to meet any of these complex tax, securities, or insurance requirements could subject us to administrative penalties imposed by a particular governmental or self-regulatory authority, unanticipated costs associated with remedying such failure or other claims, harm to our reputation, interruption of our operations or adversely impact profitability.

***The Dodd-Frank Act, its implementing regulations and other financial regulatory reform initiatives could have adverse consequences for the financial services industry, including us, and/or materially affect our results of operations, financial condition or liquidity.***

On July 21, 2010, the Dodd-Frank Act was signed into law. It effects comprehensive changes to the regulation of financial services in the United States. The Dodd-Frank Act directs existing and newly-created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, a process that is underway and is expected to continue over the next few years. While some studies have already been completed and the rule-making process is well underway, there continues to be significant uncertainty regarding the results of ongoing studies and the ultimate requirements of regulations that have not yet been adopted. We cannot predict with certainty how the Dodd-Frank Act and such regulations will affect the financial markets generally, or impact our business, ratings, results of operations, financial condition or liquidity. Key aspects we have identified to date of the Dodd-Frank Act's potential impact on us include:

If designated by the Financial Stability Oversight Council ( FSOC ) as a nonbank financial company subject to supervision by the Board of Governors of the Federal Reserve System ( Federal Reserve ), we would become subject to a comprehensive system of prudential regulation, including, among other matters, minimum capital requirements, liquidity standards, credit exposure requirements, overall risk management requirements, management interlock prohibitions, a requirement to maintain a plan for rapid and orderly dissolution in the event of severe financial distress, stress testing, additional fees and assessments and restrictions on proprietary trading and certain investments. The exact scope and

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consequences of these standards are subject to ongoing rulemaking activity by various federal banking regulators and therefore are currently unclear. However, this comprehensive system of prudential regulation, if applied to us, would significantly impact the manner in which we operate and could materially and adversely impact the profitability of one or more of our business lines or the level of capital required to support our activities. In designating non-bank financial companies for heightened prudential regulation by the Federal Reserve, the FSOC considers, among other matters, their size and potential impact on the financial stability of the United States. As long as the Company continues to be controlled by ING Group, the FSOC may consider the Company together with ING Group's other operations in the United States for purposes of making this determination. Therefore, while we believe it is unlikely that the Company, either on a standalone basis or together with ING Group's other operations in the United States, will ultimately receive this designation, there is a greater likelihood of such a designation being made for as long as we are controlled by ING Group.

Title II of the Dodd-Frank Act provides that a financial company, such as us, may be subject to a special orderly liquidation process outside the federal bankruptcy code, administered by the Federal Deposit Insurance Corporation as receiver, upon a determination that it is in default or in danger of default and presents a systemic risk to U.S. financial stability. We cannot predict how rating agencies, or creditors of us or our subsidiaries, will evaluate this potential or whether it will impact our financing or hedging costs.

Title VII of the Dodd-Frank Act creates a new framework for regulation of the over-the-counter (OTC) derivatives markets. New margin and capital requirements on market participants contained in final regulations to be adopted by the SEC and the U.S. Commodity Futures Trading Commission (CFTC) could substantially increase the cost of hedging and related operations, affect the profitability of our products or their attractiveness to our customers, or cause us to alter our hedging strategy or change the composition of the risks we do not hedge.

Pursuant to requirements of the Dodd-Frank Act, the SEC and CFTC are currently considering whether stable value contracts should be regulated as swap derivative contracts. In the event that stable value contracts become subject to such regulation, certain aspects of our business could be adversely impacted, including issuance of stable value contracts and management of assets pursuant to stable value mandates.

The Dodd-Frank Act establishes a Federal Insurance Office within the United States Department of the Treasury (Treasury Department) to be headed by a director appointed by the Secretary of the Treasury. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office would perform various functions with respect to insurance, including participating in the FSOC's decisions regarding insurers to be designated for stricter regulation by the Federal Reserve. The Federal Insurance Office may recommend enhanced regulations to the states.

Under the Dodd-Frank Act, various federal regulators have adopted the so-called Volcker Rule, which places limitations and restrictions on the ability of certain deposit institutions and regulated banking entities, as well as their affiliates, to engage in certain proprietary trading or sponsor and invest in private funds. In the event that one of our affiliates becomes a depository institution or otherwise becomes subject to the Volcker Rule, our investment activities could be restricted.

The Dodd-Frank Act also includes various securities law reforms that may affect our business practices. See Changes in U.S. federal and state securities laws and regulations may affect our operations and our profitability below.

The Dodd-Frank Act could result in various ex-post assessments being imposed on us, the costs of which we are unable to estimate at this time.

Although the full impact of the Dodd-Frank Act cannot be determined until the various studies mandated by the law are conducted and implementing regulations are adopted, many of the legislation's requirements could



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have profound and/or adverse consequences for the financial services industry, including for us. The Dodd-Frank Act could make it more expensive for us to conduct business, require us to make changes to our business model or satisfy increased capital requirements, subject us to greater regulatory scrutiny or to potential increases in whistleblower claims in light of the increased awards available to whistleblowers under the Act and have a material adverse effect on our results of operations or financial condition.

See Regulation for further discussion of the impact of the Dodd-Frank Act on our businesses.

In addition to the Dodd-Frank Act, regulators and lawmakers in non-U.S. jurisdictions are engaged in addressing the causes of the recent financial crisis and means of avoiding such crises in the future. Although currently we are not directly subject to non-U.S. regulation, we may be significantly affected by foreign regulatory actions, due to our being under the control of ING Group. We are unable to predict how any such regulations could affect the way ING Group conducts its business and manages capital, or to what extent any resulting changes in the way ING Group conducts its business or manages capital could affect our business, our relationship with ING Group or our results of operations, financial condition and liquidity. For a further discussion of foreign regulation and its potential effect on us while we are controlled by ING Group, including the impact of the Solvency II Directive, see Regulation International and National Regulatory Initiatives that May Affect Us as a Consequence of our Affiliation with ING Group.

***Changes in U.S. federal and state securities laws and regulations may affect our operations and our profitability.***

U.S. federal and state securities laws apply to sales of our mutual funds and to our variable annuity and variable life insurance products (which are considered to be both insurance products and securities) as well as to sales of third-party investment products. As a result, some of our subsidiaries and the products they offer are subject to regulation under these federal and state securities laws. Our insurance subsidiaries' separate accounts are registered as investment companies under the Investment Company Act. Some variable annuity contracts and variable life insurance policies issued by our insurance subsidiaries also are registered under the Securities Act of 1933, as amended (the Securities Act). Other subsidiaries are registered as broker-dealers under the Securities Exchange Act of 1934, as amended (the Exchange Act), are members of, and subject to, regulation by FINRA, and are also registered as broker-dealers in various states, as applicable. In addition, some of our subsidiaries are registered as investment advisers under the Investment Advisers Act.

Securities laws and regulations are primarily intended to ensure the integrity of the financial markets and to protect investors in the securities markets or investment advisory or brokerage clients. These laws and regulations generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with those laws and regulations. A number of changes have recently been proposed to the laws and regulations that govern the conduct of our variable insurance products business and our distributors that could have a material adverse effect on our results of operations and financial condition. For example, the Dodd-Frank Act authorizes the SEC to establish a standard of conduct applicable to brokers and dealers when providing personalized investment advice to retail customers. This standard of conduct would be to act in the best interest of the customer without regard to the financial or other interest of the broker or dealer providing the advice. Further, proposals have been made that the SEC establish a self-regulatory organization with respect to registered investment advisers, which could increase the level of regulatory oversight over them. Changes to these laws or regulations that restrict the conduct of our business could have an adverse effect on our results of operations and financial condition.

***Changes to regulations under ERISA could adversely affect our distribution model by restricting our ability to provide customers with advice.***

The prohibited transaction rules of ERISA and the Internal Revenue Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees

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paid to the individual advisor, his or her firm or their affiliates that vary according to the investment recommendation chosen. In March 2010, the DOL issued proposed regulations which provide limited relief from these investment advice restrictions. The DOL issued final rules in October of 2011 and did not provide additional relief regarding these restrictions. As a result, the ability of certain of our investment advisory subsidiaries and their advisory representatives to provide investment advice to ERISA plans and participants, and with respect to IRAs, will likely be significantly restricted. Also, the fee and revenue arrangements of certain advisory programs may be required to be revenue neutral, resulting in potential lost revenues for these investment advisers and their affiliates.

Other proposed regulatory initiatives under ERISA may negatively impact our broker-dealer subsidiaries. In particular, the DOL issued a proposed regulation in October 2010 that would, if adopted as proposed, significantly broaden the circumstances under which a person or entity providing investment advice with respect to ERISA plans or IRAs would be deemed a fiduciary under ERISA or the Internal Revenue Code. Although the DOL has withdrawn this proposal, it has indicated its intent to re-propose the regulation in a modified form. If adopted, the proposed regulations may make it easier for the DOL in enforcement actions, and for plaintiffs' attorneys in ERISA litigation, to attempt to extend fiduciary status to advisors who would not be deemed fiduciaries under current regulations.

In addition, the DOL has issued a number of regulations recently, and may issue additional similar regulations, that increase the level of disclosure that must be provided to plan sponsors and participants. These ERISA disclosure requirements will likely increase the regulatory and compliance burden upon us, resulting in increased costs.

***Changes in U.S. pension laws and regulations may affect our results of operations and our profitability.***

Congress from time to time considers pension reform legislation that could decrease the attractiveness of certain of our retirement products and services to retirement plan sponsors and administrators or have an unfavorable effect on our ability to earn revenues from these products and services. In this regard, the Pension Protection Act of 2006 made significant changes in employer pension funding obligations associated with defined benefit pension plans that are likely to increase sponsors' costs of maintaining these plans and imposed certain requirements on defined contribution plans. Over time, these changes could negatively impact our sales of defined benefit or defined contribution plan products and services and cause sponsors to discontinue existing plans for which we provide insurance, asset management, administrative, or other services. Certain tax-favored savings initiatives that have been proposed could hinder sales and persistency of our products and services that support employment based retirement plans.

The Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 also includes certain provisions for defined benefit pension plan funding relief. These provisions may impact the likelihood of corporate plan sponsors terminating their plans and/or engaging in transactions to partially or fully transfer pension obligations to an insurance company. As part of our retirement services segment, we offer general account and separate account group annuity products that enable a plan sponsor to transfer these risks, often in connection with the termination of defined benefit pension plans. Consequently, this legislation could indirectly affect the mix of our business, with fewer closeouts and more non-guaranteed funding products, and adversely impact our results of operations.

***We may not be able to mitigate the reserve strain associated with Regulation XXX and NAIC Actuarial Guideline 38, potentially resulting in a negative impact on our capital position or in a need to increase prices and/or reduce sales of term or universal life products.***

The NAIC Model Regulation entitled Valuation of Life Insurance Policies, commonly known as Regulation XXX or XXX, requires insurers to establish additional statutory reserves for certain term life insurance policies with long-term premium guarantees and for certain universal life policies with secondary

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guarantees. In addition, NAIC Actuarial Guideline 38 ( AG38 ) clarifies the application of XXX with respect to certain universal life insurance policies with secondary guarantees. Many of our newly issued term insurance products and an increasing number of our universal life insurance products are affected by XXX and AG38, respectively. The application of both XXX and AG38 involves numerous interpretations. At times, there may be differences of opinion between management and state insurance departments regarding the application of these and other actuarial standards. Such differences of opinion may lead to a state insurance regulator requiring greater reserves to support insurance liabilities than management estimated.

The NAIC has adopted revisions to AG38, specifically regarding reserving for certain universal life secondary guarantee products. Reserves on in-force business as of December 31, 2012 are now subject to a floor calculation based on assumptions consistent with a new principles-based reserving framework developed by the NAIC. Reserves on business written after December 31, 2012 will be calculated using a modified formulaic approach. After completing our analysis of these revisions on our statutory reserves, we have increased reserves as of December 31, 2012 by less than \$10 million. Since we are not currently selling universal life policies with secondary guarantees, we do not anticipate that this impact will be substantially higher in the future.

We have implemented reinsurance and capital management actions to mitigate the capital impact of XXX and AG38, including the use of LOCs and the implementation of other transactions that provide acceptable collateral to support the reinsurance of the liabilities to wholly owned reinsurance captives or to third party reinsurers. These arrangements are subject to review by state insurance regulators and rating agencies. For example, the NAIC has recently established a subgroup to study the use of captives and special purpose vehicles to transfer insurance risk in relation to existing state laws and regulations. Rating agencies may include a portion of these LOCs or other collateral in their calculation of leverage calculations, which could increase their assessment of our leverage ratios and potentially impact our ratings. We cannot provide assurance that there will not be regulatory or rating agency challenges to the reinsurance and capital management actions we have taken to date or that acceptable collateral obtained through such transactions will continue to be available or available on a cost-effective basis. The result of those potential challenges, as well as the inability to obtain acceptable collateral, could require us to increase statutory reserves, incur higher operating and/or tax costs or reduce sales.

Certain of the reserve financing facilities we have put in place will mature prior to the run off of the liabilities they support. As a result, we cannot provide assurance that we will be able to continue to implement actions either to mitigate the impact of XXX and AG38 on future sales of term and universal life insurance products or maintain collateral support related to our captives or existing third party reinsurance arrangements to which one of our captive reinsurance subsidiaries is a party. If we are unable to continue to implement those actions or maintain existing collateral support, we may be required to increase statutory reserves or incur higher operating costs than we currently anticipate. Because term and universal life insurance are particularly price-sensitive products, any increase in premiums charged on these products to compensate us for the increased statutory reserve requirements or higher costs of reinsurance may result in a significant loss of volume and materially and adversely affect our life insurance business.

The full NAIC membership adopted a new Valuation Manual ( VM ) in December 2012. VM will change the reserving methodology for life insurance by giving greater credence to an insurer's realized past experience, anticipated future experience and current economic conditions. The NAIC is expected to increase the use of Principles-Based Reserving ( PBR ) approaches such as VM in the future. We, along with other life insurers, have studied the impact of PBR, but since VM is still subject to change as it is adopted by the various states, we are unable to predict its impact on the future profitability and sales of our life insurance policies, however, it is possible that this approach will result in more volatility in our financial results given the greater weight it places on current economic conditions. See Regulation Insurance Regulation Financial Regulation.

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*Changes in tax laws could increase our tax costs, impact the ability of our insurance company subsidiaries to make distributions to ING U.S., Inc. or make our insurance, annuity and investment products less attractive to customers.*

Changes in tax laws could increase our taxes and our effective tax rates. For example, the Obama Administration has proposed modifying the dividends received deduction for life insurance company separate accounts, and such a modification could significantly reduce the dividends received deduction that we are able to claim for dividends received in separate accounts. We have also entered into agreements with the IRS to resolve issues related to tax accounting matters, such as whether certain derivative transactions qualify for hedge treatment, the proper treatment of valid tax hedge gains and losses and other than temporary impairment losses, which agreements may be superseded by future enacted laws, regulations or public guidance that increases our taxes and our effective tax rates. Further, changes in tax rates could affect the amount of our deferred tax assets and deferred tax liabilities. One such change relates to the current debate over corporate tax reform and corporate tax rates. A reduction in the top federal tax rate would result in lower statutory deferred tax assets. Such a reduction in the statutory deferred tax asset may impact the ability of the affected insurance subsidiaries to make distributions to us and consequently could negatively impact our ability to pay dividends to our stockholders and to service our debt.

Changes in tax laws could make some of our insurance, annuity and investment products less attractive to customers. Current U.S. federal income tax law permits tax-deferred accumulation of income earned under life insurance and annuity products, and permits exclusion from taxation of death benefits paid under life insurance contracts. Changes in tax laws that restrict these tax benefits could make some of our products less attractive to customers. Reductions in individual income tax rates or estate tax rates could also make some of our products less advantageous to customers. Changes in federal tax laws that reduce the amount an individual can contribute on a pre-tax basis to an employer-provided, tax-deferred product (either directly by reducing current limits or indirectly by changing the tax treatment of such contributions from exclusions to deductions) or changes that would limit an individual's aggregate amount of tax-deferred savings could make our retirement products less attractive to consumers.

The American Taxpayer Relief Act of 2012 was recently passed to avert the fiscal cliff and made permanent the marginal income tax rates for individuals, as well as the estate tax threshold and applicable rate. Although we do not consider it likely that Congress will revisit these rates in the short term, it is likely to pursue spending cuts (which may take the form of reducing or eliminating tax preferences associated with our industry and products) to offset mandatory spending cuts, as part of any negotiations to raise the federal borrowing limit, and as part of funding the federal government when the current continuing resolution expires. Congress may also consider the same types of spending cuts and revenue raising options on an even larger scale later in 2013 or 2014 if it pursues comprehensive tax reform premised on the notion of reducing corporate and personal rates by reducing tax preferences. We also believe that states that stand to lose tax revenue of their own will exert pressure on the federal government not to enact additional measures as part of comprehensive tax reform that would negatively impact them further. Such a situation may result in even more pressure on raising revenue from tax preferences associated with our Company and products.

**Risks Related to Our Separation from, and Continuing Relationship with, ING Group**

*ING Group's continuing significant interest in us following this offering may result in conflicts of interest.*

Upon the completion of this offering, ING Group will beneficially own approximately 75% of our outstanding common stock (approximately 71% if the underwriters' option to purchase additional shares is exercised in full). For as long as ING Group continues to beneficially own more than 50% of our outstanding voting stock, ING Group generally will be able to determine the outcome of many corporate actions requiring stockholder approval, including the election of directors and the amendment of the certificate of incorporation and bylaws of ING U.S., Inc. ING Group is currently required pursuant to the 2012 Amended Restructuring Plan to divest all of its global insurance and investment management business. See Summary ING Group

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Restructuring Plan with European Commission. It is thus expected that ING Group will sell its controlling ownership interest in ING U.S., Inc. through one or more additional public offerings of our stock or, possibly, through one or more privately negotiated sales of our stock.

We will elect to be treated as a controlled company for purposes of the NYSE corporate governance rules, and accordingly, for as long as ING Group owns more than 50% of our outstanding common stock, we will not be subject to the requirement that a majority of our directors be independent as defined under such rules and that we have a compensation and benefits committee and a nominating and governance committee that meet the required director independence requirements. In addition, under the provisions of a shareholder agreement that we will enter into with ING Group prior to or concurrently with the completion of this offering, ING Group will have consent rights with respect to certain corporate and business activities that we may undertake, including during periods where ING Group holds less than a majority of our common stock. See Certain Relationships and Related Party Transactions Relationship with ING Group Following the Offering Shareholder Agreement.

Because ING Group's interests may differ from those of other stockholders, actions ING Group takes or omits to take with respect to us, for as long as it is our controlling stockholder, including those corporate or business actions requiring its prior affirmative written consent or vote described above, may not be as favorable to other stockholders as they are to ING Group.

Conflicts of interest may arise between us and ING Group in a number of areas relating to our past and ongoing relationships. All of our directors immediately following the offering will have been designated to our Board of Directors by ING Group. Four of these directors are also officers or employees of ING Group. Because of their current or former positions with ING Group, these directors and a number of our officers own substantial amounts of ING Group stock and options to purchase ING Group stock. Ownership interests of our directors or officers in ING Group shares, or service of certain of our directors as officers of ING Group, may create, or may create the appearance of, conflicts of interest when a director is faced with a decision that could have different implications for the two companies. These potential conflicts could arise, for example, over matters such as the desirability of an acquisition opportunity, employee retention or recruiting, capital management or our dividend policy.

***Our continuing relationship with ING Group, our ultimate parent, and with affiliates of ING Group, may affect our ability to operate and finance our business as we deem appropriate and changes with respect to ING Group could negatively impact us.***

Following this offering, ING Group will continue to own a substantial majority of our common stock and we will be a consolidated subsidiary of ING Group for purposes of its financial reporting. Circumstances affecting ING Group may have an impact on us and we cannot be certain how further changes in circumstances affecting ING Group may impact us.

In November 2008, the Dutch State purchased non-voting core Tier 1 securities from ING Group for a total consideration of 10 billion and in the first quarter of 2009 ING Group entered into an Alt-A Back-up Facility with the Dutch State (see Certain Relationships and Related Party Transactions Alt-A Back-up Facility ). In connection with the Dutch State Transactions, ING Group accepted certain restrictions regarding the compensation of certain of its senior management positions. In addition, the Dutch State was granted the right to nominate two candidates for appointment to ING Group's Supervisory Board (the Supervisory Board ) and the Dutch State's nominees have veto rights over certain material transactions, including the issuance or repurchase by ING Group of its shares.

In 2009, ING Group was required to submit a restructuring plan to the EC to obtain EC approval for the Dutch State Transactions under the EC state aid rules. On October 26, 2009, ING Group announced its 2009 Restructuring Plan, pursuant to which ING Group is required to divest its insurance and investment management businesses, including the Company. On November 19, 2012, ING Group and the EC announced that the EC



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approved the 2012 Amended Restructuring Plan. The 2012 Amended Restructuring Plan requires ING Group to divest at least 25% of the Company by December 31, 2013, more than 50% of the Company by December 31, 2014, and 100% of the Company by December 31, 2016. The divestment of 50% of the Company is measured in terms of a divestment of over 50% of the shares of ING U.S., Inc., the loss of ING Group's majority of directors on ING U.S., Inc.'s board of directors and the accounting deconsolidation of the Company (in line with IFRS accounting rules). In case ING Group does not satisfy its commitment to divest the Company as agreed with the EC, the Dutch State will renotify the recapitalization measure to the EC. In such a case, the EC may require additional restructuring measures or take enforcement action against ING Group, or, at the request of ING Group and the Dutch State, could allow ING Group more time to complete the divestment.

The 2012 Amended Restructuring Plan also contains provisions that could limit our business activities, including restricting our ability to make certain acquisitions or to conduct certain financing and investment activities. See Regulation Dutch State Transactions and Restructuring Plan .

We cannot accurately predict whether any restrictions and limitations imposed on ING Group on account of the Dutch State Transactions, or the implementation of the 2012 Amended Restructuring Plan (or any further amendment thereof), will have a negative effect on our businesses and financial flexibility or result in conflicts between the interests of ING Group and our interests. In addition, it is difficult for us to predict whether any changes to, or termination of, the Dutch State Transactions could occur as a result of the 2012 Amended Restructuring Plan (or any further amendment thereof) and whether any effect on our business would result from that. We also note that we cannot predict the possible effect of ING Group not satisfying its commitment to divest the Company as agreed with the EC, for instance, by having a remaining ownership interest in the Company and its subsidiaries beyond any deadline agreed with the EC.

***Our separation from ING Group could adversely affect our business and profitability due to ING Group's strong brand and reputation.***

Prior to the completion of this offering, as a wholly owned subsidiary of ING Group, we have marketed our products and services using the ING brand name and logo. We believe the association with ING Group has provided us with preferred status among our customers, vendors and other persons due to ING Group's globally recognized brand, perceived high quality products and services and strong capital base and financial strength.

This offering could adversely affect our ability to attract and retain customers, which could result in reduced sales of our products. In connection with this offering, we expect to enter into an IP licensing agreement, pursuant to which we will have a license to use certain trademarks (including the ING name and logo) for a limited period of time following the completion of the offering. See Certain Relationships and Related Party Transactions Relationship with ING Group Following the Offering Transitional Intellectual Property Agreement. After the consummation of this offering, we intend to begin operational and legal work to rebrand to Voya Financial . This work is not expected to commence before early 2014 and we do not expect to formally shift the majority of our advertising and marketing to our new brand name until late 2014 at the earliest. We anticipate that the process of changing all marketing materials, operating materials and legal entity names containing the word ING or Lion to our new brand name will take approximately 24 months and will cost between \$40 million and \$50 million, excluding incremental advertising expenses. Some of our existing policyholders, contract owners and other customers may choose to stop doing business with us, which could increase the rate of surrenders and withdrawals in our policies and contracts. In addition, other potential policyholders and contract owners may decide not to purchase our products because we no longer will be a part of ING Group.

Our separation from ING Group could prompt some third parties to re-price, modify or terminate their distribution or vendor relationships with us. Our ability to attract and retain highly qualified independent sales intermediaries and dedicated sales specialists for our products may also be negatively affected. We may be required to lower the prices of our products, increase our sales commissions and fees, change long-term selling and marketing agreements and take other action to maintain our relationship with our sales intermediaries and

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distribution partners, all of which could have an adverse effect on our financial condition and results of operations. We cannot accurately predict the effect that our separation from ING Group will have on our business, sales intermediaries, customers or employees.

The risks relating to our separation from ING Group could materialize or evolve at any time, including:

immediately upon the completion of this offering, when ING Group's beneficial ownership in our common stock will decrease to approximately 75% (approximately 71% if the underwriters' option to purchase additional shares is exercised in full);

when ING Group reduces its ownership in our common stock to a level below 50%; and

when we cease using the ING name and logo in our sales and marketing materials, particularly when we deliver notices to our distributors and customers that the names of some of our insurance subsidiaries will change.

***The terms of our arrangements with ING Group may be more favorable than we will be able to obtain from an unaffiliated third-party. We may be unable to replace the services ING Group provides us in a timely manner or on comparable terms.***

As a subsidiary of ING Group, we have benefited, and after this offering will continue to benefit, from certain contractual arrangements between ING Group and ING Bank and various third party vendors. These contractual arrangements permit ING Group affiliates such as the Company to make use of the software licenses and related services provided thereunder. There is no assurance that, once we are no longer entitled to benefit from these arrangements as a result of a Divestment Transaction, we will be able to obtain these services at the same levels or obtain the same benefits through new, independent relationships with third party vendors. Likewise, we may not be able to replace these services and arrangements in a timely manner or on terms and conditions, including cost, as favorable as those we have previously received as a subsidiary of ING Group.

In addition, as described in Certain Relationships and Related Party Transactions Historical Related Party Transactions Financing Arrangements Guarantees, immediately following this offering we expect that certain of our indebtedness and other obligations will continue to benefit from guarantees provided by ING Group or ING V. As this indebtedness and these obligations mature or are terminated, to the extent we replace them with new indebtedness or other obligations, we do not expect such new indebtedness or other obligations to be guaranteed by ING Group or ING V. Therefore, such new indebtedness or other obligations may be on terms that are less favorable to us than the indebtedness or other obligations being replaced.

***Our certificate of incorporation limits certain liabilities and obligations of our directors to us or you.***

Our further amended and restated certificate of incorporation provides that none of our directors will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty, except for liability for breach of a director's duty of loyalty, acts or omissions by a director not in good faith or which involve intentional misconduct or a knowing violation of law, dividend payments or stock repurchases that are unlawful under Delaware law or any transaction in which a director has derived an improper personal benefit. See Description of Capital Stock Limitation of Liability and Indemnification of Directors and Officers.

Our amended and restated certificate of incorporation also provides that certain of our directors, who have also served or may serve as directors, officers, employees or agents of ING Group, are relieved of the obligation to refer potential business opportunities to the Company or to notify the Company of potential business opportunities of which they become aware, and they may instead refer such opportunities to ING Group, subject to certain limited exceptions. See Description of Capital Stock Potential Business Opportunities.

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***If ING Group sells a controlling interest in our company to a third party in a private transaction, you may not realize any change-of-control premium on shares of our common stock and we may become subject to the control of a presently unknown third party.***

Following the completion of this offering, ING Group will own a substantial majority of our common stock. ING Group will have the ability, should it choose to do so, to sell some or all of its shares of our common stock in a privately negotiated transaction, which, if sufficient in size, could result in a change of control of the Company. The ability of ING Group to privately sell such shares of our common stock, with no requirement for a concurrent offer to be made to acquire all of the shares of our common stock that will be publicly traded hereafter, could prevent you from realizing any change-of-control premium on your shares of our common stock that may otherwise accrue to ING Group upon its private sale of our common stock. Additionally, if ING Group privately sells a significant equity interest in us, we may become subject to the control of a presently unknown third-party. Such third party may have conflicts of interest with the interests of other stockholders.

***We expect to incur incremental costs as a standalone public company.***

We will need to replicate or replace certain functions, systems and infrastructure to which we will no longer have the same access after this offering. We will also need to make infrastructure investments in order to operate without the same access to ING Group's existing operational and administrative infrastructure. These initiatives may be costly to implement. Due to the scope and complexity of the underlying projects relative to these efforts, the amount of total costs could be materially higher than our estimate, and the timing of the incurrence of these costs may be subject to change.

ING Group currently performs or supports many important corporate functions for our operations, including investor relations, advertising and brand management, corporate audit, certain risk management functions, corporate insurance, corporate governance and other services. Our Consolidated Financial Statements reflect charges for these services. There is no assurance that, following the completion of this offering, these services will be sustained at the same levels as when we were receiving such services from ING Group or that we will obtain the same benefits. When we begin to operate these functions independently, if we do not have our own adequate systems and business functions in place, or are unable to obtain them from other providers, we may not be able to operate our business effectively or at comparable costs and our profitability may decline. In addition, our business has benefited from ING Group's purchasing power when procuring goods and services. As a standalone company, we may be unable to obtain such goods and services at comparable prices or on terms as favorable as those obtained prior to this offering, which could decrease our overall profitability.

***As a standalone public company, we expect to expend additional time and resources to comply with rules and regulations that do not currently apply to us.***

As a standalone public company, the various rules and regulations of the SEC, as well as the rules of the exchange on which we list our common stock, will require us to implement additional corporate governance practices and adhere to a variety of reporting requirements. Compliance with these public company obligations will increase our legal and financial compliance costs and could place additional demands on our finance and accounting staff and on our financial, accounting and information systems.

In particular, as a public company, our management will be required to conduct an annual evaluation of our internal controls over financial reporting and include a report of management on our internal controls in our annual reports on Form 10-K. In addition, we will be required to have our independent registered public accounting firm attest to the effectiveness of our internal controls over financial reporting pursuant to Auditing Standard No. 5. Under current rules, we would be subject to these requirements beginning with our annual report on Form 10-K for the year ending December 31, 2014. If we are unable to conclude that we have effective internal controls over financial reporting, or if our registered public accounting firm is unable to provide us with an attestation and an unqualified report as to the effectiveness of our internal controls over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock.

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***Our historical consolidated financial data are not necessarily representative of the results we would have achieved as a standalone company and may not be a reliable indicator of our future results.***

Our historical consolidated financial data included in this prospectus do not necessarily reflect the financial condition, results of operations or cash flows we would have achieved as a standalone company during the periods presented or those we will achieve in the future. For example, as described in Recapitalization, we are in the process of adjusting our capital structure to more closely align with peer U.S. public companies. As a result, financial metrics that are influenced by our capital structure, such as interest expense and return on equity, will not necessarily be indicative for historical periods of the performance we may achieve as a standalone company following this offering. In addition, significant increases may occur in our cost structure as a result of this offering, including costs related to public company reporting, investor relations and compliance with the Sarbanes-Oxley Act of 2002. Also, as described in Our separation from ING Group could adversely affect our business and profitability due to ING Group's strong brand and reputation, we anticipate incurring substantial expenses in connection with rebranding our Company following this offering.

As a result of these matters, among others, it may be difficult for investors to compare our future results to historical results or to evaluate our relative performance or trends in our business.

### **Risks Related to This Offering and Ownership of Our Common Stock**

In addition to the risks included in this section, see We expect that our ability to use beneficial U.S. tax attributes will be subject to limitations relating to provisions of our amended and restated certificate of incorporation that limit the amount of our common stock that an investor can acquire.

***Our common stock has no prior public market, and we cannot assure you that an active trading market will develop.***

Prior to this offering, there has been no public market for our common stock. Although we have been approved for listing on the NYSE, an active trading market for shares of our common stock may never develop or be sustained following this offering. If an active trading market does not develop, you may have difficulty selling your shares of common stock at an attractive price, or at all. The price for our common stock in this offering will be determined by negotiations among us, the Selling Stockholder and representatives of the underwriters, and it may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell your shares of our common stock at or above the initial public offering price or at any other price, or at the time that you would like to sell. An inactive market may also impair our ability to raise capital by selling our common stock, our ability to motivate our employees and sales representatives through equity incentive awards, and our ability to acquire other companies, products or technologies by using our common stock as consideration.

***The price of our common stock may be volatile and may be affected by market conditions beyond our control.***

Some factors that may cause the market price of our common stock to fluctuate, in addition to the other risks mentioned in this section of the prospectus, are:

our operating and financial performance and prospects;

our announcements or our competitors' announcements regarding new products or services, enhancements, significant contracts, acquisitions or strategic investments;

changes in earnings estimates or recommendations by securities analysts who cover our common stock;

fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;

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changes in our capital structure, such as future issuances of securities, sales of large blocks of common stock by our stockholders, including ING Group, or the incurrence of additional debt;

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departure of key personnel;

reputational issues;

changes in general economic and market conditions;

changes in industry conditions or perceptions or changes in the market outlook for the insurance industry; and

changes in applicable laws, rules or regulations, regulatory actions affecting us and other dynamics.

The stock market has experienced extreme price and volume fluctuations in recent years. The market prices of securities of insurance and financial services companies have experienced fluctuations that often have been unrelated or disproportionate to the operating results of these companies. These market fluctuations could result in extreme volatility in the price of shares of our common stock, which could cause a decline in the value of your investment. You should also be aware that price volatility may be greater if the public float and trading volume of shares of our common stock is low.

***Future sales of a substantial number of shares of our common stock may depress the price of our shares.***

If our stockholders sell a large number of shares of our common stock, or if we issue a large number of shares of our common stock in connection with future acquisitions, financings, or other circumstances, the market price of shares of our common stock could decline significantly. Moreover, the perception in the public market that our stockholders might sell shares of our common stock could depress the market price of those shares. In addition, sales of a substantial number of shares of our common stock by ING Group pursuant to the 2012 Amended Restructuring Plan could adversely affect the market price of our common stock.

All the shares sold in this offering will be freely tradable without restriction, except for shares acquired by any of our affiliates, including ING Group. Immediately after this offering, the public market for our common stock will include only the 64,166,667 shares of common stock that are being sold in this offering, or 73,791,667 shares if the underwriters exercise their option to purchase additional shares in full. After the offering, we intend to register shares of common stock reserved for issuance under our employee benefit plans. See Compensation of Executive Officers and Directors Post-Offering Equity Compensation Shares Subject to the Omnibus Plan. Once we register these shares, they can be sold in the public market upon issuance, subject to restrictions under the securities laws applicable to resales by affiliates. In addition, we expect to enter into a registration rights agreement with ING Group pursuant to which we will be obligated to register ING Group's shares of our common stock for public resale upon request by ING Group, beginning 180 days following the date of this prospectus. See Shares Eligible for Future Sale Registration Rights Agreement.

We expect that we, ING Group and our directors and executive officers will enter into lock-up arrangements under which we and they will agree that we and they will not sell, directly or indirectly, any common stock for a period of 180 days from the date of this prospectus (subject to certain exceptions) without the prior written consent of Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Citigroup Global Markets Inc. See Underwriting.

***Provisions in our amended and restated certificate of incorporation and bylaws, of Delaware corporate and of state insurance laws, may prevent or delay an acquisition of us, which could decrease the trading price of our common stock.***

State laws, provisions of ING U.S.'s certificate of incorporation and by-laws may delay, deter, prevent or render more difficult a takeover attempt that our stockholders might consider in their best interests. For example, such laws or provisions may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.



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The insurance laws and regulations of the various states in which our insurance subsidiaries are organized may delay or impede a business combination involving the Company. State insurance laws prohibit an entity from acquiring control of an insurance company without the prior approval of the domestic insurance regulator. Under most states' statutes, an entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10% or more of the voting stock of that insurance company or its parent company. These regulatory restrictions may delay, deter or prevent a potential merger or sale of our company, even if our Board of Directors decides that it is in the best interests of stockholders for us to merge or be sold. These restrictions also may delay sales by us or acquisitions by third parties of our insurance subsidiaries. In addition, the Investment Company Act would require approval by the contract owners of our variable contracts in order to effectuate a change of control of any affiliated investment adviser to a mutual fund underlying our variable contracts. Further, FINRA approval would be necessary for a change of control of any FINRA registered broker-dealer that is a direct or indirect subsidiary of the Company.

Section 203 of the Delaware General Corporation Law ( DGCL ) may affect the ability of an interested stockholder to engage in certain business combinations, including mergers, consolidations or acquisitions of additional shares, for a period of three years following the time that the stockholder becomes an interested stockholder. An interested stockholder is defined to include persons owning directly or indirectly 15% or more of the outstanding voting stock of a corporation.

Our amended and restated certificate of incorporation includes, and our amended and restated by-laws will include, provisions that may have anti-takeover effects and may delay, deter or prevent a takeover attempt that our stockholders might consider in their best interests. For example, our amended and restated certificate of incorporation and by-laws will prohibit stockholders from calling special meetings of our stockholders and, from and after such time as ING Group ceases to beneficially own at least 50% of our outstanding common stock, from taking action by written consent. See Description of Capital Stock Certain Anti-Takeover Provisions of our Amended and Restated Certificate of Incorporation, our Amended and Restated Bylaws and Applicable Law.

Our amended and restated certificate of incorporation also includes provisions designed to preserve the benefit of certain tax attributes of the Company, which will limit the amount of our common stock that an investor can acquire. See Description of Capital Stock Ownership Limitations.

### **Risks Related to Our Holding Company Structure**

*As holding companies, ING U.S., Inc. and Lion Holdings depend on the ability of their subsidiaries to transfer funds to them to meet their obligations.*

ING U.S., Inc. is the holding company for all our operations, and dividends, returns of capital and interest income on intercompany indebtedness from ING U.S., Inc.'s subsidiaries are the principal sources of funds available to ING U.S., Inc. to pay principal and interest on its outstanding indebtedness, to pay corporate operating expenses, to pay any stockholder dividends and to meet its other obligations. These subsidiaries are legally distinct from ING U.S., Inc. and, except in the case of Lion Holdings, which is the guarantor of certain of our outstanding indebtedness, have no obligation to pay amounts due on the debt of ING U.S., Inc. or to make funds available to ING U.S., Inc. for such payments. The ability of our subsidiaries to pay dividends or other distributions to ING U.S., Inc. in the future will depend on their earnings, tax considerations, covenants contained in any financing or other agreements and applicable regulatory restrictions. In addition, such payments may be limited as a result of claims against our subsidiaries by their creditors, including suppliers, vendors, lessors and employees. The ability of our insurance subsidiaries to pay dividends and make other distributions to ING U.S., Inc. will further depend on their ability to meet applicable regulatory standards and receive regulatory approvals, as discussed below under The ability of our insurance subsidiaries to pay dividends and other distributions to ING U.S., Inc. and Lion Holdings is further limited by state insurance laws and At present, our principal insurance subsidiaries have no capacity to make ordinary dividend payments, and therefore such subsidiaries must obtain prior approval or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators in order to pay dividends or distributions to ING U.S., Inc. or Lion Holdings.



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Lion Holdings is wholly owned by ING U.S., Inc. and is also a holding company, and accordingly its ability to make payments under its guarantees of our indebtedness is subject to restrictions and limitations similar to ING U.S., Inc. Neither ING U.S., Inc., nor Lion Holdings, has significant sources of cash flow other than from our subsidiaries that do not guarantee such indebtedness.

If the ability of our insurance or non-insurance subsidiaries to pay dividends or make other distributions or payments to ING U.S., Inc. and Lion Holdings is materially restricted by regulatory requirements, other cash needs, bankruptcy or insolvency, or our need to maintain the financial strength ratings of our insurance subsidiaries, or is limited due to operating results or other factors, we may be required to raise cash through the incurrence of debt, the issuance of equity or the sale of assets. However, there is no assurance that we would be able to raise cash by these means. This could materially and adversely affect the ability of ING U.S., Inc. and Lion Holdings to pay their obligations.

*The ability of our insurance subsidiaries to pay dividends and other distributions to ING U.S., Inc. and Lion Holdings is further limited by state insurance laws.*

The payment of dividends and other distributions to ING U.S., Inc. and Lion Holdings by our insurance subsidiaries is regulated by state insurance laws and regulations. See At present, our principal insurance subsidiaries have no capacity to make ordinary dividend payments, and therefore such subsidiaries must obtain prior approval or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators in order to pay dividends or distributions to ING U.S., Inc. or Lion Holdings.

The jurisdictions in which our insurance subsidiaries are domiciled impose certain restrictions on the ability to pay dividends to their respective parents. These restrictions are based, in part, on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior regulatory approval. Dividends in larger amounts, or extraordinary dividends, are subject to approval by the insurance commissioner of the relevant state of domicile. Under the insurance laws applicable to our insurance subsidiaries domiciled in Colorado, Connecticut, Indiana, Iowa and Minnesota, an extraordinary dividend or distribution is defined as a dividend or distribution that, together with other dividends and distributions made within the preceding twelve months, exceeds the greater of (1) 10% of the insurer's policyholder surplus as of the preceding December 31 or (2) the insurer's net gain from operations for the twelve-month period ended the preceding December 31, in each case determined in accordance with statutory accounting principles. New York has similar restrictions, except that New York's statutory definition of extraordinary dividend or distribution is an aggregate amount in any calendar year that exceeds the lesser of (1) 10% of policyholder's surplus as of the preceding December 31 or (2) the insurer's net gain from operations for the twelve-month period ended the preceding December 31, not including realized capital gains. In addition, under the insurance laws of the states of domicile of our principal insurance subsidiaries, no dividend or other distribution exceeding an amount equal to an insurance company's earned surplus may be paid without the domiciliary insurance regulator's prior approval. From time to time, the NAIC and various state insurance regulators have considered, and may in the future consider, proposals to further limit dividend payments that an insurance company may make without regulatory approval. No assurance is given that more stringent restrictions will not be adopted from time to time by jurisdictions in which our insurance subsidiaries are domiciled, and such restrictions could have the effect, under certain circumstances, of significantly reducing dividends or other amounts payable to ING U.S., Inc. or Lion Holdings by our insurance subsidiaries without prior approval by regulatory authorities. In addition, in the future, we may become subject to debt instruments or other agreements that limit the ability of our insurance subsidiaries to pay dividends or make other distributions. The ability of our insurance subsidiaries to pay dividends or make other distributions is also limited by our need to maintain the financial strength ratings assigned to such subsidiaries by the rating agencies. These ratings depend to a large extent on the capitalization levels of our insurance subsidiaries.

The payment of dividends by our special purpose financial captive insurance company subsidiaries domiciled in South Carolina and Missouri is regulated by their respective governing licensing orders and

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restrictions in their respective insurance securitization agreements. Generally, our special purpose financial captive insurance subsidiaries may not declare or pay dividends in any form to their parent companies other than in accordance with their respective insurance securitization transaction agreements and their respective governing licensing orders, and in no event may the dividends decrease the capital of the captive below the minimum capital requirement applicable to it, and, after giving effect to the dividends, the assets of the captive paying the dividend must be sufficient to satisfy its domiciliary insurance regulator that it can meet its obligations. Similarly, our insurance subsidiary in the Cayman Islands is subject to minimum net worth and solvency requirements that limit its ability to pay dividends.

***At present, our principal insurance subsidiaries have no capacity to make ordinary dividend payments, and therefore such subsidiaries must obtain prior approval or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators in order to pay dividends or distributions to ING U.S., Inc. or Lion Holdings.***

As of December 31, 2011, each of our principal insurance subsidiaries domiciled in Colorado, Iowa and Minnesota had negative earned surplus and did not have capacity to make ordinary dividend payments to ING U.S., Inc. or Lion Holdings without regulatory approval. Our Connecticut-domiciled insurance company, ILIAC, had positive earned surplus as of December 31, 2011 and could have paid a maximum of \$190.0 million of ordinary dividends to Lion Holdings without regulatory approval in 2012; however, ILIAC's 2012 distribution request of \$340.0 million exceeded its year-end 2011 earned surplus and therefore required domiciliary insurance regulatory approval. In the second quarter of 2012, our principal insurance subsidiaries domiciled in Colorado, Connecticut, Iowa and Minnesota received approvals or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators to make extraordinary distributions to ING U.S., Inc. or Lion Holdings in the aggregate amount of \$800.0 million (including the \$190.0 million ordinary dividend capacity of ILIAC) in response to requests submitted earlier that year. The approved distributions of \$800.0 million were made on June 26, 2012.

As of December 31, 2012, our principal insurance subsidiaries domiciled in Colorado, Iowa and Minnesota each had negative earned surplus accounts and therefore as of the date of this prospectus each has no ordinary dividend capacity. While ILIAC had positive earned surplus as of December 31, 2012, under domiciliary insurance regulations, ILIAC must deduct the extraordinary distribution it paid on June 26, 2012 in calculating ordinary dividend capacity for the twelve months following the payment. ILIAC therefore will not have ordinary dividend capacity before June 26, 2013. Any dividends or distributions paid by any of these insurance subsidiaries will be on an extraordinary basis (and, therefore, subject to prior domiciliary insurance regulatory approval or notice of non-objection, as the case may be) until ordinary dividend capacity is developed.

As a holding company, ING U.S., Inc. has no significant business operations of its own, and will depend on dividends, distributions, intercompany loans or other transfers from its subsidiaries (primarily, its principal insurance subsidiaries) as the principal source of cash to meet its obligations, including dividend payments to shareholders, share repurchases and the payment of interest on, and repayment of principal of, its outstanding debt obligations. The states in which our insurance subsidiaries are domiciled impose certain restrictions on such subsidiaries' ability to pay dividends or distributions or make loans or advances to ING U.S., Inc. In addition, these states could adopt more stringent regulations or practices in the future.

While our principal insurance subsidiaries have received approvals or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators to pay certain extraordinary distributions in connection with this offering as described in Regulation Insurance Regulation Insurance Holding Company Regulation Dividend Payment Restrictions, there can be no assurance that they (or any of our other insurance subsidiaries) will receive approval for extraordinary distribution payments in the future. Factors that could cause domiciliary insurance regulators to deny requests for the payment of extraordinary distributions could include, for example, concerns over the actual or future financial health of our subsidiaries, increases (whether actual or forecasted) in loss ratios experienced by our insurance subsidiaries and regulatory concerns with the conduct of our insurance subsidiaries' businesses.

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In addition, while certain of our principal insurance subsidiaries have received approval or assurances to reset on a one-time basis their respective negative unassigned funds accounts to zero as described in Regulation Insurance Regulation Insurance Holding Company Regulation Dividend Payment Restrictions , our principal and other insurance subsidiaries, including ILIAC, may not be able to generate positive earned surplus to build up ordinary dividend capacity. Operating results or factors outside our control could have a negative adverse effect on the ability of our insurance subsidiaries to build up ordinary dividend capacity.

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**RECAPITALIZATION**

We have historically operated with a capital structure that reflected our status as a wholly owned subsidiary of ING Group, and have not historically relied on direct access to the capital markets for our financing needs. To prepare for our separation from ING Group and operation as a standalone public company, we have undertaken various recapitalization initiatives to more closely align our capital structure both at the ING U.S., Inc. holding company level and on a consolidated basis with other U.S. public companies. In undertaking this recapitalization plan, we have focused on several goals:

Maintaining and strengthening our credit ratings;

Migrating the Company towards our target of 25% financial leverage to capital ratio;

Meeting our target combined RBC ratio of our U.S. insurance company subsidiaries of 425%;

Replacing significant amounts of our financing that are provided or guaranteed by ING Group, ING V or ING Bank with financing that is supported solely on the basis of our standalone credit, and entering into new financing arrangements only on that basis; and

Increasing liquidity at the ING U.S., Inc. holding company level.

As of December 31, 2012, we had completed the following steps in connection with this recapitalization:

***Contribution of intercompany loans from ING V.*** During 2010 and 2011, ING V caused to be contributed to the Company \$7.0 billion of borrowings made by the Company under certain intercompany loan agreements. As a result of the contribution, the debt was immediately extinguished. See Certain Relationships and Related Party Transactions Historical Related Party Transactions Financing Arrangements Intercompany Loans.

***\$5.0 billion senior unsecured credit facility.*** On April 20, 2012, we entered into a \$5.0 billion senior unsecured credit facility with a syndicate of banks, which replaced financing that was either internally funded or guaranteed by ING V. The credit facility was established on the basis of our standalone credit profile. As part of the senior unsecured credit facility, we entered into a three-year committed revolving credit agreement (the Revolving Credit Agreement), which provides for issuance of up to \$3.5 billion of LOC with a \$1.5 billion sublimit for cash borrowings (reduced, as required by the terms of the Revolving Credit Agreement, to \$750.0 million in connection with the offerings of 2018 Notes and 2022 Notes (each as defined below)). We also entered into a \$1.5 billion two-year syndicated term loan agreement (the Term Loan Agreement and, together with the Revolving Credit Agreement, the Senior Unsecured Credit Facility). In 2013, we used \$850.0 million of the proceeds from the issuance of the 2018 Notes to reduce amounts outstanding under the Term Loan Agreement.

***Receipt of cash distributions.*** In the second quarter of 2012, our insurance subsidiaries domiciled in Colorado, Connecticut, Iowa and Minnesota made distributions to ING U.S., Inc. or Lion Holdings in the aggregate amount of \$800.0 million pursuant to regulatory approvals or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators. We contributed \$500.0 million of such distributions to our Cayman Islands insurance subsidiary, SLDI, through repayment of \$100.0 million of intercompany loans and a capital contribution to SLDI of \$400.0 million.

***\$850.0 million inaugural senior notes offering.*** On July 13, 2012, we issued \$850.0 million principal amount of 5.5% Senior Notes due 2022 (the 2022 Notes) in a private placement to institutional investors. Similar to the Senior Unsecured Credit Facility, these

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notes are not guaranteed by ING Group or ING V.

These steps have contributed significantly to achieving our recapitalization goals, and have helped us achieve:

A decrease in Financial Leverage-to-Total Capital Ratio from 56% at December 31, 2010 to 27% at December 31, 2012;

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An estimated combined RBC ratio for our U.S. insurance subsidiaries of 526%, as of December 31, 2012, despite having distributed \$800 million from our U.S. insurance subsidiaries in 2012 (we estimate approximately 430% after giving effect to the \$1.4 billion of distributions described below);

A decrease of \$7.9 billion, between December 31, 2009 and December 31, 2012, in debt provided by or guaranteed by ING V or ING Group; and

An increase in cash at the ING U.S., Inc. holding company level by \$356 million during 2012.

Financial Leverage is a non-GAAP financial measure. For more information on Financial Leverage, see Business Operating Return on Capital Goal Calculations and Reconciliations.

Between January 1, 2013 and the date of this offering, we have also completed, or expect to complete, the following steps in connection with this recapitalization:

***\$1.0 billion five-year senior notes offering.*** On February 11, 2013, we issued \$1.0 billion principal amount of 2.9% Senior Notes due 2018 (the 2018 Notes ) in a private placement to institutional investors. Similar to the Senior Unsecured Credit Facility and the 2022 Notes, these notes are not guaranteed by ING Group or ING V.

***Repayment of all outstanding commercial paper guaranteed by ING V.*** We expect to repay prior to the completion of this offering, the remaining \$192.0 million outstanding as of December 31, 2012 on our ING V guaranteed commercial paper program, primarily utilizing the proceeds of the 2018 Notes.

***Repayment of significant amounts owed on the Term Loan Agreement of the Revolving Credit Facility.*** On or before April 20, 2013, we expect to have repaid a total of \$957.5 million of amounts outstanding under the Term Loan Agreement during 2013, primarily utilizing the proceeds of the 2018 Notes.

In connection with the closing of this offering, we expect to complete the following additional steps related to this recapitalization:

The receipt of gross proceeds of \$600.0 million from this offering;

The receipt of a total of approximately \$1.4 billion of distributions from our principal life subsidiaries; and

The contribution of approximately \$1.8 billion of capital to SLDI, our Cayman Islands insurance subsidiary, in order to strengthen capital and allow for the cancellation of the \$1.5 billion contingent capital LOC with ING Bank. See Management's Discussion and Analysis of Financial Condition and Results of Operation Liquidity and Capital Resources Credit Facilities and Subsidiary Credit Support Arrangements.

**Anticipated Financing Activities Following this Offering**

We currently anticipate that, either shortly after or in the months following the offering to which this prospectus relates, we will sell, in either a single or multiple transactions as private or public offerings, long term junior subordinated debt securities. If issued, we expect that this junior subordinated debt would have a tenor of approximately 30 to 40 years and would bear interest at a fixed rate, payable semi-annually for the first 10 years after its issuance; thereafter it would bear interest at a floating rate, payable quarterly. We would expect to have the option to defer the payment of interest on this junior subordinated debt for up to five years, during which time such interest will cumulatively compound; provided, however, that as long as interest payments are so deferred we would not be permitted to declare dividends on or repurchase securities junior to the junior subordinated debt, including our common stock. We also would expect to have the option, starting 10 years after its issuance, to

redeem this junior subordinated debt at par value. We currently anticipate the aggregate principal amount of the

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junior subordinated debt would be \$700 million. We also currently anticipate issuing approximately \$400 million of senior unsecured notes shortly after or in the months following the offering to which this prospectus relates. The decision to proceed with either of these offerings and the amount and terms of any such offerings will depend on market conditions and other factors.

In addition, shortly after or in the months following the offering to which this prospectus relates, we expect to complete the following steps in connection with this recapitalization to the extent there are proceeds available from the issuance of the junior subordinated debt and the senior unsecured notes described above:

Repayment of all remaining borrowings under the Term Loan Agreement;

Repayment of \$500.0 million of borrowings from ING V; and

Repayment by ING U.S., Inc. of certain borrowings from our subsidiaries.

The following presents an overview of the estimated sources and uses of funds in connection with our recapitalization (shown from the holding company perspective of ING U.S., Inc.), showing certain recapitalization steps we have completed since December 31, 2012, as well as the further steps we anticipate completing prior to, concurrently with or within a reasonable period of time following this offering.

(\$ in millions)

Sources of Funds	Completed Subsequent to December 31, 2012	To be Completed in Connection with this Offering	Anticipated Following this Offering	Total
<b>Debt Issuance</b>				
Proceeds from issuance of senior notes and hybrid securities	\$ 1,000.0	\$	\$ 1,130.0	\$ 2,130.0
Total debt issuance	1,000.0		1,130.0	2,130.0
<b>Equity Issuance</b>				
Gross proceeds of this offering		600.0		600.0
<b>Internal Resources</b>				
Proceeds of distributions from operating subsidiaries		1,434.0		1,434.0
<b>Other</b>				
Other sources <sup>(1)</sup>	96.4			96.4
<b>Total Sources of Funds</b>	\$ 1,096.4	\$ 2,034.0	\$ 1,130.0	\$ 4,260.4
<b>Uses of Funds</b>				
<b>Debt Repayment</b>				
Repayment of Term Loan Agreement borrowings	\$ 957.5	\$	\$ 392.5	\$ 1,350.0
Repayment of commercial paper	192.0			192.0
Repayment of borrowings from parent			500.0	500.0
Repayment of borrowings from subsidiaries			261.0	261.0
Total debt repayment	1,149.5		1,153.5	2,303.0



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<b>Improved Balance Sheet Strength</b>				
Increase (decrease) in holding company cash balance	(63.1)	220.0	(43.5)	113.4
Capital contribution to SLDI		282.0		282.0
Replacement of contingent capital LOC		1,500.0		1,500.0
	(63.1)	2,002.0	(43.5)	1,895.4
<b>Other</b>				
Transaction costs	10.0	32.0 <sup>(2)</sup>	20.0 <sup>(2)</sup>	62.0
<b>Total Uses of Funds</b>	\$ 1,096.4	\$ 2,034.0	\$ 1,130.0	\$ 4,260.4

(1) Consists of net cash inflow related to the novation of reserves to a third party reinsurer, which settled on January 3, 2013.

(2) Includes estimates of offering expenses.

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We have historically relied on certain funding sources that have been provided by or guaranteed by ING Group, ING V or ING Bank. Immediately following the completion of this offering, we expect that approximately \$1,136.9 million, net of discount, of our consolidated outstanding indebtedness will be provided by or continue to benefit from a guarantee provided by ING Group or ING V. ING Bank will provide additional financing facilities or other financial instruments or ING Group or ING V will also guarantee an additional \$2,237.9 million of our obligations under various financing facilities or other financial instruments. See [Certain Relationships and Related Party Transactions](#) [Historical Related Party Transactions](#) [Financing Arrangements](#) [Guarantees](#). Of such amounts, \$138 million is expected to mature or expire according to its terms in 2013. As the remaining indebtedness, facilities or instruments mature or expire, we would expect to replace such financing, where necessary, with financing that is also based solely on our standalone credit. We have agreed with ING Group to repurchase or collateralize an additional \$506 million of such guaranteed indebtedness over a period from 2015 through 2018, and have also agreed to reimburse ING Group for any amounts it or its subsidiaries may pay out under any of the aforementioned guarantees, each as described in [Certain Relationships and Related Party Transactions](#) [Relationship with ING Group Following the Offering](#) [Shareholder Agreement](#) [Provisions with respect to certain obligations of the Company guaranteed by ING Group or its subsidiaries](#).

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**USE OF PROCEEDS**

This offering will consist of both a primary and a secondary component. We intend for the gross proceeds to ING U.S., Inc. from this offering to equal \$600 million. The number of shares being offered by ING U.S., Inc., as described elsewhere in this prospectus, has been determined based on this amount of intended gross proceeds and a per-share offering price at the mid-point of the price range set forth on the cover page of this prospectus. In order to maintain gross proceeds to ING U.S., Inc. of \$600 million, if the price per share in this offering is higher than the mid-point of the price range set forth on the cover page of this prospectus, fewer shares will be sold by ING U.S., Inc., and more shares will be sold by the Selling Stockholder. Conversely, if the price per share in this offering is lower than the mid-point of the price range set forth on the cover page of this prospectus, more shares will be sold by ING U.S., Inc., and fewer shares will be sold by the Selling Stockholder, to maintain gross proceeds to ING U.S., Inc. of \$600 million.

We estimate that the net proceeds ING U.S., Inc. will receive from this offering will be approximately \$568 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. ING U.S., Inc. will not receive any of the proceeds from the sale of shares by the Selling Stockholder.

See [Recapitalization](#) for a discussion of our recapitalization plan and our plans for the use of the proceeds of this offering.

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**DIVIDEND POLICY**

We intend to pay quarterly cash dividends on our common stock at an initial amount of approximately \$0.01 per share, although any declaration of dividends will be at the discretion of the Board of Directors and will depend on our financial condition, earnings, cash needs, regulatory constraints, capital requirements (including requirements of our subsidiaries) and any other factors that the Board of Directors deems relevant in making such a determination. In addition, the junior subordinated debt securities that we expect to offer shortly after or in the months following this offering may limit our ability to pay dividends on or repurchase our common stock. Therefore, there can be no assurance that we will pay any dividends to holders of our common stock, or as to the amount of any such dividends.

Delaware law requires that dividends be paid only out of surplus, which is defined as the fair market value of our net assets, minus our stated capital; or out of the current or the immediately preceding year's earnings. We are a holding company, and we have no direct operations. All of our business operations are conducted through our subsidiaries. The states in which our insurance subsidiaries are domiciled impose certain restrictions on our insurance subsidiaries' ability to pay dividends to us. These restrictions are based in part on the prior year's statutory income and surplus. Such restrictions, or any future restrictions adopted by the states in which our insurance subsidiaries are domiciled, could have the effect, under certain circumstances, of significantly reducing dividends or other amounts payable to us by our subsidiaries without affirmative approval of state regulatory authorities. For more details, see Risk Factors Risks Related to our Holding Company Structure.

**Table of Contents****CAPITALIZATION**

The following table presents our capitalization as of December 31, 2012, (i) on an actual basis, (ii) on a pro forma basis giving effect to the issuance of 2018 Notes, repayment of outstanding commercial paper guaranteed by ING V and repayment of certain amounts outstanding on the Term Loan Agreement, in each case as described in Recapitalization and (iii) on a pro forma as adjusted basis, giving effect to the sale by us of 26,666,667 shares of common stock in this offering at an assumed initial public offering price of \$22.50, the mid-point of the range listed on the cover page of this prospectus, and our receipt of the estimated net proceeds from that sale after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The as adjusted information presented in the table below is illustrative only and will adjust based on the actual initial public offering price and other terms of this offering determined at pricing.

You should read this table together with the sections of this prospectus entitled Selected Consolidated Financial Data, Management's Discussion and Analysis of Results of Operations and Financial Condition and our Consolidated Financial Statements and related notes included elsewhere in this prospectus.

		As of December 31, 2012	
	Actual	Pro Forma for Pre-Offering Capitalization Activities (\$ in millions) (unaudited)	Pro Forma As Adjusted for This Offering
<b>Short-term debt:</b>			
Short-term debt	\$ 192.0	\$	\$
Current portion of long-term debt	872.6	595.1	595.1
Total short-term debt	\$ 1,064.6	\$ 595.1	\$ 595.1
<b>Long-term debt:</b>			
Long-term debt, capital leases and notes payable, net of current portion	\$ 2,196.1	\$ 3,196.1	\$ 3,196.1
Senior Unsecured Credit Facility	975.0	295.0	295.0
Total long-term debt	\$ 3,171.1	\$ 3,491.1	\$ 3,491.1
<b>Shareholder's equity:</b>			
Common stock, par value \$0.01 per share; 900,000,000 shares authorized, 230,000,000 shares issued and outstanding, actual; 900,000,000 shares authorized, 256,666,667 shares issued and outstanding, as adjusted	\$ 2.3	\$ 2.3	\$ 2.6
Additional paid-in capital	22,917.6	22,917.6	23,485.3
Retained earnings (deficit):			
Appropriated-consolidated investment entities	6.4	6.4	6.4
Unappropriated	(12,762.1)	(12,762.1)	(12,762.1)
Total shareholder's equity (excluding AOCI and non-controlling interest)	\$ 10,164.2	\$ 10,164.2	\$ 10,732.2
Total capitalization (total debt plus shareholder's equity excluding items noted above)	\$ 14,399.9	\$ 14,250.4	\$ 14,818.4

The table set forth above is based on the number of shares of our common stock outstanding as of December 31, 2012, and assumes that the 2,295.248835-for-1 stock split, which was effected on April 11, 2013, had occurred as of December 31, 2012.

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The as adjusted number of shares of our common stock set forth in the table above assumes the issuance of 26,666,667 shares by us being sold in this offering and excludes issuance of stock under equity compensation arrangements. Upon the consummation of this offering, certain equity compensation awards granted in 2013 by ING Group to our employees will convert automatically into comparable awards issued by the Company and payable in or by reference to Company common stock. The number of shares of Company common stock underlying these converted awards will depend both on the per-share price in this offering and the trading price of ING Group shares at the time this offering is completed. See Compensation of Executive Officers and Directors Treatment of Outstanding ING Group Equity Awards in Connection with the Offering ING Group Equity Awards Granted in 2013. In addition, restricted shares of Company common stock are issuable following this offering under the terms of the Transaction Incentive Bonuses granted to certain of our officers and employees. See Compensation of Executive Officers and Directors Compensation Discussion and Analysis 2012 Compensation Transaction Incentive Bonuses. As of April 11, 2013, we estimated that conversion of these awards would result in new awards issued by the Company representing approximately 4.7 million shares of Company common stock, assuming the public offering price per share in this offering is the mid-point of the price range set forth on the cover page of this prospectus and using the then-current market price of ING Group ordinary shares.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data for the years ended December 31, 2012, 2011 and 2010 and as of December 31, 2012 and 2011 are derived from our audited Consolidated Financial Statements, which are included elsewhere in this prospectus. The selected consolidated financial data for the year ended December 31, 2009 and as of December 31, 2010 are derived from our audited Consolidated Financial Statements, which are not included in this prospectus. The selected unaudited consolidated financial data for the year ended December 31, 2008 and as of December 31, 2009 and 2008 are derived from our unaudited Consolidated Financial Statements for such periods and dates, which are not included in this prospectus.

Prospective investors should read these selected consolidated financial data together with Management's Discussion and Analysis of Results of Operations and Financial Condition and our Consolidated Financial Statements and the related notes included elsewhere in this prospectus.

(\$ in millions, except for share data)	Year Ended December 31,				
	2012	2011	2010	2009	2008 (Unaudited)
<b>Consolidated Operating Results</b>					
Net investment income	\$ 4,697.9	\$ 4,968.8	\$ 4,987.0	\$ 5,568.6	\$ 5,404.0
Fee income	3,515.4	3,603.6	3,516.5	3,325.1	3,506.9
Premiums	1,861.1	1,770.0	1,707.5	1,985.5	2,198.7
Net realized capital gains (losses)	(1,280.8)	(1,531.4)	(1,678.0)	(2,178.7)	(6,700.0)
Total revenues	9,615.3	9,718.8	9,274.2	9,364.2	5,472.8
Interest credited and other benefits to contract owners/policyholders	4,861.6	5,742.0	5,027.3	5,629.9	6,866.7
Operating expenses	3,155.0	3,030.8	3,033.5	3,352.2	4,129.6
Net amortization of deferred policy acquisition costs and value of business acquired	722.3	387.0	746.6	1,052.3	1,327.9
Interest expense	153.7	139.3	332.5	385.5	426.6
Goodwill impairment					696.6 <sup>(1)</sup>
Total benefits and expenses	9,009.3	9,441.0	9,236.4	10,472.8	13,514.7
Income (loss) before income taxes	606.0	277.8	37.8	(1,108.6)	(8,041.9)
Income (loss) from discontinued operations, net of income tax					(416.8) <sup>(2)</sup>
Net income (loss)	611.2	102.8	(133.2)	(810.6)	(8,082.8)
Net income (loss) attributable to noncontrolling interest	138.2	190.9	(10.3)	(207.4)	(67.3)
Net income (loss) available to ING U.S., Inc.'s common shareholder	473.0	(88.1)	(122.9)	(603.2)	(8,015.5)
<b>Earnings Per Share<sup>(3)</sup></b>					
Income (loss) from continuing operations (excluding noncontrolling interest), net of income tax, per common share	\$ 2.06	\$ (0.38)	\$ (0.53)	\$ (2.62)	\$ (33.04)
Income (loss) from discontinued operations, net of income tax, per common share					\$ (1.81)
Net income (loss) available to ING U.S., Inc.'s common shareholder per common share	\$ 2.06	\$ (0.38)	\$ (0.53)	\$ (2.62)	\$ (34.85)
Common shares outstanding	230,000,000	230,000,000	230,000,000	230,000,000	230,000,000

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(\$ in millions)

	2012	2011	As of December 31, 2010	2009 (Unaudited)	2008 (Unaudited)
<b>Consolidated Financial Position</b>					
Total investments	\$ 95,487.6	\$ 92,819.2	\$ 86,886.1	\$ 83,128.8	\$ 79,767.6
Assets held in separate accounts	97,667.4	88,714.5	95,588.1	88,849.4	73,928.0
Total assets	216,394.2	203,572.8	204,376.5	194,621.2	204,775.5
Future policy benefits and contract owner account balances	86,055.7	88,358.4	83,642.8	84,402.0	91,634.4
Short-term debt	1,064.6	1,054.6	5,464.6	4,811.6	4,635.2
Long-term debt	3,171.1	1,343.1	2,784.0	7,001.3	7,078.5
Liabilities related to separate accounts	97,667.4	88,714.5	95,588.1	88,849.4	73,928.0
Total ING U.S., Inc. shareholder s equity, excluding AOCI <sup>(4)</sup>	10,164.2	9,758.9	5,857.5	2,310.0	372.7
Total ING U.S., Inc. shareholder s equity	13,874.9	12,353.9	6,830.8	967.1	(3,517.3)

- (1) Represents the impairment of goodwill related to the acquisition of CitiStreet.
- (2) Represents amounts related to our ownership and disposition of the Taiwanese life insurance business, which was owned by ING U.S., Inc. but managed by an affiliate. The sale of the business was announced in October 2008, recorded at fair value as of December 31, 2008 and classified as Discontinued operations. The transaction closed on February 11, 2009.
- (3) Shares outstanding and per-share amounts give retroactive effect to the 2,295.248835-to-1 stock split effected on April 11, 2013.
- (4) Shareholder s equity, excluding AOCI, is derived by subtracting Accumulated Other Comprehensive Income (AOCI) from ING U.S., Inc. shareholder s equity both components of which are presented in the respective Consolidated Balance Sheets. For a description of AOCI, see the Accumulated Other Comprehensive Income (Loss) note to the Consolidated Financial Statements. We provide shareholder s equity, excluding AOCI, because it is a common measure used by insurance analysts and investment professionals in their evaluations.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

*The following discussion and analysis of our results of operations and financial condition should be read in conjunction with the Consolidated Financial Statements included elsewhere in this prospectus. In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors. See Note Regarding Forward-Looking Statements.*

**Overview**

We provide our principal products and services in three ongoing businesses: Retirement Solutions, Investment Management and Insurance Solutions, and report our results for these ongoing businesses through five segments.

The Retirement Solutions business provides its products and services through two segments: Retirement and Annuities:

Our *Retirement* segment provides tax-deferred, employer-sponsored retirement savings plans and administrative services in corporate, health, education and government markets. Our Retirement segment also provides rollover IRAs and other retail financial products as well as comprehensive financial advisory services to individual customers. Our retirement products and services are distributed through multiple intermediary channels, including TPAs, independent and national wirehouse affiliated brokers and registered investment advisors, in addition to independent sales agents and consulting firms. We also have a direct sales team for large defined contribution plans and stable value business, as well as a team of affiliated brokers who sell our products both in person and via telephone.

Our *Annuities* segment provides fixed and indexed annuities, tax-qualified mutual fund custodial products and payout annuities for pre-retirement wealth accumulation and post-retirement income management. Annuity products are primarily distributed by independent marketing organizations, independent broker-dealers, banks, independent insurance agents, pension professionals and affiliated broker-dealers.

The Investment Management business provides its products and services through a single segment, also called Investment Management:

Our *Investment Management* business provides investment products and retirement solutions to both individual and institutional customers by offering domestic and international fixed income, equity, multi-asset and alternative products and solutions across a range of asset classes, geographies, market sectors, investment styles and capitalization spectrums. Investment Management products and services are primarily marketed to institutional clients, including public, corporate and union retirement plans, endowments and foundations and insurance companies, as well as individual investors and the general accounts of our insurance company subsidiaries. Investment Management products and services are distributed through a combination of our direct sales force, consultant channel and intermediary partners (such as banks, broker-dealers and independent financial advisers).

The Insurance Solutions business provides its products and services through two segments: Individual Life and Employee Benefits:

Our *Individual Life* segment provides wealth protection and transfer opportunities through universal, variable and term life products. Our customers range across a variety of age groups and income levels. We distribute our product offering through three main channels: our independent sales channel, our

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strategic distribution channel and our specialty markets channel. Our independent sales channel consists of a large network of independent general agents and marketing companies who interact with the majority of licensed independent life insurance agents in the United States. Our strategic distribution channel encompasses a network of independent managing directors who support a large team of producers who engage with our broker dealers to sell a range of products including our branded life, annuity and mutual funds. Finally, our specialty markets channel focuses on alternative distribution and consists of a large team of producers, in addition to banks, life insurance quote agencies and internet direct marketers.

Our *Employee Benefits* segment provides group life, stop loss, disability and voluntary employee-paid products to mid-sized and large businesses. We reinsure substantially all of our new disability sales to a third-party. To distribute our products, we utilize brokers, consultants and third-party administrators. In the voluntary market, policies are marketed to employees at the worksite through enrollment firms, technology partners and brokers.

In addition to our ongoing business, we also have Closed Blocks and Corporate reporting segments. Corporate includes our corporate operations and corporate level assets and financial obligations. The Corporate segment includes investment income on assets backing surplus in excess of amounts held at the segment level, financing and interest expenses, other items not allocated to segments, such as certain expenses and liabilities of employee benefit plans and intercompany eliminations.

Closed Blocks consists of three separate reporting segments that include run-off and legacy business lines that are no longer being actively marketed or sold and that we manage to minimize capital risk as they run-off. The Closed Block Variable Annuity segment consists of variable annuity contracts that were designed to offer long-term savings products in which individual contract owners made deposits that are maintained in separate accounts. These products included options for policyholders to purchase living benefit riders. In 2009, we separated our Closed Block Variable Annuity segment from our other operations, placing it in run-off, and made a strategic decision to stop actively writing new retail variable annuity products with substantial guarantee features (the last policies were issued in 2010 and the block shifted to run-off). The Closed Block Institutional Spread Products segment historically issued GICs and funding agreements and invested amounts raised to earn a spread. While the business in the Closed Block Institutional Spread Products segment is being managed in active run-off, we continue to issue liabilities from time to time to replace liabilities that are maturing. The Closed Block Other segment consists primarily of retained and run-off activity related to divestments, including our group reinsurance and individual reinsurance businesses, three broker dealers and Life Insurance Company of Georgia. Closed Block Other also includes certain unreimbursed expenses related to ING Group's Latin America business, which was sold in December 2011. Accordingly, these segments have been classified as closed blocks and are managed separately from our ongoing business.

## **Trends and Uncertainties**

The following factors represent some of the key trends and uncertainties that have influenced the development of our business and our historical financial performance and that we believe will continue to influence our business and financial performance in the future.

### ***Market Conditions***

The recent increase in market volatility, which we believe may continue for some time, has affected and may continue to affect our business and financial performance in varying ways. In the short to medium-term, this increased volatility can pressure sales and reduce demand as consumers hesitate to make financial decisions. In addition, this environment makes it difficult to manufacture products that are consistently both attractive to customers and profitable. Financial performance can be affected adversely by market volatility as fees driven by assets under management fluctuate, hedging costs increase and revenue declines due to reduced sales and increased outflows. In the long-term, however, we believe the recent financial crisis and resultant lingering uncertainty will motivate individuals to seek solutions combining elements of capital preservation, income and

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growth. Thus, as a company with strong retirement, investment management and insurance capabilities, we believe current market conditions may ultimately enhance the attractiveness of our broad portfolio of products and services. We will need to continue to monitor the behavior of our customers, as evidenced by mortality rates, morbidity rates, annuitization rates and lapse rates, which adjusts in response to changes in market conditions in order to ensure that our products and services remain attractive as well as profitable.

***Interest Rate Environment***

The current low interest rate environment, which we believe may continue for some time, has affected and may continue to affect the demand for our products in various ways. In the short- to medium-term, we may experience lower sales and reduced demand as the low interest rate environment makes it difficult to manufacture products that are consistently both attractive to customers and profitable.

Our financial performance may also be affected adversely by the current low interest rate environment. The interest rate environment has historically influenced our business and financial performance, and we believe it will continue to do so in the future for several reasons, including the following:

Our general account investment portfolio, which was approximately \$93 billion as of December 31, 2012, consists predominantly of fixed income investments. As investments we made in a higher interest rate environment than the currently prevailing one mature, we earn a lower yield as we reinvest the proceeds. We currently anticipate that, over the next several years, net cash flows from maturing or repaid investments in the range of \$6 billion to \$7 billion per year will need to be reinvested. The current average yield on our general account fixed income investment portfolio is approximately 5.0%, and we currently anticipate that proceeds that are reinvested in fixed income investments in 2013 will earn an average yield in the range of 3.5% to 3.75%. In modeling anticipated future net cash flows that will need to be reinvested, we take into account expected behavior of the issuers of fixed income instruments, including prepayment of callable assets. If prevailing interest rates were to rise, we expect the yield on our new money investments would also rise. In addition, while less material to financial results than new money investment rates, movements in prevailing interest rates also influence the prices of fixed income investments that we sell on the secondary market rather than holding until maturity or repayment, with rising interest rates generally leading to lower prices in the secondary market, and falling interest rates generally leading to higher prices.

Certain of our products pay guaranteed minimum rates. For example, fixed accounts and a portion of the stable value accounts included within defined contribution retirement plans, universal life policies and individual fixed annuities include guaranteed minimum credited rates. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with the resulting investment margin compression negatively impacting earnings. In addition, we expect more policyholders to hold policies (lower lapses) with comparatively high guaranteed rates longer in a low interest rate environment. Conversely, a rise in average yield on our investment portfolio would positively impact earnings if the average interest rate we pay on our products does not rise correspondingly. Similarly, we expect policyholders would be less likely to hold policies (higher lapses) with existing guarantees as interest rates rise.

For purposes of illustrating the negative impact of low interest rates on our projections included in Business Operating Return on Capital Goal , we estimated the expected lower investment income due to lower portfolio yields compared to 2012 levels in Retirement and Insurance Solutions, and expected lower net margin (investment income less credited interest) compared to 2012 levels in Annuities. These projections utilize the forward interest rate curve as of July 31, 2012, reflecting modestly increasing rates over time, and include the impact of DAC/VOBA and other intangibles and taxes. The assumptions utilized reduced our operating earnings projections by approximately 5% in 2013, increasing to approximately 10% in 2016, in each case as compared to what our projections for such year would have been had portfolio yields not decreased compared to 2012 levels. Accordingly,

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the targets included in Business Operating Return on Capital Goal include these negative effects on our financial performance. These assumptions may or may not be realized given the uncertainties surrounding such assumptions.

If we instead were to assume that new money investment rates remain at approximately the same level observed over the second half of 2012 and do not rise through the end of 2016, we estimate that would reduce the current operating earnings projections for our ongoing business by an additional 3-5% in each of 2013, 2014, 2015 and 2016, in each case as compared to our current projections for such year. See Risk Factors The level of interest rates may adversely affect our profitability, particularly in the event of a continuation of the current low interest rate environment .

Our Closed Block Variable Annuity segment provides certain guaranteed minimum benefits. A prolonged low interest rate environment may subject us to increased hedging costs or an increase in the amount of statutory reserves that our insurance subsidiaries are required to hold for these variable annuity guarantees, lowering their statutory surplus, which would adversely affect their ability to pay dividends to us. A prolonged low interest rate environment may also affect the perceived value of guaranteed minimum income benefits, which in turn may lead to a higher rate of annuitization of those products over time. For additional information on the Closed Block Variable Annuity segment’s sensitivity to interest rates, please see Business Closed Block Variable Annuity .

In the long-term, however, we believe the recent financial crisis and resultant lingering uncertainty will motivate individuals to seek solutions combining elements of capital preservation, income and growth. Thus, as a company with strong retirement, investment management and insurance capabilities, we believe current market conditions may ultimately enhance the attractiveness of our broad portfolio of products and services. We will need to continue to monitor the behavior of our customers, as evidenced by annuitization rates and lapse rates, which adjusts in response to changes in market conditions, in order to ensure that our products and services remain attractive as well as profitable.

***The Impact of our Closed Block Variable Annuity Segment on GAAP Earnings***

Our ongoing management of our Closed Block Variable Annuity segment is focused on preserving our current capitalization status through careful risk management and hedging. Because GAAP accounting differs from the methods used to determine regulatory and rating agency capital measures, our hedge programs may create earnings volatility in our GAAP financial statements.

***Governmental and Public Policy Impact on Demand for Our Products***

The demand for our products is influenced by a dynamic combination of governmental and public policy factors. We anticipate that legislative and other governmental activity and our ability to flexibly respond to changes resulting from such activity will be crucial to our long-term financial performance. In particular, the demand for our products is influenced by the following factors:

*Availability and quality of public retirement solutions:* The lack of comprehensive or sufficient government-sponsored retirement solutions has been a significant driver of the popularity of private sector retirement products. We believe that concerns regarding Social Security and the reduced enrollment in defined benefit retirement plans may further increase the demand for private sector retirement solutions. The impact of any legislative actions or new government programs relating to retirement solutions on our business and financial performance will depend substantially on the level of private sector involvement and our ability to participate in any such programs. We believe we are well positioned to take advantage of any future developments involving participation in any such programs by private sector providers.

*Tax-advantaged status:* Many of the retirement savings, accumulation and protection products we sell qualify for tax-advantaged status. Changes in U.S. tax laws that alter the tax benefits of certain investment vehicles could have a material effect on demand for our products.

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### ***Aging of the U.S. Population***

We believe that the aging of the U.S. population will affect both the demand for our products and the levels of our AUM and AUA. As the baby boomer generation prepares for retirement, we believe that demand for retirement savings, growth and income products will grow. The impact of this growth may be offset to some extent by asset outflows as an increasing percentage of the population begins withdrawing assets to convert their savings into income.

### ***Competition***

Our ongoing business operates in highly competitive markets. We face a variety of large and small industry participants, including diversified financial institutions, investment managers and insurance companies. These companies compete in one form or another for the growing pool of retirement assets driven by a number of exogenous factors such as the continued aging of the U.S. population and the reduction in safety nets provided by governments and corporations. In many segments, product differentiation is difficult as product development and life cycles have shortened. In addition, we have experienced pressure on fees as product unbundling and lower cost alternatives have emerged. As a result, scale and the ability to provide value-added services and build long-term relationships are important factors to compete effectively. We believe that our leading presence in the retirement market and resulting relationships with millions of participants, diverse range of capabilities (as a provider of retirement, investment management and insurance products and services) and broad distribution network uniquely position us to effectively serve consumers' increasing demand for retirement savings, income and protection solutions.

### ***Operating Measures***

This management's discussion and analysis includes discussion of operating earnings before income taxes and operating revenues, each of which is a measure that is not determined in accordance with GAAP, because our management uses these measures to manage our businesses and allocate our resources. We also discuss these measures generally because we believe that they provide our investors with useful information regarding our financial performance. In particular, these measures facilitate a comparison of period-to-period results without the effect of the volatility created by certain changes in the financial markets that affect our financial results as reported under GAAP. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way we calculate such measures, and accordingly, our non-GAAP financial measures may not be comparable to similar measures used by other companies.

We also discuss certain operating measures, described below, which provide useful information about our businesses and the operational factors underlying our financial performance.

### ***Operating Earnings before Income Taxes***

*Operating earnings before income taxes* is an internal measure we use to evaluate segment performance. Operating earnings before income taxes does not replace net income (loss) as the GAAP measure of the consolidated results of operations and consists of operating revenues less operating benefits and expenses. Each segment's operating earnings before income taxes is calculated by adjusting income (loss) before income taxes for the following items:

Net investment gains (losses), net of related amortization of DAC, VOBA, sales inducements and unearned revenue. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the fair value option ( FVO ) unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest;

Net guaranteed benefit hedging gains (losses), which include changes in the fair value of derivatives related to guaranteed benefits, net of related reserve increases (decreases) and net of related amortization of DAC, VOBA and sales inducements, less the estimated cost of these benefits. The

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estimated cost, which is reflected in operating results, reflects the expected cost of these benefits if markets perform in line with our long-term expectations and includes the cost of hedging. All other derivative and reserve changes related to guaranteed benefits are excluded from operating results, including the impacts related to changes in our nonperformance spread;

Income (loss) related to business exited through reinsurance or divestment;

Income (loss) attributable to noncontrolling interests;

Income (loss) related to early extinguishment of debt;

Impairment of goodwill, value of management contract rights and value of customer relationships acquired;

Immediate recognition of net actuarial gains (losses) related to our pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments; and

Other items, including restructuring expenses (severance, lease write-offs, etc.), integration expenses related to our acquisition of CitiStreet and certain third-party expenses related to the anticipated Divestment Transaction.

Our Closed Block Variable Annuity segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics and, therefore, its results of operations are not reflected within operating earnings before income taxes. When we present the adjustments to Income (loss) before income taxes on a consolidated basis, each adjustment excludes the relative portions attributable to our Closed Block Variable Annuity segment.

The most directly comparable GAAP measure to operating earnings before income taxes is income (loss) before income taxes. For a reconciliation of operating earnings before income taxes to income (loss) before income taxes, see Results of Operations Company Consolidated below.

***Operating Revenues***

*Operating revenues* is a measure of our segment revenues. We calculate operating revenues by adjusting each segment's revenue for the following items:

Net realized investment gains (losses) and related charges and adjustments, which include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the FVO unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest. These items are net of related amortization of unearned revenue;

Gain (loss) on change in fair value of derivatives related to guaranteed benefits, which include changes in the fair value of derivatives related to guaranteed benefits, less the estimated cost of these benefits. The estimated cost, which is reflected in operating results, reflects the expected cost of these benefits if markets perform in line with our long-term expectations and includes the cost of hedging. All other derivative and reserve changes related to guaranteed benefits are excluded from operating revenues, including the impacts related to changes in our nonperformance spread;

Revenues related to businesses exited through reinsurance or divestment;

Revenues attributable to noncontrolling interests;

Other adjustments to operating revenues primarily reflect fee income earned by our broker dealers for sales of non-proprietary products, which are reflected net of commission expense in our segments' operating revenues.

Operating revenues also excludes the revenues of our Closed Block Variable Annuity segment, since this segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating

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metrics. When we present the adjustments to Total revenues on a consolidated basis, each adjustment excludes the relative portions attributable to our Closed Block Variable Annuity segment.

The most directly comparable GAAP measure to operating revenues is total revenues. For a reconciliation of operating revenue to total revenues, see Results of Operations Company Consolidated below.

***AUM and AUA***

A substantial portion of our fees, other charges and margins are based on AUM. AUM represents on-balance sheet assets supporting customer account values/liabilities and surplus as well as off-balance sheet institutional/mutual funds. Customer account values reflect the amount of policyholder equity that has accumulated within retirement, annuity and universal life products. AUM includes general account assets managed by our Investment Management segment in which we bear the investment risk, separate account assets in which the contract owner bears the investment risk and institutional/mutual funds, which are excluded from our balance sheet. AUM-based revenues increase or decrease with a rise or fall in the amount of AUM, whether caused by changes in capital markets or by net flows.

AUM is principally affected by net deposits (i.e., new deposits, less surrenders and other outflows) and investment performance (i.e., interest credited to contract owner accounts for assets that earn a fixed return or market performance for assets that earn a variable return). Separate account AUM and institutional/mutual fund AUM include assets managed by our Investment Management segment, as well as assets managed by third-party investment managers. Our Investment Management segment reflects the revenues earned for managing affiliated assets for our other segments (based on arm's length agreements) as well as assets managed for third parties. Our consolidated AUM includes eliminations of AUM managed by our Investment Management segment that is also reflected in other segments' AUM and adjustments for AUM not reflected in any segments.

AUA represents accumulated assets on contracts pursuant to which we either provide administrative services or product guarantees for assets managed by third parties. These contracts are not insurance contracts and the assets are excluded from the Consolidated Financial Statements. Fees earned on AUA can be based on the number of participants, asset levels and/or the level of services or product guarantees that are provided.

***Sales Statistics***

In our discussion of our segment results under Results of Operations Segment by Segment, we sometimes refer to sales activity for various products. The term sales is used differently for different products, as described more fully below. These sales statistics do not correspond to revenues under GAAP and are used by us as operating measures underlying our financial performance.

*Net flows* are deposits less redemptions (including benefits and other product charges).

*Sales* for Individual Life products are based on a calculation of weighted average annual premiums (WAP). *Sales* for Employee Benefits products are based on a calculation of annual premiums, which represents regular premiums on new policies, plus a portion of new single premiums.

*Weighted average annual premiums (WAP)* is defined as the amount of premium for a policy's first year that is eligible for the highest first year commission rate, plus a varying portion of any premium in excess of this base amount, depending on the product. WAP is a key measure of recent sales performance of our products and is an indicator of the general growth or decline in certain lines of business. WAP is not equal to premium revenue under GAAP. Renewal premiums on existing policies are included in GAAP premium revenue in addition to first year premiums and thus changes in persistency of existing in-force business can potentially offset growth from current year sales.

*Total gross premiums and deposits* are defined as premium revenue and deposits for policies written and assumed. This measure provides information as to growth and persistency trends related to premium and deposits.



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*Total annualized in-force premiums* are defined as a full year of premium at the rate in effect at the end of the period. This measure provides information as to the growth and persistency trends in premium revenue.

*Interest adjusted loss ratios* are defined as the ratio of benefits expense to premium revenue exclusive of the discount component in the change in benefit reserve. This measure reports the loss ratio related to mortality on life products and morbidity on health products.

*In-force face amount* is defined as the total life insurance coverage in effect as of the end of the period presented for business written and assumed. This measure provides information as to changes in policy growth and persistency with respect to death benefit coverage.

*In-force policy count* is defined as the number of policies written and assumed with coverage in effect as of the end of the period. This measure provides information as to policy growth and persistency.

*New business policy count (paid)* is defined as the number of policies issued during the period for which initial premiums have been paid by the policyholder. This measure provides information as to policy growth from sales during the period.

**Results of Operations Company Consolidated**

The following table presents summary consolidated financial information for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Revenues:</b>			
Net investment income	\$ 4,697.9	\$ 4,968.8	\$ 4,987.0
Fee income	3,515.4	3,603.6	3,516.5
Premiums	1,861.1	1,770.0	1,707.5
Net realized capital gains (losses)	(1,280.8)	(1,531.4)	(1,678.0)
Other revenue	378.5	428.2	547.0
Income (loss) related to consolidated investment entities:			
Net investment income	556.6	528.4	316.0
Changes in fair value related to collateralized loan obligations	(113.4)	(48.8)	(121.8)
Total revenues	9,615.3	9,718.8	9,274.2
<b>Benefits and expenses:</b>			
Interest credited and other benefits to contract owners/policyholders	4,861.6	5,742.0	5,027.3
Operating expenses	3,155.0	3,030.8	3,033.5
Net amortization of deferred policy acquisition costs and value of business acquired	722.3	387.0	746.6
Interest expense	153.7	139.3	332.5
Operating expenses related to consolidated investment entities:			
Interest expense	106.4	68.4	49.8
Other expense	10.3	73.5	46.7
Total benefits and expenses	9,009.3	9,441.0	9,236.4
Income (loss) before income taxes	606.0	277.8	37.8
Income tax expense (benefit)	(5.2)	175.0	171.0
Net income (loss)	611.2	102.8	(133.2)
Less: Net income (loss) attributable to noncontrolling interest	138.2	190.9	(10.3)
Net income (loss) available to our common shareholder	\$ 473.0	\$ (88.1)	\$ (122.9)



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The following table presents AUM and AUA as of the dates indicated:

(\$ in millions)	2012	As of December 31, 2011	2010
<b>AUM and AUA</b>			
<i>Retirement Solutions:</i>			
Retirement	\$ 304,146.7	\$ 287,843.7	\$ 290,914.0
Annuities	26,101.1	27,690.2	27,849.3
<i>Investment Management</i>	236,446.8	225,114.0	223,140.9
<i>Insurance Solutions:</i>			
Individual Life	15,322.5	14,769.8	14,846.3
Employee Benefits	1,759.5	1,741.2	1,736.4
<i>Eliminations/Other</i>	(170,346.5)	(167,939.3)	(168,316.3)
 Total Ongoing Businesses	 413,430.1	 389,219.6	 390,170.6
<i>Closed Blocks:</i>			
Closed Block Variable Annuity	43,198.4	42,645.5	47,978.0
Closed Block Institutional Spread Products	3,805.6	5,581.7	7,002.4
Closed Block Other	566.5	599.6	606.5
 Total Closed Blocks	 47,570.5	 48,826.8	 55,586.9
 Total AUM and AUA	 \$ 461,000.6	 \$ 438,046.4	 \$ 445,757.5
 AUM	 \$ 247,325.1	 \$ 229,680.4	 \$ 231,381.3
AUA	213,675.5	208,366.0	214,376.2
 Total AUM and AUA	 \$ 461,000.6	 \$ 438,046.4	 \$ 445,757.5

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The following table presents the relative contributions of each segment to operating earnings before income taxes for the periods indicated, and a reconciliation of operating earnings before income taxes to income (loss) before income taxes:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<i>Retirement Solutions:</i>			
Retirement	\$ 448.6	\$ 441.9	\$ 469.6
Annuities	102.2	387.6	115.0
<i>Investment Management</i>	134.5	87.5	50.1
<i>Insurance Solutions:</i>			
Individual Life	196.2	279.3	313.5
Employee Benefits	109.4	83.3	82.0
Total Ongoing Business	990.9	1,279.6	1,030.2
Corporate	(182.3)	(230.2)	(399.1)
<i>Closed Blocks:</i>			
Closed Block Institutional Spread Products	45.7	83.2	(3.8)
Closed Block Other	64.0	(13.0)	(6.7)
Total Closed Blocks <sup>(1)</sup>	109.7	70.2	(10.5)
Total operating earnings before income taxes	918.3	1,119.6	620.6
<i>Adjustments:</i>			
Closed Block Variable Annuity	(692.3)	(564.5)	(220.2)
Net investment gains (losses) and related charges and adjustments	455.5	71.8	(96.4)
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	97.2	(269.4)	(30.0)
Loss related to businesses exited through reinsurance or divestment	(45.8)	(35.1)	(3.3)
Income (loss) attributable to noncontrolling interests	138.2	190.9	(10.3)
Loss on early extinguishment of debt			(108.3)
Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments	(165.0)	(157.8)	(47.5)
Other adjustments to operating earnings	(100.1)	(77.7)	(66.8)
Income (loss) before income taxes	\$ 606.0	\$ 277.8	\$ 37.8

<sup>(1)</sup> Our Closed Block Variable Annuity segment is managed to focus on protecting regulatory and rating capital rather than achieving operating metrics and, therefore, its results of operations are not reflected within operating earnings before income taxes.

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The following table presents the relative contributions of each segment to operating revenues for the periods indicated and a reconciliation of operating revenues to Total revenues:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<i>Retirement Solutions:</i>			
Retirement	\$ 2,271.9	\$ 2,225.4	\$ 2,179.0
Annuities	1,307.0	1,401.4	1,482.5
<i>Investment Management</i>	545.5	491.9	454.5
<i>Insurance Solutions:</i>			
Individual Life	2,793.9	2,785.0	2,613.4
Employee Benefits	1,251.2	1,246.2	1,277.8
Total Ongoing Business	8,169.5	8,149.9	8,007.2
Corporate	65.9	(13.7)	(132.3)
<i>Closed Blocks:</i>			
Closed Block Institutional Spread Products	127.2	188.1	167.6
Closed Block Other	43.8	52.2	64.3
Total Closed Blocks <sup>(1)</sup>	171.0	240.3	231.9
Total operating revenues	8,406.4	8,376.5	8,106.8
<i>Adjustments:</i>			
Closed Block Variable Annuity	(70.0)	794.9	677.7
Net realized investment gains (losses) and related charges and adjustments	603.4	219.2	47.7
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	83.1	(399.0)	(66.9)
Revenues related to businesses exited through reinsurance or divestment	64.6	116.1	137.6
Revenues (loss) attributable to noncontrolling interests	313.8	399.1	143.2
Other adjustments to operating revenues	214.0	212.0	228.1
Total revenues	\$ 9,615.3	\$ 9,718.8	\$ 9,274.2

<sup>(1)</sup> Our Closed Block Variable Annuity segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics and, therefore, its results of operations are not reflected within operating revenues.

**Notable Items**

We believe the following table will help investors identify more easily some of the larger causes of changes in our operating earnings before income taxes during the periods discussed. The table highlights notable items that are included in operating earnings before income taxes from the following categories: (1) large gains or losses (e.g., the reserve increase related to use of U.S. Social Security Death Master File (SSDMF)) that are not indicative of performance in the period; (2) significant gains (losses) resulting from transactions to change our capital structure; and (3) items that typically recur but can be volatile from period to period (e.g., DAC/VOBA and other intangibles unlocking). In addition, we included the historic interest expense because interest expense has declined meaningfully over the period given the change in debt. There may be other items not included in the following table that caused increases (decreases) in operating earnings before taxes for the periods presented. See the descriptions within the Results of Operations section for a more comprehensive discussion of the causes of changes in operating earnings before income taxes.

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(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Interest expense (including interest rate swap settlements)	\$ (127.8)	\$ (185.7)	\$ (383.5)
DAC/VOBA and other intangibles unlocking	(77.0)	303.8	175.8
Loss on sale of alternative investments <sup>(1)</sup>	(92.0)		
Reserve increase related to use of SSDMF		(68.9)	

<sup>(1)</sup> See Investments Sale of Certain Alternative Investments for description of certain alternative investments. The following table presents the adjustment to income (loss) before taxes related to total investment gains (losses) and the related net amortization of DAC/VOBA and other intangibles:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Other-than-temporary impairments	\$ (55.1)	\$ (502.7)	\$ (890.8)
CMO-B fair value adjustments <sup>(1)</sup>	221.1	326.5	431.7
Gains (losses) on the sale of securities	436.2	568.4	546.5
Other, including changes in the fair value of derivatives	10.7	(119.3)	37.8
Total investment gains (losses)	612.9	272.9	125.2
Net amortization of DAC/VOBA and other intangibles on above	(130.8)	(137.6)	(139.0)
Net investment gains (losses), including Closed Block Variable Annuity	482.1	135.3	(13.8)
Less: Closed Block Variable Annuity net investment gains (losses) and related charges and adjustments	26.6	63.5	82.6
Net investment gains (losses)	\$ 455.5	\$ 71.8	\$ (96.4)

<sup>(1)</sup> For a description of our CMO-B portfolio, see Investments CMO-B Portfolio. The following table presents the adjustment to income (loss) before taxes related to guaranteed benefit hedging gains (losses) net of DAC/VOBA and other intangibles amortization. This table excludes Closed Block Variable Annuity.

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Gain (loss), excluding nonperformance risk	\$ 188.2	\$ (377.9)	\$ (264.8)
Gain (loss) due to nonperformance risk	(114.2)	(21.3)	197.9
Net gain (loss) prior to related amortization of DAC/VOBA and sales inducements	74.0	(399.2)	(66.9)
Net amortization of DAC/VOBA and sales inducements	23.2	129.8	36.9
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	\$ 97.2	\$ (269.4)	\$ (30.0)

**Terminology Definitions**

*Net realized capital gains (losses), net realized investment gains (losses) and related charges and adjustments and net guaranteed benefit hedging losses and related charges and adjustments* include changes in the fair value of derivatives. Increases in the fair value of derivative assets or decreases in the fair value of derivative liabilities result in gains. Decreases in the fair value of derivative assets or increases in the fair value of derivative liabilities result in losses.



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In addition, we have certain products that contain guarantees that are embedded derivatives related to guaranteed benefits, while other products contain such guarantees that are considered derivatives (collectively guaranteed benefit derivatives).

**Year Ended December 31, 2012 Compared to Year Ended December 31, 2011****Net Income (Loss)**

*Net investment income* decreased \$270.9 million from \$4,968.8 million to \$4,697.9 million, partially due to a \$91.9 million loss related to an agreement to sell certain private equity limited partnership investments interest holdings (sale of certain alternative investments) (see table below). The transaction is discussed below under Investments-Sale of Certain Alternative Investments. Further decreases were due to lower investment income resulting from investment portfolio changes to improve capital, such as the sale of CMO-B assets, a decline in average assets in our Closed Block Institutional Spread Products segment and due to lapses in Multi-Year Guarantee Annuities (MYGAs). The decline in the assets of the Closed Block Institutional Spread Products is due to the continued run-off of this business. Certain MYGAs, mostly sold in 2002, reached the end of their current guarantee period in 2012. Most of these MYGAs have high crediting rates and the supporting assets generate returns below the targets set when the contracts were issued, negatively impacting returns in our Annuities segment. During the twelve months ended December 31, 2012, approximately \$3.0 billion of the MYGAs reached the end of their current guarantee period, and approximately 66% of those policies up for renewal lapsed. The high lapse rate was expected as renewal crediting rates offered are lower than the credited rates during the initial term. The run-off of these MYGA contracts enhanced the results of our Annuities segment during 2012. These decreases were partially offset by an increase in assets in our Retirement segment driven by positive net flows, including customer transfers from variable separate accounts as well as improved performance of funds and partnership income from our Investment Management segment.

The following table presents the net loss on the sale of certain alternative investments as reflected in the Consolidated Statements of Operations and as included in the segment *Operating earnings before income taxes*:

(\$ in millions)	<b>Year Ended December 31, 2012</b>
Net investment income (loss)	\$ (97.5)
Income (loss) related to consolidated investment entities	97.5
Less: Net income (loss) attributable to noncontrolling interest	(91.9)
Net loss available to ING U.S., Inc.'s common shareholder	\$ (91.9)
Retirement	\$ (48.1)
Annuities	(18.0)
Investment Management	2.2
Individual Life	(13.1)
Employee Benefits	(5.1)
Closed Block Institutional Spread Products	(8.0)
Closed Block Other	(1.9)
Net loss included in segment operating earnings before income taxes <sup>(1)</sup>	\$ (92.0)

<sup>(1)</sup> Amount does not include net gain for the Closed Blocked Variable Annuity segment of \$0.1 million.

*Fee income* decreased \$88.2 million from \$3,603.6 million to \$3,515.4 million, primarily due to a decline in average AUM in the Closed Block Variable Annuity segment as well as higher unearned revenue amortization in our Individual Life segment in 2011 related to the emergence of gross profits for a particular block.



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*Premiums* increased \$91.1 million from \$1,770.0 million to \$1,861.1 million, primarily due to growth in renewal premiums in our Life Insurance Solutions segment.

*Net realized capital losses* decreased \$250.6 million from \$1,531.4 million to \$1,280.8 million, primarily due to higher net realized investment gains as well as favorable derivative results in our Retirement Solutions business, offset by changes in fair value of guaranteed benefit derivatives due to nonperformance risk and higher losses on derivatives from the Closed Block Variable Annuity segment liability hedges and CHO program. Higher net realized investment gains were primarily due to a \$447.6 million reduction in OTTI in 2012 compared to the prior year. The favorable derivative results in our Retirement Solutions business were driven by \$566.1 million in higher gains on guaranteed benefit derivatives, excluding nonperformance risk. The gains in 2012 on guaranteed benefit derivatives were mostly due to a reduction in expected future guaranteed interest rates on certain Stabilizer contracts, compared to losses in 2011 due to declining interest rates.

Partially offsetting these favorable items were changes in fair value of guaranteed benefit derivatives due to nonperformance risk, changes in fair value of derivatives from the Closed Block Variable Annuity segment liability hedges, and losses on the CHO program. Changes in the fair value of guaranteed benefit derivatives in the Retirement, Annuities and Closed Block Variable Annuity segments due to nonperformance risk resulted in a decrease in income of \$1,053.5 million (from a gain of \$495.7 million in 2011 to a loss of \$557.8 million in 2012). The changes in derivative gains (losses) from the Closed Block Variable Annuity segment liability hedges reduced income by \$2,526.3 million. This decrease was driven by significant gains in 2011 due primarily to interest rate decreases during that period compared to significant losses in 2012 due primarily to the equity market increase during that period. In addition, an increase in losses on the CHO program (from a loss of \$129.9 million in 2011 to a loss of \$351.0 million in 2012) resulted in a decrease to income of \$221.1 million. The higher losses in 2012 were the result of the equity market increase in 2012 and higher notional amounts for hedging the associated underlying risk, as a result of assumption changes made in late 2011. The hedge program in the Closed Block Variable Annuity segment focuses on protecting regulatory and rating agency capital rather than mitigating earnings volatility and, as a result, the losses in 2012 are more than offset by an increase in income of \$2,969.4 million in gains (from a loss of \$2,135.5 million to a gain of \$833.9 million in 2012) from changes in fair value of guaranteed benefit derivatives, excluding nonperformance risk.

*Other revenue* decreased \$49.7 million from \$428.2 million to \$378.5 million due to changes in contractual amounts paid to/from retirement plan customers upon surrender, lower surrender fees on the Closed Block Variable Annuity segment as that business runs off and a reduction in the deferred gain amortization on the divested group reinsurance business. Partially offsetting these decreases is an increase in service fees earned by our Investment Management segment.

*Interest credited and other benefits to contract owners/policyholders* decreased \$880.4 million from \$5,742.0 million to \$4,861.6 million, primarily due to an increase in reserves in the Closed Block Variable Annuity segment in the prior year due to updating lapse and other policyholder behavior assumptions in the fourth quarter of 2011, and a reduction in interest credited due to declining contract owner account balances for the Closed Block Institutional Spread Products segment and declining reserves for MYGAs. A reduction in average crediting rates across several product lines as well as favorable claim results in our Employee Benefits segment also contributed to the decrease. These reductions were partially offset by reserve changes and claim experience in our Individual Life segment due to a combination of growth in the business and adverse mortality results, net of reinsurance and reserve changes. Growth in general account assets in our Retirement segment also contributed to the increase.

*Operating expenses* increased \$124.2 million from \$3,030.8 million to \$3,155.0 million, primarily due to higher LOC costs related to the contingent capital LOC for our Closed Block Variable Annuity segment and for our Individual Life segment, a reduction in incentive compensation expense in 2011 that did not recur in 2012 and an increase in expenses due to growth in the business. Partially offsetting these increases were lower expenses in our Retirement business due to a reduction in recordkeeping cases, as well as a \$22.0 million

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reimbursement of expenses by ING Group in 2012. These expenses were paid in 2011 by ING U.S., Inc. on behalf of ING Group's Latin America business. In 2011, operating expenses included \$24.6 million of previously unreimbursed expenses.

*Net amortization of DAC/VOBA* increased \$335.3 million from \$387.0 million to \$722.3 million. The increase is primarily related to favorable unlocking in 2011 and unfavorable unlocking in 2012, primarily in our Annuities segment, due to prospective assumption changes related to investment margins in 2011 and decreased projected margins on MYGA policies in 2012, respectively.

*Income (loss) before income taxes* increased \$328.2 million from \$277.8 million to \$606.0 million, primarily due to an improvement in net realized investment gains as well as favorable results from hedging activity in our Retirement Solutions business, higher assets and margins in our Retirement segment, improved fund performance in our Investment Management segment, and favorable claim results in our Employee Benefit segment. Offsetting these increases were losses on guaranteed benefit derivatives due to nonperformance risk and higher losses on derivatives from the Closed Block Variable Annuity segment liability hedges and CHO program, and the \$91.9 million loss on the sale of certain alternative investments. Adverse mortality and reserve changes in our Individual Life segment and unfavorable changes in DAC and VOBA and other intangibles unlocking also contributed to the decrease.

*Income tax expense (benefit)* for the current year was \$(5.2) million. We anticipate an effective tax rate of approximately 0%, as the tax expense (benefit) on net income (loss) before income taxes should be offset by increases/decreases in valuation allowances. The income tax expense (benefit) for the prior year was \$175.0 million, which is higher than the tax at the statutory rate, primarily as a result of an increase in the valuation allowances of \$175.0 million, the tax impact of non-deductible expenses of \$32.0 million, offset by the \$74.0 million impact of the dividends received deduction and \$67.0 million of favorable impact from noncontrolling interests. The increase in the valuation allowance was due primarily to continued tax losses, the benefit of which is uncertain.

***Operating Earnings before Income Taxes***

*Operating earnings before income taxes* decreased \$201.3 million from \$1,119.6 million to \$918.3 million, primarily due to unfavorable DAC/VOBA and other intangibles unlocking in the current year of \$77.0 million compared to favorable unlocking in 2011 of \$303.8 million, the \$92.0 million loss in the current year related to the sale of certain alternative investments, and adverse mortality and reserve changes in our Individual Life segment. These decreases were partially offset by the favorable impacts to income from an increase in assets and margins in our Retirement segment, improved investment margins in our Annuities segment and favorable claim results in our Employee Benefits segment.

***Adjustments from Income (Loss) before Income Taxes to Operating Earnings before Income Taxes***

*Closed Block Variable Annuity* is discussed in Results of Operations Segment by Segment Closed Block Variable Annuity.

*Net investment gains* increased \$383.7 million from \$71.8 million to \$455.5 million, primarily due to a \$447.6 million reduction in OTTI, partially offset by a reduction in gains on CMO-B fair value adjustments and gains on sales of securities.

*Net guaranteed benefit hedging gains (losses) and related charges and adjustments* changed by \$366.6 million from a loss of \$269.4 million to a gain of \$97.2 million. Excluding nonperformance risk, we incurred a \$377.9 million loss in 2011 primarily due to the decrease in interest rates during the prior year, compared to a gain of \$188.2 million in the current year, primarily due to a reduction in expected future guaranteed interest rates in certain Stabilizer contracts in our Retirement segment. This favorable impact was partially offset by a

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decrease in the fair value of guaranteed benefits related to nonperformance risk from a \$21.3 million loss in 2011 to a \$114.2 million loss in 2012. DAC/VOBA amortization related to the respective gain (loss) accounted for the remaining \$106.6 million change.

*Losses related to businesses exited through reinsurance or divestment* increased \$10.7 million from \$35.1 million to \$45.8 million primarily due to a reduction in the amortization of a deferred gain on the group reinsurance business that was divested at the end of 2009, partially offset by higher LOC costs in 2012 on the individual reinsurance business that was divested in prior years but where we remained responsible for a portion of the LOC costs.

*Losses related to the immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and losses from plan adjustments and curtailments* increased \$ 7.2 million from \$157.8 million to \$165.0 million. The loss in both years is primarily due to a remeasurement loss which resulted from the revaluation of our Retirement Plan s assets and obligations. The remeasurement loss in both years is due primarily to a decrease in the discount rate of plan liabilities which resulted from the declining interest rate environment.

*Other adjustments to operating earnings* changed \$22.4 million from (\$77.7) million to (\$100.1) million due to increased expenses related to the anticipated Divestment Transaction.

***Year Ended December 31, 2011 Compared to Year Ended December 31, 2010***

***Net Income (Loss)***

*Net investment income* decreased \$18.2 million from \$4,987.0 million to \$4,968.8 million due to a decline in assets in our Closed Block Institutional Spread Products segment and lower earned rates driven by the low interest rate environment. This decline was partially offset by an increase in assets in our Retirement segment, which was driven by positive net flows, including customer transfers from variable separate accounts and the favorable impact of reinvesting short-term investments into longer duration fixed income securities.

*Fee income* increased \$87.1 million from \$3,516.5 million to \$3,603.6 million primarily due to growth in our Retirement full service products, as well as our Investment Management and Individual Life segments due to a combination of strong sales and an improvement in the equity market, partially offset by a reduction in large Retirement recordkeeping cases resulting from terminated contracts and the continuing run-off of the Closed Block Other segment.

*Premiums* increased \$62.5 million from \$1,707.5 million to \$1,770.0 million primarily due to growth in our Individual Life segment, partially offset by decreases in Employee Benefits due to competitor pricing actions and sales of immediate annuities with life contingencies in our Annuities segment.

*Net realized capital losses* decreased \$146.6 million from \$1,678.0 million to \$1,531.4 million primarily due to a reduction of \$388.1 million in OTTI, partially offset by a \$242.5 million increase in net derivative losses as follows. Net gains on derivatives increased \$1,662.1 million from a loss of \$1,243.5 million to a gain of \$418.6 million. Our Closed Block Variable Annuity segment was the largest driver of this variance. Our Closed Block Variable Annuity segment reported a net gain of \$945.9 million for the year ended December 31, 2011 compared to a net loss of \$908.7 million for the year ended December 31, 2010. Losses on equity derivative contracts were \$513.5 million lower due to the relative equity market movements in each year and changes in notional amounts. Gains on interest rate derivative contracts were \$1,331.8 million higher in 2011 primarily due to decreasing interest rates and changes in notional amounts. These gains were largely offset by losses on guaranteed benefit derivatives, which increased \$1,872.4 million from 2010 to 2011, primarily in Closed Block Variable Annuity, but also in our Retirement Solutions business (stable value products and fixed indexed annuities ( FIAs )).

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*Other revenue* decreased \$118.8 million from \$547.0 million to \$428.2 million primarily due to the reduction in the amortization of a deferred gain on the divested group reinsurance business caused by the continuing run-off of the business and the divestment of three broker dealers in early 2010.

*Interest credited and other benefits to contract owners/policyholders* increased \$714.7 million from \$5,027.3 million to \$5,742.0 million primarily due to an increase in reserves for the Closed Block Variable Annuity segment, which was largely due to updating lapse and other policyholder behavior assumptions in the fourth quarter of 2011. We increased these reserves in the fourth quarter of 2011 after a comprehensive review of our assumptions relating to lapses, mortality, annuitization of income benefits and utilization of withdrawal benefits. We review overall policyholder experience annually, or more frequently if necessary. The review in 2011 included an analysis of a larger body of actual experience than was previously available, including a longer period with low equity markets and interest rates, which we believe provided greater insight into anticipated policyholder behavior for contracts that are in the money. Unfavorable claims experience in the Individual Life segment, an incurred-but-not-reported reduction in 2010 and an increase of \$68.9 million in 2011 related to our use of the SSDMF to accrue for unfiled death claims also contributed to the increase. These increases were partially offset by a reduction in credited rates, a decrease in Employee Benefits reserves resulting from lower premiums, declining contract account balances in the Closed Block Institutional Spread Products segment and a decline in sales of immediate annuities with life contingencies in our Annuities segment.

*Operating expenses* decreased \$2.7 million from \$3,033.5 million to \$3,030.8 million. Significant expense decreased due to restructuring initiatives, a reduction in incentive compensation expense, the divestment of three broker dealers in early 2010 and the continuing run-off of our Closed Block Other segment were entirely offset by a \$110.3 million increase in the portion of our pension expense that is related to the immediate recognition of actuarial losses due primarily to changes in the discount rate.

*Net amortization of DAC/VOBA* decreased \$359.6 million from \$746.6 million to \$387.0 million due to favorable unlocking in 2011, which was primarily due to prospective assumption changes related to investment margins, which caused favorable unlocking in our Annuities segment, primarily on our FIAs. In 2011, our investment margins were better than expected on FIAs despite the low interest rate environment due to lower costs of credited rates. Thus, we changed our estimates of the costs of future credited rates to reflect the anticipated increased margins. Unlocking was minimal in 2010 with unfavorable unlocking in our Closed Block Variable Annuity segment due to loss recognition being offset by favorable unlocking in our Retirement segment.

*Interest expense* decreased \$193.2 million from \$332.5 million to \$139.3 million primarily due to the conversion of \$4.0 billion of debt to equity in 2011.

*Income before income taxes* increased \$240.0 million from \$37.8 million to \$277.8 million primarily due to growth in our ongoing business, reduction in impairments, reduction in interest cost and favorable DAC/VOBA and other intangibles unlocking, partially offset by an increase in reserves for our Closed Block Variable Annuity segment.

*Income tax expense (benefit)* for the year ended December 31, 2011 was \$77.8 million greater than the tax at the statutory rate primarily due to an increase in the valuation allowance of \$175.0 million, the tax impact of non-deductible expenses of \$32.0 million, offset by the \$74.0 million favorable impact of the dividends received deduction and \$67.0 million of favorable impact from net income noncontrolling interests. The increase in the valuation allowance was due primarily to continued tax losses, the benefit of which is uncertain. The income tax expense (benefit) for 2010 was \$157.8 million greater than the tax at the statutory rate primarily due to an increase in the valuation allowance of \$547.0 million and the \$38.0 million tax effect of a loss from early extinguishment of debt. These increases in tax expense were partially offset by \$312.0 million release of tax liabilities related to settlement of IRS examinations and the \$108.0 million favorable impact of the dividends received deduction. The increase in the valuation allowance was primarily due to continued tax losses, the benefit of which is uncertain.

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### *Operating Earnings before Income Taxes*

*Operating earnings before income taxes* increased \$499.0 million from \$620.6 million to \$1,119.6 million primarily due to growth in our ongoing business, improved investment margins (investment income less credited interest), expense reduction initiatives, reduction in interest expense as a result of an aggregate \$4.0 billion of debt to equity conversion during 2011. Furthermore, favorable DAC/VOBA and other intangibles unlocking was \$303.8 million in 2011 compared to a favorable impact of \$175.8 million in 2010.

### *Adjustments from Income (Loss) before Income Taxes to Operating Earnings before Taxes*

*Closed Block Variable Annuity* is discussed in Results of Operations Segment by Segment Closed Block Variable Annuity.

*Net investment gains (losses) and related charges and adjustments* increased \$168.2 million from a loss of \$96.4 million to a gain of \$71.8 million due to reductions in impairments, partially offset by lower realized trading gains net of applicable and lower derivative fair value adjustments and fair value adjustments on our CMO-B portfolio and DAC/VOBA amortization.

*Net guaranteed benefit hedging gains (losses) and related charges and adjustments* increased \$239.4 million from \$30.0 million to \$269.4 million due to guaranteed benefit derivative losses in our Retirement and Annuities segments driven by low interest rates and an unfavorable change in fair value due to nonperformance risk of \$21.3 million in 2011 compared to a favorable change in fair value due to nonperformance risk in 2010 of \$197.9 million excluding the impacts of DAC/VOBA and other intangibles. The guaranteed benefit derivatives on Retirement's stable value products decreased from a gain of \$9.0 million in 2010 to a loss of \$212.5 million in 2011, while the guaranteed benefit derivatives in our fixed indexed annuity products increased from a loss of \$75.9 million in 2010 to a loss of \$186.6 million in 2011, net of hedging gains (losses).

*Losses related to businesses exited through reinsurance or divestment* increased \$31.8 million from \$3.3 million to \$35.1 million primarily due to a reduction in the deferred gain amortization on the divested group reinsurance business.

*Other adjustments to operating earnings* changed (\$10.9) million from (\$66.8) million to (\$77.7) million due to increased third-party expenses related to the anticipated Divestment Transaction.

*Losses related to early extinguishment of debt* was \$108.3 million due to a \$3.0 billion debt to equity conversion in 2010.

*Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments* changed \$110.3 million from a loss of \$47.5 million to a loss of \$157.8 million due primarily to changes in interest rates.

### **Results of Operations Ongoing Business**

We consider the Retirement, Annuities, Investment Management, Individual Life, and Employee Benefits segments as our ongoing businesses. The following table presents operating earnings before income taxes of our ongoing businesses for the periods presented:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Operating earnings before income taxes</b>	\$ 990.9	\$ 1,279.6	\$ 1,030.2

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The following table presents certain notable items that resulted in volatility in operating earnings before income taxes:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Loss on sale of alternative investments	\$ (82.1)	\$	\$
DAC/VOBA and other intangibles unlocking	(77.0)	303.8	175.8

**Ongoing Business Year Ended December 31, 2012 Compared to Year Ended December 31, 2011**

*Operating earnings before income taxes* decreased \$288.7 million from \$1,279.6 million to \$990.9 million primarily due to unfavorable DAC/VOBA and other intangibles unlocking in the current year of \$77.0 million compared to favorable unlocking in 2011 of \$303.8 million, the \$82.1 million loss in the current year related to the sale of certain alternative investments, and adverse mortality and reserve changes in our Individual Life segment. These decreases were partially offset by the favorable impacts to income from an increase in assets and margins in our Retirement segment, improved investment margins in our Annuities segment and favorable claim results in our Employee Benefits segment. See Results of Operations Segment by Segment.

**Ongoing Business Year Ended December 31, 2011 Compared to Year Ended December 31, 2010**

*Operating earnings before income taxes* increased \$249.4 million from \$1,030.2 million to \$1,279.6 million primarily due to higher favorable DAC/VOBA and other intangibles unlocking, expense reduction initiatives, and an increase in fee income and premiums. Favorable DAC/VOBA and other intangibles unlocking was \$303.8 million in 2011 compared to a favorable impact of \$175.8 million in 2010. Higher revenues resulted from in-force growth in our Individual Life segment as well as an increase in AUM in our Investment Management segment. See Results of Operations Segment by Segment.

**Results of Operations Segment by Segment****Retirement Solutions Retirement**

The following table presents operating earnings before income taxes of our Retirement segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Operating revenues:</b>			
Net investment income and net realized gains (losses)	\$ 1,499.9	\$ 1,435.9	\$ 1,405.2
Fee income	715.0	713.5	711.4
Premiums	4.9	8.1	3.0
Other revenue	52.1	67.9	59.4
Total operating revenues	2,271.9	2,225.4	2,179.0
<b>Operating benefits and expenses:</b>			
Interest credited and other benefits to contract owners/policyholders	842.2	826.2	797.9
Operating expenses	824.9	844.5	900.3
Net amortization of DAC/VOBA	155.0	111.1	9.2
Interest expense	1.2	1.7	2.0
Total operating benefits and expenses	1,823.3	1,783.5	1,709.4
<b>Operating earnings before income taxes</b>	<b>\$ 448.6</b>	<b>\$ 441.9</b>	<b>\$ 469.6</b>



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The following table presents certain notable items that resulted in the volatility in operating earnings before income taxes:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
DAC/VOBA and other intangibles unlocking	\$ 5.8	\$ 44.2	\$ 160.4
Loss on sale of alternative investments	(48.1)		

The following tables present AUM and AUA for our Retirement segment at the dates indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Corporate market	\$ 33,265.9	\$ 29,134.4	\$ 29,486.0
Tax exempt market	46,986.1	42,691.3	43,221.9
<b>Total full service plans</b>	<b>80,252.0</b>	<b>71,825.7</b>	<b>72,707.9</b>
Stable value <sup>(1)</sup>	7,792.1	5,560.9	1,987.7
Individual market	2,427.1	2,091.1	1,842.2
<b>Total AUM</b>	<b>90,471.2</b>	<b>79,477.7</b>	<b>76,537.8</b>
<b>AUA</b>	<b>213,675.5</b>	<b>208,366.0</b>	<b>214,376.2</b>
<b>Total AUM and AUA</b>	<b>\$ 304,146.7</b>	<b>\$ 287,843.7</b>	<b>\$ 290,914.0</b>

<sup>(1)</sup> Consists of assets where we are the investment manager.

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
General Account	\$ 27,222.6	\$ 25,528.3	\$ 23,588.1
Separate Account	49,425.4	42,920.8	43,284.1
Mutual Fund/Institutional Funds	13,823.2	11,028.6	9,665.6
<b>AUA</b>	<b>213,675.5</b>	<b>208,366.0</b>	<b>214,376.2</b>
<b>Total AUM and AUA</b>	<b>\$ 304,146.7</b>	<b>\$ 287,843.7</b>	<b>\$ 290,914.0</b>

The following table presents a rollforward of AUM for our Retirement segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Balance as of beginning of year	\$ 79,477.6	\$ 76,537.8	\$ 68,885.1
Deposits	13,102.0	11,927.4	11,210.9
Surrenders, benefits and product charges	(9,636.3)	(8,926.4)	(9,765.5)
Net flows	3,465.7	3,001.0	1,445.4
Interest credited and investment performance	7,527.9	(61.1)	6,207.3
<b>Balance as of end of year</b>	<b>\$ 90,471.2</b>	<b>\$ 79,477.7</b>	<b>\$ 76,537.8</b>



***Retirement Year Ended December 31, 2012 Compared to Year Ended December 31, 2011***

*Operating revenues*

*Net investment income and net realized gains (losses)* increased \$64.0 million from \$1,435.9 million to \$1,499.9 million primarily due to an increase in growth of general account assets. General account assets increased from \$25.5 billion to \$27.2 billion in the current year compared to the prior year. The volatility in the equity market during the second half of 2011 resulted in participants transferring funds from variable investment

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options into the fixed investment option, which contributed to an increase in average general account assets. The increase was partially offset by a \$48.1 million loss on the sale of certain alternative investments. We also reduced the fair value of our investments in Low Income Housing Tax Credits ( LIHTC ) which had an unfavorable impact of \$4.6 million.

*Other revenue* decreased \$15.8 million from \$67.9 million to \$52.1 million primarily due to a change in contractual amounts paid to/from retirement plan sponsors upon surrender.

*Operating benefits and expenses*

*Interest credited and other benefits to contract owners/policyholders* increased \$16.0 million from \$826.2 million to \$842.2 million primarily due to an increase in general account liabilities, which corresponded to the increase in general account assets as described above. The increase was partially offset by a decrease in average credited rates on general account liabilities due to actions taken in January, April and July 2012 to reflect the low interest rate environment.

*Operating expenses* decreased \$19.6 million from \$844.5 million to \$824.9 million primarily driven by expenses of the recordkeeping business.

*Net amortization of DAC/VOBA* increased \$43.9 million from \$111.1 million to \$155.0 million primarily as a result of lower favorable DAC unlocking in 2012. The 2012 results include a favorable impact of DAC/VOBA and other intangibles of \$5.8 million compared to a favorable impact of \$44.2 million in 2011. Favorable unlocking in 2011 was driven by future assumption changes and greater than expected net flows into fixed investment option funds.

*Operating earnings before income taxes* was slightly higher for the current year. Higher net investment income and lower operating expenses partially offset by higher interest credited and other benefits to contract owners/policyholders and net amortization of DAC/VOBA contributed to the results.

***Retirement Year Ended December 31, 2011 Compared to Year Ended December 31, 2010***

*Operating revenues*

*Net investment income and net realized gains (losses)* increased \$30.7 million from \$1,405.2 million to \$1,435.9 million primarily due to an increase in account values (\$1.9 billion increase in general account assets as provided in the table above), partially offset by a \$34.1 million decrease in alternative investment income. New sales, customer transfers from variable to fixed investment options in qualified and nonqualified annuity and funding agreement products and positive net flows through improved persistency contributed to the increase in general account assets. Overall yields for the general account, net of investment expense and excluding alternative investment results, remained consistent with 2010 and were approximately 5.7%. The decrease in alternative investment returns reflects the market declines and volatility in 2011.

*Fee income* increased \$2.1 million from \$711.4 million to \$713.5 million. Increases in full service retirement plan and individual retirement product revenues of \$17.8 million which were driven by net increases in separate account and institutional /mutual fund AUM were offset by a \$17.8 million decrease in recordkeeping fees primarily due to terminated contracts.

*Premiums* increased \$5.1 million from \$3.0 million to \$8.1 million primarily due to the timing of the sale of immediate annuity products with lifetime contingencies.

*Other revenue* increased \$8.5 million from \$59.4 million to \$67.9 million primarily due to increases in broker dealer revenue.

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### *Operating benefits and expenses*

*Interest credited and other benefits to contract owners/policyholders* increased \$28.3 million from \$797.9 million to \$826.2 million primarily due to a \$1.9 billion increase in general account AUM as provided in the table above. The increase was partially offset by a slight decrease in average credited rates on fixed fund options in qualified and nonqualified annuity and funding agreement products compared to 2010 due to management actions. Most of our fixed fund options contain guaranteed minimum credited rates ranging from 1% to 4%. As of December 31, 2011, approximately 70% of these funds were at the minimum credited rates.

*Operating expenses* decreased \$55.8 million from \$900.3 million to \$844.5 million primarily driven by a \$33.6 million decrease as a result of a restructuring effort in late 2010, which included the elimination of a wholesale distribution channel which primarily sold mutual fund products through banks and wirehouses. Expenses in the recordkeeping business decreased \$24.7 million commensurate with terminated contracts while other expense reductions were achieved through improved cost efficiencies across all business lines of the Retirement segment.

*Net amortization of DAC/VOBA* increased \$101.9 million from \$9.2 million to \$111.1 million primarily as a result of \$116.2 million of lower favorable DAC unlocking in 2011. The 2011 results include a favorable impact of \$44.2 million compared to a favorable impact of \$160.4 million in 2010 due to unlocking. Favorable unlocking in 2011 was driven by future assumption changes and greater than expected net flows into fixed investment option funds. Favorable unlocking in 2010 was driven by equity market growth above expectations and assumption updates resulting in an increase in future gross profit projections. Excluding the impact from the unlocking of DAC/VOBA, net amortization of DAC/VOBA decreased \$14.3 million due to lower amortization rates resulting from favorable assumption updates.

### *Operating earnings before income taxes*

Full-service retirement plan sales growth, together with our emphasis on strengthening net flows and improving cost efficiencies, were the primary underlying drivers of improved results, excluding DAC/VOBA and other intangibles unlocking. Favorable net flows of \$3.0 billion in 2011 resulted in higher levels of AUM leading to both additional net investment income (loss) and fee income. The implementation of expense reduction initiatives resulted in lower operating expenses in 2011 as further distribution efficiencies were realized. However, the drivers of 2011 results were offset by a lower favorable DAC/VOBA and other intangibles unlocking of \$116.2 million compared to 2010 resulting in a decrease in operating earnings before income taxes.

**Table of Contents****Retirement Solutions Annuities**

The following table presents operating earnings before income taxes of the Annuities segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Operating revenues:</b>			
Net investment income and net realized gains (losses)	\$ 1,223.3	\$ 1,321.9	\$ 1,369.4
Fee income	35.5	29.8	24.1
Premiums	35.9	34.1	67.3
Other revenue	12.3	15.6	21.7
Total operating revenues	1,307.0	1,401.4	1,482.5
<b>Operating benefits and expenses:</b>			
Interest credited and other benefits to contract owners/policyholders	854.1	978.0	1,091.9
Operating expenses	124.7	126.7	131.0
Net amortization of DAC/VOBA	225.5	(91.5)	143.9
Interest expense	0.5	0.6	0.7
Total operating benefits and expenses	1,204.8	1,013.8	1,367.5
<b>Operating earnings before income taxes</b>	<b>\$ 102.2</b>	<b>\$ 387.6</b>	<b>\$ 115.0</b>

The following table presents certain notable items that resulted in volatility in operating earnings before income taxes:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
DAC/VOBA and other intangibles unlocking	\$ (86.2)	\$ 266.0	\$ (10.2)
Loss on sale of alternative investments	(18.0)		

The following table presents AUM for our Annuities segment as of the dates indicated:

(\$ in millions)	As of December 31,		
	2012	2011	2010
<b>AUM:</b>			
General account	\$ 22,915.8	\$ 25,198.5	\$ 25,925.0
Separate account	751.7	730.4	835.3
Mutual funds	2,433.6	1,761.3	1,089.0
Total AUM	\$ 26,101.1	\$ 27,690.2	\$ 27,849.3

The following table presents a rollforward of AUM for our Annuities segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Balance at beginning of period	\$ 27,690.2	\$ 27,849.3	\$ 26,368.7
Deposits	2,353.8	2,716.8	2,855.6

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Surrenders, benefits and product charges	(5,086.1)	(3,935.1)	(2,897.1)
Net flows	(2,732.3)	(1,218.3)	(41.5)
Interest credited and investment performance	1,143.2	1,059.2	1,522.1
Balance as of end of period	\$ 26,101.1	\$ 27,690.2	\$ 27,849.3

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***Annuities Year Ended December 31, 2012 Compared to Year Ended December 31, 2011***

*Operating revenues*

*Net investment income and net realized gains (losses)* decreased \$98.6 million from \$1,321.9 million to \$1,223.3 million primarily due to lower general account assets and the \$18.0 million loss on sale of certain alternative investments. General account assets decreased as a result of MYGAs lapsing at the end of their initial terms, largely due to crediting rates that were lower than the crediting rates during their initial term.

*Fee income* increased \$5.7 million from \$29.8 million to \$35.5 million due to growth in assets of mutual fund products which are sold by the annuity distribution force as an alternative retirement product. The balance of assets increased from \$1.8 billion to \$2.4 billion.

*Operating benefits and expenses*

*Interest credited and other benefits to contract owners/policyholders* decreased \$123.9 million from \$978.0 million to \$854.1 million. The decrease was primarily due to lapses of MYGAs which resulted in a decrease to average account values as well as lower crediting rates on MYGA renewals. Lower option costs of FIAs also contributed to the decrease. This decline in interest credited and other benefits to contract owners/policyholders was partially offset by higher amortization on sales inducements.

*Net amortization of DAC/VOBA* increased \$317.0 million from (\$91.5) million to \$225.5 million primarily due to changes in unlocking of DAC/VOBA that were partially offset by a lower amortization rate of DAC/VOBA. The unfavorable unlocking of DAC/VOBA in the current year was primarily due to a decrease in projected margins on the MYGA policies. The favorable unlocking of DAC/VOBA in the prior year resulted primarily from prospective assumption changes related to investment margins on FIAs, or anticipated earned investment income less credited interest. Excluding unlocking, the decrease in DAC/VOBA amortization was due to a decrease in the amortization rate partially offset by higher amortization due to higher gross profits in the current year.

*Operating earnings before income taxes*

*Operating earnings before income taxes* decreased \$285.4 million from \$387.6 million to \$102.2 million primarily driven by changes in DAC/VOBA and other intangibles unlocking and a decline in net investment income, which were partially offset by lower Interest credited and other benefits to contract owners/ policyholders.

***Annuities Year Ended December 31, 2011 Compared to Year Ended December 31, 2010***

*Operating revenues*

*Net investment income and net realized gains (losses)* decreased \$47.5 million from \$1,369.4 million to \$1,321.9 million due to lower yields. The decrease in yield reflects the impact of lower interest rates in 2011.

*Fee income* increased \$5.7 million from \$24.1 million to \$29.8 million due to growth in assets of mutual fund products, which are sold by the annuity distribution force as an alternative retirement product. Sales of mutual fund products increased from \$859.9 million to \$977.6 million during 2011, or a growth of 13.7%.

*Premiums* declined by \$33.2 million from \$67.3 million to \$34.1 million due to lower sales of immediate annuities with life contingencies.

*Operating benefits and expenses*

*Interest credited and other benefits to contract owners/policyholders* decreased \$113.9 million from \$1,091.9 million to \$978.0 million primarily due to a decrease in average crediting rates resulting from contracts

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with higher rates reaching maturity. The decrease also reflects lower sales of annuities with life contingencies, which results in a decrease in the related reserve associated with those products. In addition, amortization of sales inducements decreased due to an increase in estimated gross profits.

*Operating expenses* decreased \$4.3 million from \$131.0 million to \$126.7 million due to slightly lower commission expenses in 2011.

*Net amortization of DAC/VOBA* decreased \$235.4 million from \$143.9 million to (\$91.5) million primarily due to a favorable change in unlocking in 2011 compared to unfavorable unlocking in 2010. The favorable unlocking of DAC/VOBA in 2011 resulted primarily from prospective assumption changes related to investment margins on FIAs, or earned investment income less credited interest. In 2011, our investment margins were better than expected on FIAs despite the low interest rate environment due to lower costs of credited rates. Thus, we changed our estimates of the costs of future credited rates to reflect the anticipated increased margins.

*Operating earnings before income taxes*

*Operating earnings before income taxes* in 2011 increased \$272.6 million from \$115.0 million to \$387.6 million primarily impacted by increased investment margins as well as updated actuarial assumptions and resulted in favorable unlocking of DAC/VOBA and other intangibles as described above.

**Investment Management**

The following table presents operating earnings before income taxes of our Investment Management segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Operating revenues:</b>			
Net investment income and net realized gains (losses)	\$ 41.6	\$ 8.8	\$ 2.2
Fee income	474.7	469.3	446.4
Other revenue	29.2	13.8	5.9
Total operating revenues	545.5	491.9	454.5
<b>Operating benefits and expenses:</b>			
Operating expenses	411.0	404.4	404.4
Total operating benefits and expenses	411.0	404.4	404.4
<b>Operating earnings before income taxes</b>	<b>\$ 134.5</b>	<b>\$ 87.5</b>	<b>\$ 50.1</b>

The following table presents certain notable items that resulted in volatility in operating earnings before income taxes:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Gain on sale of certain alternative investments	\$ 2.2	\$	\$

Our Investment Management operating segment revenues include the following intersegment revenues, primarily consisting of asset-based management and administration fees.

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010

Investment Management intersegment revenues	\$ 157.6	\$ 164.1	\$ 156.8
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The following tables present AUM and AUA for our Investment Management segment as of the dates indicated:

(\$ in millions)	As of December 31,		
	2012	2011	2010
<b>AUM:</b>			
Institutional/retail			
Investment Management sourced	\$ 54,061.9	\$ 49,391.5	\$ 47,302.6
Affiliate sourced <sup>(1)</sup>	47,284.6	37,851.8	33,907.3
General account	80,404.8	78,878.3	77,277.8
<b>Total AUM</b>	<b>181,751.3</b>	<b>166,121.6</b>	<b>158,487.7</b>
<b>AUA:</b>			
Affiliate sourced <sup>(2)</sup>	54,695.5	58,992.4	64,653.2
<b>Total AUM and AUA</b>	<b>\$ 236,446.8</b>	<b>\$ 225,114.0</b>	<b>\$ 223,140.9</b>

<sup>(1)</sup> Affiliate sourced AUM includes assets sourced by other segments and also reported as AUM by such other segments.

<sup>(2)</sup> Affiliate sourced AUA includes assets sourced by other segments and also reported as AUA or AUM by such other segments.

The following table presents net flows for our Investment Management segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Net Flows</b>			
Investment Management sourced	\$ 3,939.8	\$ 2,398.8	\$ (932.7)
Affiliate sourced	5,905.7	3,303.5	(521.8)
<b>Total</b>	<b>\$ 9,845.5</b>	<b>\$ 5,702.3</b>	<b>\$ (1,454.5)</b>

**Investment Management Year Ended December 31, 2012 Compared to Year Ended December 31, 2011***Operating revenues*

*Net investment income and net realized gains (losses)* increased \$32.8 million from \$8.8 million to \$41.6 million primarily due to higher alternative investment income, partnership income and improved performance of funds, as well as recognizing an accumulation of \$13.3 million of carried interest in the current year.

*Fee income* increased \$5.4 million from \$469.3 million to \$474.7 million primarily due to an increase in affiliate sourced AUM resulting in higher management and administrative fees earned.

*Other revenue* increased \$15.4 million from \$13.8 million to \$29.2 million primarily due to an increase in service fees earned as part of services provided in connection with the sale by ING Group of its ING Direct U.S. business. Additionally, lower underwriting fees related to a launch of a new product in 2011 which did not repeat in 2012 contributed to the increase. Partially offsetting these increases were lower levels of mortgage and private placement production fees.

*Operating benefits and expenses*

*Operating expenses* increased \$6.6 million from \$404.4 million to \$411.0 million primarily as a result of higher variable compensation costs and increases in variable administrative costs related to higher AUM.



**Table of Contents***Operating earnings before income taxes*

The overall increase in operating earnings of \$47.0 million was primarily driven by higher alternative investment income, partnership income and improved performance of funds, as well as recognizing an accumulation of carried interest. In addition, service fees increased Other revenues and were partially offset by higher variable compensation costs.

**Investment Management Year Ended December 31, 2011 Compared to Year Ended December 31, 2010***Operating revenues*

*Net investment income and net realized gains (losses)* increased \$6.6 million from \$2.2 million to \$8.8 million primarily due to improved performance of funds and partnership investments resulting from improved market conditions.

*Fee income* increased \$22.9 million from \$446.4 million to \$469.3 million primarily due to an increase in AUM resulting in higher management and administrative fees earned. The increase in AUM was also due to the re-assignment of several large mutual fund management contracts to us based on our performance. We previously serviced these contracts and reported the assets as AUA.

*Other revenue* increased \$7.9 million from \$5.9 million to \$13.8 million primarily due to an increase in production fees from a higher level of mortgage loan and private placement production activity as well as an increase in mortgage loan servicing fees. This was partially offset by a decrease in performance fees compared to 2010.

*Operating benefits and expenses*

*Operating expenses* were level with 2010 expenses at \$404.4 million, the result of slightly higher compensation expense offset by cost reductions in other categories.

*Operating earnings before income taxes*

The overall increase in operating earnings in 2011 was primarily driven by an increase in AUM that we managed on behalf of institutions and retail investors. The increase in AUM was the result of higher equity markets as well as the re-assignment of several large mutual fund management contracts, which has resulted in additional fee income to us. We previously serviced these contracts and reported the assets as AUA. Operating expenses remained level with 2010.

**Insurance Solutions Individual Life**

The following table presents operating earnings before income taxes of our Individual Life segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Operating revenues:</b>			
Net investment income and net realized gains (losses)	\$ 913.8	\$ 950.0	\$ 942.8
Fee income	1,115.7	1,139.2	1,078.1
Premiums	737.8	660.9	539.1
Other revenue	26.6	34.9	53.4
Total operating revenues	2,793.9	2,785.0	2,613.4
<b>Operating benefits and expenses:</b>			
Interest credited and other benefits to contract owners/policyholders	2,034.4	1,855.1	1,731.7
Operating expenses	390.5	332.8	325.0
Net amortization of DAC/VOBA	162.3	298.9	221.2
Interest expense	10.5	18.9	22.0

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Total operating benefits and expenses	2,597.7	2,505.7	2,299.9
<b>Operating earnings before income taxes</b>	<b>\$ 196.2</b>	<b>\$ 279.3</b>	<b>\$ 313.5</b>

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The following table presents certain notable items that resulted in volatility in operating earnings before income taxes:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
DAC/VOBA and other intangibles unlocking	\$ 3.4	\$ (6.4)	\$ 27.6
Loss on sale of alternative investments	(13.1)		

The following table presents sales, gross premiums, in-force and policy count for our Individual Life segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Sales by Product Line:</b>			
Universal life:			
Guaranteed	\$ 72.7	\$ 68.1	\$ 27.2
Accumulation	25.3	28.7	36.6
Indexed	33.5	28.3	20.7
Total universal life	131.5	125.1	84.5
Variable life	6.3	12.3	11.5
Term	116.3	155.5	127.7
Total sales by product line	\$ 254.1	\$ 292.9	\$ 223.7
Total gross premiums	\$ 2,324.6	\$ 2,140.7	\$ 1,912.5
End of period:			
In-force face amount	\$ 607,975.5	\$ 567,718.1	\$ 496,711.7
In-force policy count	1,352,844	1,313,057	1,237,165
New business policy count (paid)	119,936	156,650	132,856

**Individual Life Year Ended December 31, 2012 Compared to Year Ended December 31, 2011***Operating revenues*

*Net investment income and net realized gains (losses)* decreased \$36.2 million from \$950.0 million to \$913.8 million primarily due to a \$13.1 million loss on the sale of certain alternative investments and lower investment income on the CMO-B and alternative asset portfolios due to asset sales in the second and third quarters of 2012. Partially offsetting these impacts were higher prepayment fee income and higher yields on certain fixed income investments.

*Fee income* decreased \$23.5 million from \$1,139.2 million to \$1,115.7 million primarily related to the emergence of gross profits for a particular block that caused accelerated unearned revenue amortization in 2011. The gross profits caused accelerated amortization of unearned revenue, an increase in Interest credited and other benefits to contract owners/policyholders and higher DAC/VOBA amortization with an immaterial net impact to operating earnings. Growth in net contractual charges and cost of insurance fees due to higher universal life sales offset the decrease to Fee income.

*Premiums* increased \$76.9 million from \$660.9 million to \$737.8 million due to continued growth in renewal premiums for term life business partially offset by lower first year premiums as a result of term sales declining 25%.

*Operating benefits and expenses*

*Interest credited and other benefits to contract owners/policyholders* increased \$179.3 million from \$1,855.1 million to \$2,034.4 million primarily due to favorable reserve changes in 2011 as a result of annual



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assumption changes that did not repeat in 2012, the emergence of gross profits for a particular block that caused an increase as discussed above and an increase in reserves in 2012 related to the guaranteed universal life block. In addition, there was unfavorable mortality net of reinsurance in 2012, with the universal life block experiencing a higher number of gross claims and reinsurance recoveries on the term block providing less benefit.

*Operating expenses* increased \$57.7 million from \$332.8 million to \$390.5 million primarily due to increased credit facility fees supporting reinsurance transactions. The higher credit facility fees are the results of higher rates and general growth in credit facilities supporting the reinsured block. Partially offsetting this increase was lower sales related expenses.

*Net amortization of DAC/VOBA* decreased \$136.6 million from \$298.9 million to \$162.3 million primarily due to unfavorable unlocking in 2011 as a result of annual assumption changes that did not repeat in 2012. This impact was partially offset by items explained in Interest credited and other benefits to contract owners/policyholders described above. In addition, 2012 amortization on universal life products was lower due to lower gross profits and the emergence of gross profits for a particular block that caused accelerated amortization in 2011, offset by higher unearned revenue liability amortization as discussed in Fee Income above. These impacts are partially offset by higher amortization on term products resulting from the continued growth of this block of business.

*Operating earnings before income taxes*

Operating earnings before income taxes decreased due to unfavorable mortality results net of reinsurance, lower investment income on alternative investments and CMO-Bs, increased credit facility costs and favorable reserve changes in 2011 that did not repeat in 2012. Partially offsetting these items were lower DAC/VOBA amortization resulting from lower gross profits on universal life products, higher term life renewal premiums and higher net contractual charges and cost of insurance fees due to higher universal life sales.

***Individual Life Year Ended December 31, 2011 Compared to Year Ended December 31, 2010****Operating revenues*

*Net investment income and net realized gains (losses)* increased \$7.2 million from \$942.8 million to \$950.0 million primarily due to higher yields on our CMO-B portfolio and higher alternative investment income, partially offset by lower prepayment fees.

*Fee income* increased \$61.1 million from \$1,078.1 million to \$1,139.2 million primarily due to a growth in cost of insurance, consistent with in-force growth, and other policyholder charges as a result of strong sales of universal life and term products. Lower lapse rates also helped the in-force block grow on a net basis.

*Premiums* increased \$121.8 million from \$539.1 million to \$660.9 million due to continued growth in term sales and favorable lapse experience on in-force term policies. Term sales increased \$27.8 million in 2011 primarily due to the distribution strategy targeting more affluent customers. This resulted in higher sales per policy and increased overall sales. In addition, term policies renewed at a higher than expected rate, particularly on policies issued in 2010, and thus provided for higher premiums due to higher persistency.

*Other revenue* decreased \$18.5 million from \$53.4 million to \$34.9 million primarily as a result of lower surrender fees, as we experienced higher persistency on the in-force block.

*Operating benefits and expenses*

*Interest credited and other benefits to contract owners/policyholders* increased \$123.4 million from \$1,731.7 million to \$1,855.1 million primarily due to a decrease in recoveries on gross claims on the universal life block, an increase in direct claims on the term block in 2011 and continued growth in the term business. In addition, 2010 results included a favorable reserve development of \$27.4 million associated with certain universal life products. The absence of a similar reserve development in 2011 resulted in lower earnings.

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*Operating expenses* increased \$7.8 million from \$325.0 million to \$332.8 million as a result of an increase in information technology and project-related expenses to support business growth and process efficiency.

*Net Amortization of DAC/VOBA* increased \$77.7 million from \$221.2 million to \$298.9 million primarily driven by unfavorable DAC/VOBA unlocking largely due to annual assumption changes. Excluding the impact from the unlocking of DAC/VOBA, net amortization of DAC/VOBA increased due to the continued growth in the term life block and the manner in which profits emerged on the universal life block in 2011.

*Operating earnings before income taxes*

Operating earnings before income taxes declined primarily due to unfavorable DAC/VOBA and other intangibles unlocking in 2011 compared to favorable DAC/VOBA and other intangibles unlocking in 2010. In addition, fee income increased as a result of the growth in universal life sales in 2011. Increases in fee income, due to growth in universal life sales, and premium income, due to term sales, were offset by increases in policyholder benefits on term business and less favorable reserve development on universal life business.

**Insurance Solutions Employee Benefits**

The following table presents operating earnings before income taxes of the Employee Benefits segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Operating revenues:</b>			
Net investment income and net realized gains (losses)	\$ 114.3	\$ 124.3	\$ 128.3
Fee income	62.5	61.8	61.0
Premiums	1,078.1	1,063.4	1,091.5
Other revenue	(3.7)	(3.3)	(3.0)
Total operating revenues	\$ 1,251.2	\$ 1,246.2	\$ 1,277.8
<b>Operating benefits and expenses:</b>			
Interest credited and other benefits to contract owners/policyholders	892.1	917.7	943.5
Operating expenses	236.2	229.3	232.9
Net amortization of DAC/VOBA	13.5	15.9	19.4
Total operating benefits and expenses	1,141.8	1,162.9	1,195.8
<b>Operating earnings before income taxes</b>	<b>\$ 109.4</b>	<b>\$ 83.3</b>	<b>\$ 82.0</b>

The following table presents certain notable items that resulted in volatility operating earnings before income taxes:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
DAC/VOBA and other intangibles unlocking	\$	\$	\$ (2.0)
Loss on sale of alternative investments	(5.1)		



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The following table presents sales, gross premiums and in-force for our Employee Benefits segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Sales by Product Line:</b>			
Group life	\$ 47.9	\$ 36.8	\$ 41.6
Group stop loss	151.6	140.9	170.9
Other group products	31.1	19.8	22.6
Total group products	230.6	197.5	235.1
Voluntary products	24.5	28.0	28.9
Total sales by product line	\$ 255.1	\$ 225.5	\$ 264.0
Total gross premiums and deposits	\$ 1,252.1	\$ 1,244.6	\$ 1,278.7
Total annualized in-force premiums	1,286.6	1,259.5	1,320.8
<b>Loss Ratios:</b>			
Group life (interest adjusted)	76.9%	77.5%	81.0%
Group stop loss	72.9%	82.9%	83.7%

*Employee Benefits Year Ended December 31, 2012 Compared to Year Ended December 31, 2011*

*Operating revenues*

*Net investment income and net realized gains (losses)* decreased \$10.0 million from \$124.3 million to \$114.3 million primarily due to the \$5.1 million loss on the sale of certain alternative investments, lower investment income on alternative investments and lower yields on fixed income investments.

*Premiums* increased \$14.7 million from \$1,063.4 million to \$1,078.1 million primarily due to higher stop loss premiums resulting from higher sales and in-force blocks. Annualized in-force stop loss premiums increased 5.0% over the prior year. These increases were partially offset by lower group life premiums due to a decline in the in-force block driven by low persistency in 2011 adversely impacting 2012.

*Operating benefits and expenses*

*Interest credited and other benefits to contract owners/policyholders* decreased \$25.6 million from \$917.7 million to \$892.1 million primarily due to favorable claims experience and higher reinsurance recoveries in our stop loss block. This decrease was partially offset by lower favorable experience with the run-off block of retained disability products.

*Operating expenses* increased \$6.9 million from \$229.3 million to \$236.2 million primarily due to an increase in administrative expenses and higher premium taxes and guarantee assessments related to an increase in sales.

*Operating earnings before income taxes*

Growth of the in-force stop loss business and improved loss ratios on stop loss and group life businesses contributed to improved operating earnings, partially offset by lower favorable experience with the run-off block of retained disability products and lower alternative investment income.

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**Table of Contents*****Employee Benefits Year Ended December 31, 2011 Compared to Year Ended December 31, 2010******Operating revenues***

*Net investment income and net realized gains (losses)* decreased \$4.0 million from \$128.3 million to \$124.3 million primarily due to lower invested assets as a result of the decline in size of the group life in-force block.

*Premiums* decreased \$28.1 million from \$1,091.5 million to \$1,063.4 million primarily due to a 10.6% decline in group life in-force and a 26.3% decline in disability in-force. In addition, reinsured premiums increased due to reinsurance of short-term and voluntary disability business beginning April 1, 2011. The group life in-force decline reflects tighter competitor pricing in the market where we have chosen not to relax our risk and profitability requirements in pricing. The disability in-force decline reflects more selective underwriting and pricing actions by our reinsurer, which is driving higher lapse rates and lower sales. The reinsurance was structured in similar manner to our long-term disability reinsurance program entered into in 2009. Accordingly, we reinsure substantially all the risk for new claims on existing in-force business beginning April 1, 2011 and for new business written after that date. These policies contributed to direct premium revenue for the full year for 2010, but only the first quarter of 2011.

***Operating benefits and expenses***

*Interest credited and other benefits to contract owners/policyholders* decreased \$25.8 million from \$943.5 million to \$917.7 million primarily due to the decline in total in-force insurance policies as evidenced by a 2.7% decrease in gross premiums. Improved loss ratios on group stop loss products also contributed to the decline. The improved loss ratios were partially offset by unfavorable mortality results in the voluntary products, particularly the whole life block and less favorable experience on claims associated with the run-off block of the retained long-term disability products relative to 2010.

*Operating expenses* decreased \$3.6 million from \$232.9 million to \$229.3 million due to a combination of factors. Operating expenses declined by \$6.0 million primarily driven by lower costs resulting from reinsuring the disability business. Reinsurance allowances increased \$1.8 million in 2011 due to the new reinsurance contract covering the short-term disability and voluntary disability business which became effective on April 1, 2011. These positive impacts were offset by lower capitalized commissions of \$3.7 million.

*Net amortization of DAC/VOBA* decreased \$3.5 million primarily from \$19.4 million to \$15.9 million due to a decline in amortization on universal life products due to lower gross profits; this decrease was partially offset by a growth in amortization on short-term disability and voluntary disability products due to the impact of the aforementioned reinsurance transaction. Unfavorable prospective unlocking in 2010 of \$2.0 million resulted in lower DAC amortization in 2011. The reinsurance transaction also resulted in a \$2.5 million adjustment of DAC.

***Operating earnings before income taxes***

Growth of the in-force stop loss business and improved loss ratios on stop loss contributed significantly to improved operating earnings relative to 2010, despite a reduction in new sales. Significant initiatives in 2011 focused on improving the quality of our group stop loss business through more selective underwriting and reducing our retained risk on short-term disability and voluntary disability products through a new reinsurance arrangement. New long-term disability business is substantially reinsured and our in-force is in run-off. The retained claims experienced favorable development, partially due to case management initiatives. The favorable development on the run-off long term disability block was approximately \$20.0 million more in 2010 than in 2011. The net effect of these results on stop loss and long-term disability, respectively, largely offset each other resulting in essentially flat operating earnings in 2011 relative to 2010.

**Table of Contents****Corporate**

The following table presents operating earnings before income taxes of our Corporate segment for the periods presented:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Interest expense (including interest rate swap settlements)	\$ (127.8)	\$ (185.7)	\$ (383.5)
Closed Block Variable Annuity contingent capital LOC	(56.7)		
Amortization of intangibles	(35.0)	(34.4)	(33.6)
Reserve increase related to the use of SSDMF		(68.9)	
Other	37.2	58.8	18.0
Operating earnings before income taxes	\$ (182.3)	\$ (230.2)	\$ (399.1)

Our Corporate segment operating results include investment income on assets backing surplus in excess of amounts held at the operating segment level, financing and interest expenses, amortization of intangibles and other items not allocated to operating segments.

**Corporate Year Ended December 31, 2012 Compared to Year Ended December 31, 2011**

*Operating earnings before income taxes* changed \$47.9 million from (\$230.2) million to (\$182.3) million primarily driven by the 2011 charge of \$68.9 million, net of associated DAC, to increase reserves in connection with our use of the SSDMF as described below. In addition, interest costs decreased \$57.9 million as a result of several factors. Lower swap interest expenses as well as a reduction in interest costs due to a \$2.7 billion and a \$1.3 billion debt-to-equity conversion in the second quarter and fourth quarter of 2011, respectively, were only partially offset by additional interest expense and debt issuance costs associated with the \$5.0 billion revolving credit facility entered into in the second quarter of 2012 and the \$850.0 million unsecured Senior Notes entered into in the third quarter of 2012. Lower interest costs were mostly offset by increased expenses, primarily driven by \$56.7 million in letter of credit costs in 2012 related to the \$1.5 billion contingent capital letter of credit facility issued at the end of 2011 to support our Closed Block Variable Annuity segment, as well as lower compensation expenses during 2011, which resulted primarily from payments in 2011 related to 2010 performance which were less than estimated in 2010.

**Corporate Year Ended December 31, 2011 Compared to Year Ended December 31, 2010**

*Operating earnings before income taxes* changed \$168.8 million from (\$399.1) million to (\$230.2) million primarily driven by a \$199.2 million reduction in interest costs as a result of the 2011 debt-to-equity conversions described above. In addition, operating expenses in 2010 included a charge of \$24.0 million related to an insurance industry insolvency fund for Executive Life Insurance Company of New York ( ELNY ) compared to a charge of \$4.0 million in 2011. Offsetting these favorable items was a 2011 charge of \$68.9 million, net of associated DAC, to increase reserves in connection with our use of the SSDMF to identify potential life insurance claims that have not yet been presented to us.

**Closed Blocks**

The following table presents operating earnings before income taxes of our Closed Blocks for the periods presented:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Closed Block Institutional Spread Products	\$ 45.7	\$ 83.2	\$ (3.8)
Closed Block Other	64.0	(13.0)	(6.7)
Operating earnings before income taxes	\$ 109.7	\$ 70.2	\$ (10.5)



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The following table presents operating earnings before income taxes of our Closed Block Institutional Spread Products segment for the periods presented:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Operating revenues:</b>			
Net investment income and net realized gains (losses)	\$ 126.3	\$ 188.8	\$ 168.0
Fee income	0.1	0.1	0.3
Premiums	2.3	2.3	2.3
Other revenue	(1.5)	(3.1)	(3.0)
Total operating revenues	127.2	188.1	167.6
<b>Operating benefits and expenses:</b>			
Interest credited and other benefits to contract owners/policyholders	67.5	89.0	152.8
Operating expenses	11.5	11.3	13.8
Net amortization of DAC/VOBA	0.6	0.6	0.6
Interest expense	1.9	4.0	4.2
Total operating benefits and expenses	81.5	104.9	171.4
<b>Operating earnings before income taxes</b>	<b>\$ 45.7</b>	<b>\$ 83.2</b>	<b>\$ (3.8)</b>

The following table presents operating earnings before income taxes of our Closed Block Other segment for the periods presented:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Operating revenues:</b>			
Net investment income and net realized gains (losses)	\$ 35.0	\$ 39.0	\$ 36.4
Fee income	0.1	5.7	18.1
Premiums	5.1	4.3	5.3
Other revenue	3.6	3.2	4.5
Total operating revenues	43.8	52.2	64.3
<b>Operating benefits and expenses:</b>			
Interest credited and other benefits to contract owners/policyholders	(3.8)	29.0	22.8
Operating expenses	(16.4)	36.1	48.8
Net amortization of DAC/VOBA			(0.7)
Interest expense		0.1	0.1
Total operating benefits and expenses	(20.2)	65.2	71.0
<b>Operating earnings before income taxes</b>	<b>\$ 64.0</b>	<b>\$ (13.0)</b>	<b>\$ (6.7)</b>

*Closed Blocks Year Ended December 31, 2012 Compared to Year Ended December 31, 2011*

*Closed Block Institutional Spread Products*

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*Operating earnings before income taxes* decreased \$37.5 million from \$83.2 million to \$45.7 million as a result of decrease in the average size of the block and the \$8.0 million loss on the sale of certain alternative investments, partially offset by reductions in contract interest crediting costs, including net prepayment fees paid on contracts terminated in 2011 and 2012. The average block size based on AUM declined approximately 25.4% from \$6.3 billion in 2011 to \$4.7 billion in 2012. Interest credited and other benefits to contract owners/policyholders decreased \$21.5 million primarily due to the decrease in the block size, as well as declines in overall contract costs due to lower average interest crediting rates.

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**Table of Contents***Closed Block Other*

*Operating earnings before income taxes* increased \$77.0 million from (\$13.0) million to \$64.0 million as a result of several factors. Favorable reserve development in the retained portion of the group reinsurance business was partially offset by a reduction in net investment income. In addition to the impact from the group reinsurance business, a \$52.5 million decline in operating expenses resulted primarily from the elimination of certain Corporate functions that supported ING Group's Latin America business, as well as a \$22.0 million reimbursement of expenses by ING Group. These expenses were paid in 2011 by ING U.S., Inc. on behalf of ING Group's Latin American business. In 2011, operating expenses included \$24.6 million of previously unreimbursed Latin America expenses. The continuing run-off of this segment contributed to a decline in fee income and a corresponding decrease in operating expenses.

***Closed Blocks Year Ended December 31, 2011 Compared to Year Ended December 31, 2010****Closed Block Institutional Spread Products*

*Operating earnings before income taxes* increased \$87.0 million from (\$3.8) million to \$83.2 million as a result of the following factors. Net investment income was \$20.8 million higher due to higher yields on the CMO-B portfolio, partially offset by a decrease in block size assets. See Investments-CMO-B Portfolio. The average block size based on AUM declined approximately 20.2% from \$7.9 billion in 2010 to \$6.3 billion in 2011. In addition, interest credited and other benefits to contract owners/policyholders decreased \$63.8 million primarily due to the decrease in the block size, as well as declines in the overall contract costs. In the second half of 2010, a significant block of fixed rate contracts were restructured to floating rate contracts which resulted in lower interest crediting costs in 2011.

*Closed Block Other*

*Operating earnings before income taxes* changed \$6.3 million from (\$6.7) million to (\$13.0) million as a result of several factors. Fee income decreased \$12.4 million primarily due to the continued decline in fees associated with the run-off of the health and welfare business. This decrease is representative of run-off due to the strategic decision to discontinue active marketing of these services. Interest credited and other benefits to contract owners/policyholders increased \$6.2 million due to an increase in reserves for exposure to worker's compensation claims associated with the retained group reinsurance business. This reserve strengthening was the result of our ongoing review of experience and expectations of claims development on this business. Operating expenses decreased \$12.7 million due to the decline in expenses associated with continued run-off of this segment.

**Table of Contents****Closed Block Variable Annuity**

The following table presents income (loss) before income taxes of our Closed Block Variable Annuity segment for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Revenues:</b>			
Net investment income and net realized gains (losses)	\$ 52.7	\$ 85.8	\$ 52.0
Fee income	1,235.9	1,280.7	1,285.7
Net realized capital gains (losses)	(1,382.8)	(609.7)	(705.8)
Other revenue	24.2	38.1	45.8
Total revenues	(70.0)	794.9	677.7
<b>Benefits and expenses:</b>			
Interest credited and other benefits to contract owners/policyholders	113.6	882.9	240.2
Operating expenses and interest expense	450.4	421.2	405.1
Net amortization of DAC/VOBA	58.3	55.3	252.6
Total benefits and expenses	622.3	1,359.4	897.9
<b>Income (loss) before income taxes</b>	<b>\$ (692.3)</b>	<b>\$ (564.5)</b>	<b>\$ (220.2)</b>

The following table presents certain notable items that result in volatility in income (loss) before income taxes:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Net gains (losses) related to incurred guaranteed benefits and guarantee hedge program, excluding nonperformance risk	\$ (858.3)	\$ (2,062.3)	\$ (1,491.6)
Gain (losses) related to CHO program	(351.0)	(129.9)	(2.3)
Gain (loss) due to nonperformance risk	(443.6)	517.0	448.2
Net investment gains (losses)	26.6	63.5	82.6
DAC/VOBA and other intangibles unlocking and loss recognition	1.8	21.1	(200.7)

The following table presents AUM for our Closed Block Variable Annuity segment as of the dates indicated:

(\$ in millions)	As of December 31,		
	2012	2011	2010
<b>AUM</b>			
General account	\$ 1,237.6	\$ 1,069.4	\$ 948.3
Separate account	41,960.8	41,576.1	47,029.7
Total AUM	\$ 43,198.4	\$ 42,645.5	\$ 47,978.0



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The following table presents a rollforward of AUM for our Closed Block Variable Annuity segment for the periods indicated:

(\$ in millions)	As of December 31,		
	2012	2011	2010
Balance at beginning of period	\$ 42,645.5	\$ 47,978.0	\$ 46,643.5
Deposits	500.5	543.3	900.6
Surrenders, benefits and product charges	(4,019.3)	(4,332.9)	(3,913.1)
Net flows	(3,518.8)	(3,789.6)	(3,012.5)
Interest credited and investment performance	4,071.7	(1,542.9)	4,347.0
Balance as of end of period	\$ 43,198.4	\$ 42,645.5	\$ 47,978.0

***Closed Block Variable Annuity Year Ended December 31, 2012 Compared to Year Ended December 31, 2011***

The loss before income taxes increased \$127.8 million, from \$564.5 million to \$692.3 million as a result of several factors. Changes in fair value of guaranteed benefit derivatives related to nonperformance risk combined with higher losses on our CHO program were more than offset by a decrease in net losses related to the incurred guaranteed benefits and our guarantee hedge program. The change in the fair value of guaranteed benefit derivatives related to nonperformance risk changed by (\$960.6) million, from a gain of \$517.0 million to a loss of (\$443.6) million. The net gain (loss) of our incurred guaranteed benefits and the results of our variable annuity guarantee hedge program will vary from period to period primarily because our variable annuity guarantee hedge program is set based on market consistent valuation techniques for equity risks and for certain interest rate risks, rather than mitigating earnings volatility. Losses resulting from our incurred guaranteed benefits and variable annuity guaranteed hedge program decreased \$1,204.0 million due to the lower impacts of policyholder behavior and other assumption changes in 2012 compared to 2011, the impact of favorable fund returns relative to overall equity market returns in 2012, and a current year decrease in volatility. The 2012 impact of policyholder behavior assumption changes was a decrease in income of \$151.7 million, which consisted of a \$114.6 million change in policyholder assumptions related to lapse rates on variable annuity contracts with lifetime living benefit guarantees and net losses of \$37.1 million related to changes in cash flow projections and volatility assumptions on certain products. The prior year impacts of policyholder assumption changes decreased income by \$741.2 million.

Losses on our CHO program, designed to protect regulatory and rating agency capital, increased by \$221.1 million, from \$129.9 million to \$351.0 million. This was primarily due to an increase in equity markets in 2012, compared to equity markets that were essentially flat in the prior year. In addition, we increased the notional position of our CHO program in 2012, partly as a result of assumption changes made in late 2011. A decline in net investment income due primarily to lower yields on assets backing reserves and lower realized gains on investments contributed to the decrease, in addition to lower fee income and surrender fees from the continued run off of the business and higher LOC costs.

***Closed Blocks Variable Annuity Year Ended December 31, 2011 Compared to Year Ended December 31, 2010***

The loss before income taxes increased \$344.3 million, from \$220.2 million to \$564.5 million, as a result of several factors. The net loss related to incurred guaranteed benefits and guaranteed hedge program increased \$570.7 million due primarily to policyholder behavior assumption changes, which resulted in an increase in reserves of \$741.2 million. We increased reserves in the fourth quarter of 2011 after a comprehensive review of our assumptions relating to lapses, mortality, annuitization of income benefits and utilization of withdrawal benefits. We review overall policyholder experience annually or more frequently if necessary. The review in 2011 included an analysis of a larger body of actual experience than was previously available, including a longer period with low equity market and interest rates, which we believe provided greater insight into anticipated policyholder behavior for contracts that are in the money. Also contributing to the higher loss was an increase of

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\$127.6 million in the loss on our CHO program. Partially offsetting these impacts was a \$221.8 million change in DAC/VOBA and other intangibles unlocking, from unfavorable unlocking of \$200.7 million to favorable unlocking of \$21.1 million, a \$68.8 million decrease in the change in fair value of guaranteed benefit derivatives due to the change in nonperformance risks, and an increase in net investment income due primarily to increased yields on assets backing reserves.

**Alternative Investment Income**

Investment income on certain alternative investments can be volatile due to changes in market conditions. The following table presents the amount of investment income (loss) on certain alternative investments that is included on segment operating earnings before income taxes and the average level of assets in each segment, prior to intercompany eliminations. These alternative investments are carried at fair value, which is estimated based on the NAV of these funds. The investment income on alternative investments shown below for the year ended December 31, 2012 excludes the \$92.0 million net loss on the sale of certain alternative investments during the period. The transaction is discussed below under Investments-Sale of Certain Alternative Investments.

While investment income on these assets can be volatile, based on current plans, we expect to earn 9% to 10% on these assets over the long-term.

The following table presents the investment income and average assets of alternative investments:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
<b>Retirement</b>			
Alternative investment income	\$ 43.2	\$ 42.6	\$ 72.3
Average alternative investment	523.1	726.8	669.0
<b>Annuities</b>			
Alternative investment income	25.8	22.6	20.8
Average alternative investment	284.4	315.5	219.6
<b>Investment Management</b>			
Alternative investment income	41.6	9.0	2.2
Average alternative investment	107.5	98.1	121.6
<b>Individual Life</b>			
Alternative investment income	12.1	19.5	21.6
Average alternative investment	197.5	244.8	202.6
<b>Employee Benefits</b>			
Alternative investment income	4.5	6.8	9.5
Average alternative investment	54.2	78.3	74.6
<b>Total Ongoing Business</b>			
Alternative investment income	127.2	100.5	126.4
Average alternative investment	1,166.7	1,463.5	1,287.4
<b>Corporate</b>			
Alternative investment income	23.4	15.0	
Average alternative investment	95.5	84.6	
<b>Closed Blocks<sup>(1)</sup></b>			
Alternative investment income	11.6	10.7	5.0
Average alternative investment	88.4	97.9	109.6
<b>Total ING US</b>			
Alternative investment income	162.2	126.2	131.4
Average alternative investment	\$ 1,350.6	\$ 1,646.0	\$ 1,397.0

- <sup>(1)</sup> Our Closed Block Variable Annuity segment is managed to focus on protecting regulatory and rating agency capital rather than achieving operating metrics and, therefore, its results of operations are not reflected within investment income.

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**Table of Contents*****Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles***

Changes in operating earnings before income taxes and net income (loss) are influenced by increases and decreases in amortization of DAC, VOBA, DSI, and URR. The DAC asset represents policy acquisition costs that have been capitalized and are subject to amortization and interest. Capitalized costs are direct incremental costs of contract acquisition, as well as certain costs related directly to acquisition activities. Such costs consist principally of certain commissions, underwriting, sales and contract issuance and processing expenses directly related to the successful acquisition of new and renewal business. The VOBA asset represents the outstanding value of in force business acquired and is subject to amortization and interest. The value is based on the present value of estimated net cash flows embedded in the insurance contracts at the time of the acquisition and increased for subsequent deferrable expenses on purchased policies. We amortize VOBA over the estimated life of the contracts using the same methodology and assumptions employed to amortize DAC. The DSI asset represents benefits paid to contract owners for a specified period that are incremental to the amounts we credit on similar contracts without sales inducements and are higher than the contracts' expected ongoing crediting rates for periods after the inducement. We defer sales inducements and amortize them over the life of the contracts using the same methodology and assumptions employed to amortize DAC. (The amortization of sales inducements is included in *Interest credited and other benefits to contract owners/policyholders*.) In addition, a URR liability is recorded related to variable universal life and universal life products and represents policy charges for services to be provided in future periods. These policy charges are deferred as unearned revenue and amortized over the expected life of the contracts in proportion to the estimated gross profits in a manner consistent with DAC for these products. The change in URR is included in *Fee income*.

Generally, we amortize DAC/VOBA, DSI, and URR related to fixed and variable universal life contracts, variable deferred annuity contracts and fixed deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits. For variable deferred annuity contracts within the Closed Block Variable Annuity segment, we amortize DAC, VOBA and DSI in relation to the emergence of estimated gross revenue. Assumptions as to mortality, persistency, interest crediting rates, returns associated with separate account performance, impact of hedge performance, expenses to administer the business and certain economic variables, such as inflation, are based on our experience and our overall short-term and long-term future expectations for returns available in the capital markets. At each valuation date, actual historical gross profits are reflected and estimated gross profits and related assumptions are evaluated for continued reasonableness. Adjustments to estimated gross profits require that amortization rates be revised retroactively to the date of the contract issuance, which is referred to as unlocking. As a result of this process, the cumulative balances of DAC/VOBA, DSI and URR are adjusted with an offsetting benefit or charge to income to reflect changes in the period of the revision. An unlocking event that results in a benefit ( favorable unlocking ) generally occurs as a result of actual experience or future expectations being favorable compared to previous estimates. An unlocking event that results in a charge ( unfavorable unlocking ) generally occurs as a result of actual experience or future expectations being unfavorable compared to previous estimates. When unlocking, we unlock assumptions for each of the appropriate intangibles and refer to the unlocking as DAC/VOBA and other intangibles' unlocking. As a result of unlocking, the amortization schedules for future periods are also adjusted.

We also review the estimated gross profits for each of these blocks of business to determine the recoverability of DAC, VOBA and DSI balances each period. These assets are deemed to be unrecoverable if the estimated gross profits do not exceed these balances and a write-down is recorded that is referred to as loss recognition. We experienced a loss recognition write-down in second quarter 2010 in our Closed Block Variable Annuity segment as a result of sharp equity declines.

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The following table presents the amount of DAC, VOBA, DSI and URR ( DAC/VOBA and other intangibles ) unlocking that is included in segment operating earnings before income taxes:

(\$ in millions)	Year Ended December 31,		
	2012	2011	2010
Retirement	\$ 5.8	\$ 44.2	\$ 160.4
Annuities	(86.2)	266.0	(10.2)
Individual Life	3.4	(6.4)	27.6
Employee Benefits			(2.0)
<b>Total DAC/VOBA and other intangibles unlocking</b>	<b>\$ (77.0)</b>	<b>\$ 303.8</b>	<b>\$ 175.8</b>

See Note for *Business, Basis of Presentation and Significant Accounting Policies* and Note for *Deferred Policy Acquisition Costs and Value of Business Acquired* to the Consolidated Financial Statements.

**Liquidity and Capital Resources**

Liquidity is our ability to generate sufficient cash flows to meet the cash requirements of operating, investing and financing activities. Capital refers to our long-term financial resources available to support the business operations and contribute to future growth. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of the businesses, timing of cash flows on investments and products, general economic conditions and access to the capital markets and the alternate sources of liquidity and capital described herein.

**Consolidated Sources and Uses of Liquidity and Capital**

Our principal available sources of liquidity are product charges, investment income, proceeds from the maturity and sale of investments, proceeds from debt issuance and borrowing facilities, repurchase agreements, contract deposits and securities lending. Primary uses of these funds are payments of policyholder benefits commissions and operating expenses, interest credits, investment purchases and contract maturities, withdrawals and surrenders.

**Parent Company Sources and Uses of Liquidity**

In evaluating liquidity it is important to distinguish the cash flow needs of ING U.S., Inc. from the cash flow needs of the Company as a whole. ING U.S., Inc. is largely dependent on cash flows from its operating subsidiaries to meet its obligations. The principal sources of funds available to ING U.S., Inc. include dividends and returns of capital from its operating subsidiaries, as well as cash and short-term investments. These sources of funds are currently supplemented by ING U.S., Inc.'s access to the \$1,075.0 million revolving credit sublimit of its Revolving Credit Agreement, ING U.S., Inc.'s \$3.0 billion commercial paper program and reciprocal borrowing facilities maintained with its subsidiaries as well as other alternate sources of liquidity described below either directly or indirectly through its insurance subsidiaries. The revolving credit sublimit of the Revolving Credit Agreement was reduced to \$750.0 million in February 2013 following the issuance of \$1.0 billion of unsecured 2.9% Senior Notes due 2018. See Senior Unsecured Credit Facility below.

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ING U.S., Inc.'s primary sources and uses of cash for the years ended December 31, 2012 and 2011 are presented in the following table:

(\$ in millions)	Year Ended December 31,	
	2012	2011
<b>Beginning cash balance</b>	\$ 1.3	\$ 3.0
<b>Sources:</b>		
Proceeds from borrowings from ING V		263.0
Dividends and returns of capital from subsidiaries	813.0	200.0
Repayment of loans to subsidiaries, net of new issuances	102.3	870.2
Proceeds from credit facility borrowings, net of repayments	1,350.0	
Proceeds from 2022 Notes offering	849.5	
Amounts received from subsidiaries under tax sharing arrangements, net	56.4	205.7
Other, net	18.3	
<b>Total sources</b>	<b>3,189.5</b>	<b>1,538.9</b>
<b>Uses:</b>		
Payments under interest rate swap contracts, net		410.4
Payment of interest expense	33.4	52.6
Capital provided to subsidiaries	400.0	377.0
Repayments of loans from subsidiaries, net of new issuances	2,037.3	40.8
Repayment of commercial paper, net of issuances	362.6	649.0
Other, net		10.8
<b>Total uses</b>	<b>2,833.3</b>	<b>1,540.6</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>356.2</b>	<b>(1.7)</b>
<b>Ending cash balance</b>	<b>\$ 357.5</b>	<b>\$ 1.3</b>

**Liquidity**

We manage liquidity through access to substantial investment portfolios as well as a variety of other sources of liquidity including committed credit facilities, commercial paper, securities lending and repurchase agreements. Our ALM process takes into account the expected maturity of investments and expected benefit payments as well as the specific nature and risk profile of the liabilities, including variable products with guarantees. As part of our liquidity management process, we model different scenarios to determine whether existing assets are adequate to meet projected cash flows. Key variables in the modeling process include interest rates, equity market movements, quantity and type of interest and equity market hedges, anticipated contract owner behavior, market value of general account assets, variable separate account performance and implications of rating agency actions.

**Restrictions on Dividends and Returns of Capital from Subsidiaries**

Our business is conducted through operating subsidiaries. U.S. insurance laws and regulations regulate the payment of dividends and other distributions by our U.S. insurance subsidiaries to their respective parents. Dividends in excess of prescribed limits established by the applicable state regulations are considered to be extraordinary transactions and require explicit regulatory approval. In addition, under the insurance laws of the states of domicile of our principal insurance subsidiaries, no dividend or other distribution exceeding an amount equal to an insurance company's earned surplus may be paid without the domiciliary insurance regulator's prior approval. For a summary of applicable laws and regulations governing dividends, see Regulation Insurance Regulation Insurance Holding Company Regulation Dividend Payment Restrictions and Dividend Restrictions in the Shareholder's Equity and Dividend Restrictions note to the Consolidated Financial Statements.

Our principal insurance subsidiaries have received approvals or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators to pay extraordinary distributions to ING U.S., Inc. or



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Lion Holdings in the aggregate amount of \$1,434 million in response to requests made in 2012 and refreshed in 2013. In addition, our principal insurance subsidiaries domiciled in Colorado, Iowa and Minnesota have received approval (or, in the case of Iowa, assurance that approval will be forthcoming after completion of this offering provided that this offering results in ING Group owning 80% or less of our outstanding common stock) from their respective domiciliary insurance regulators to reset, on a one-time basis on the day after completion of this offering, the amount of each such subsidiary's negative unassigned funds account as of December 31, 2012 (as reported in its 2012 statutory annual statement) to zero (with an offsetting reduction in gross paid-in capital and contributed surplus) as a permitted practice in accordance with statutory accounting practices prescribed or permitted by the domiciliary insurance regulator. Once effected, the reset will be recorded in the subsidiary's quarterly statutory statement for the quarter in which the IPO was completed. Similar to Iowa, the Colorado and Minnesota approvals are conditioned upon this offering resulting in ING Group owning 80% or less of our outstanding common stock. See Regulation Insurance Regulation Insurance Holding Company Regulation Dividend Payment Restrictions .

The following table presents dividends permitted to be paid by our principal insurance subsidiaries to ING U.S., Inc. or Lion Holdings without the need for insurance regulatory approval for the periods presented:

(\$ in millions)	Dividends Permitted without Approval		
	2013	2012	2011
<b>Subsidiary Name (State of domicile):</b>			
ING USA Annuity and Life Insurance Company (IA)	\$	\$	\$
ING Life Insurance and Annuity Company (CT)	264.1 <sup>(1)</sup>	190.0 <sup>(2)</sup>	
Security Life of Denver Insurance Company (CO)			
ReliaStar Life Insurance Company (MN)			

<sup>(1)</sup> \$264.1 million could be paid without approval after June 26, 2013, provided no extraordinary dividend payment is made in 2013 prior to that date. The Connecticut Insurance Department has approved an extraordinary dividend of \$174.0 million contingent on the consummation of this offering not later than June 30, 2013 and the use of the extraordinary dividend funds solely for ING U.S. operations. Following payment of the extraordinary dividend, \$90.1 million could be paid without approval after June 26, 2013.

<sup>(2)</sup> \$190.0 million paid as part of the June 2012 distribution of \$800.0 million.

In addition to the principal insurance subsidiaries listed above, we also have U.S. insurance subsidiaries domiciled in Indiana and New York. We also have special purpose financial captive insurance company subsidiaries domiciled in Missouri and South Carolina that provide reinsurance to our U.S. insurance subsidiaries in order to facilitate the financing of excess reserve requirements associated with Regulation XXX or AG38. We also have a subsidiary in the Cayman Islands that primarily provides reinsurance to our U.S. insurance subsidiaries. See Dividend Restrictions in the Shareholder's Equity and Dividend Restrictions note to our Consolidated Financial Statements.



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Dividends and return of capital distributions paid to ING U.S., Inc. or Lion Holdings by our principal insurance subsidiaries were as follows for the periods presented:

(\$ in millions)	Dividends Paid		Return of Capital Distributions	
	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
<b>Subsidiary Name (State of domicile):</b>				
ING USA Annuity and Life Insurance Company (IA) <sup>(1)</sup>	\$	\$	\$ 250.0	\$
ING Life Insurance and Annuity Company (CT) <sup>(2)</sup>	190.0		150.0	
Security Life of Denver Insurance Company (CO) <sup>(3)</sup>			80.0	200.0
ReliaStar Life Insurance Company (MN) <sup>(4)</sup>	130.0			

(1) Iowa Insurance Division approved ING USA's 2012 return of capital distribution.

(2) Connecticut Insurance Department approved ILIAC's \$340 million 2012 distribution, which included a \$190 million dividend.

(3) Colorado Insurance Division approved SLD's 2012 and 2011 return of capital distribution.

(4) Minnesota Insurance Division approved RLI's 2012 dividend.

ING U.S., Inc. and Lion Holdings did not receive any dividends or return of capital distributions from any of our insurance subsidiaries during the periods presented above, other than as described above. In June 2012, our insurance subsidiaries domiciled in Colorado, Connecticut, Iowa and Minnesota received regulatory approvals or notices of non-objection from their respective domiciliary insurance regulators to make distributions to ING U.S., Inc. or Lion Holdings in the aggregate amount of \$800.0 million. Such distributions were made on June 26, 2012. These domiciliary state regulatory actions were taken by the relevant domiciliary state insurance regulators in response to requests that stated the intended use of the proceeds was to provide \$500.0 million to our Cayman Islands domiciled insurance subsidiary, SLDI, and retain the balance at ING U.S., Inc. for general corporate purposes. On June 26, 2012, ING U.S., Inc. made a capital contribution to SLDI in the amount of \$400.0 million. Additionally, ING U.S., Inc. repaid \$100.0 million of intercompany loans from a subsidiary of SLDI and, on June 28, 2012 the proceeds of this loan repayment were used by such subsidiary to pay a dividend to SLDI.

Dividends and return of capital distributions in 2011 were made for the purpose of rebalancing statutory capital among our principal U.S. insurance subsidiaries and all amounts received by ING U.S., Inc. or Lion Holdings were in turn contributed to U.S. insurance subsidiaries. Payment of these amounts was approved by the insurance regulatory authorities of the relevant domiciliary states in response to requests that stated the intended use of the proceeds was to make capital contributions to certain of our U.S. insurance subsidiaries.

We may receive dividends from or contribute capital to our wholly owned non-life insurance subsidiaries such as broker-dealers, investment management entities and intermediate holding companies. For the years ended December 31, 2012 and 2011, dividends net of capital contributions received by ING U.S., Inc. and Lion Holdings from non-life subsidiaries were \$93.0 million and \$109.6 million, respectively. With respect to these amounts received in the year ended December 31, 2012, none came from one or more entities which are not expected to produce significant distributions in the future. With respect to the net amount received in the year ended December 31, 2011, \$9.6 million came from one or more entities which are not expected to produce significant distributions in the future.

**Table of Contents****Description of Certain Indebtedness**

We borrow funds to provide liquidity, invest in the growth of the business and for general corporate purposes. Our ability to access these borrowings depends on a variety of factors including, but not limited to, the credit rating of ING U.S., Inc. and of its insurance company subsidiaries and general macroeconomic conditions. The following table summarizes our borrowing activities for the year ended December 31, 2012.

(\$ in millions)	Beginning Balance	Issuance	Maturities and Repayment	Other Changes	Ending Balance
<b>Short-Term Debt:</b>					
Commercial paper	\$ 554.6	\$ 18,700.9	\$ (19,063.5)	\$	\$ 192.0
Current portion of long-term debt <sup>(1)</sup>	500.0	300.0	(150.0)	222.6	872.6
Total short-term debt	\$ 1,054.6	\$ 19,000.9	\$ (19,213.5)	\$ 222.6	\$ 1,064.6
<b>Long-Term Debt:</b>					
Debt securities in issue <sup>(3)</sup>	\$ 649.8	\$ 849.5	\$	\$ 1.1	\$ 1,500.4
Borrowings from ING V <sup>(1)</sup>	500.0				500.0
Windsor property loan	4.9				4.9
Bank Revolver Loan <sup>(2)</sup>		500.0	(500.0)		
Syndicated Bank Term Loans <sup>(2)</sup>		1,500.0	(150.0)		1,350.0
Surplus notes	688.4				688.4
Subtotal	\$ 1,843.1	\$ 2,849.5	\$ (650.0)	\$ 1.1	\$ 4,043.7
Less: Current portion of long-term debt	500.0	300.0	(150.0)	222.6	872.6
Total long-term debt	\$ 1,343.1	\$ 2,549.5	\$ (500.0)	\$ (221.5)	\$ 3,171.1

<sup>(1)</sup> On April 12, 2012, the maturity for ING U.S., Inc.'s \$500.0 million floating rate loan agreement with ING V was extended until April 29, 2016.

<sup>(2)</sup> On April 20, 2012, ING U.S., Inc. entered into a \$5.0 billion Senior Unsecured Credit Facility. On that date, ING U.S., Inc. borrowed a total of \$2.0 billion which was used to replace internal funding. See "Senior Unsecured Credit Facility" below.

<sup>(3)</sup> On July 13, 2012, ING U.S., Inc. issued the 2022 Notes in a private placement with registration rights. See "Debt Securities" below.

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The following table summarizes our borrowing activities for the year ended December 31, 2011:

(\$ in millions)	Beginning Balance	Issuance	Maturities and Repayment	Other Changes	Ending Balance
<b>Short-Term Debt:</b>					
Commercial paper	\$ 1,203.6	\$ 21,654.5	\$ (22,303.5)	\$	\$ 554.6
Repurchase agreements	425.2	2,225.6	(2,650.8)		
Borrowings from ING V <sup>(1)</sup>	2,715.0	23,352.0	(23,089.0)	(2,978.0)	
Other third-party borrowed funds	1,120.8		(1,120.8)		
Current portion of long-term debt				500.0	500.0
<b>Total short-term debt</b>	<b>\$ 5,464.6</b>	<b>\$ 47,232.1</b>	<b>\$ (49,164.1)</b>	<b>\$ (2,478.0)</b>	<b>\$ 1,054.6</b>
<b>Long-Term Debt:</b>					
Debt securities in issue	\$ 648.7	\$	\$	\$ 1.1	\$ 649.8
Borrowings from ING V <sup>(1)</sup>	1,500.0			(1,000.0)	500.0
Windsor property loan	4.9				4.9
Surplus notes	630.4	58.0			688.4
<b>Subtotal</b>	<b>\$ 2,784.0</b>	<b>\$ 58.0</b>	<b>\$</b>	<b>\$ (998.9)</b>	<b>\$ 1,843.1</b>
Less: Current portion of long-term debt				500.0	500.0
<b>Total long-term debt</b>	<b>\$ 2,784.0</b>	<b>\$ 58.0</b>	<b>\$</b>	<b>\$ (1,498.9)</b>	<b>\$ 1,343.1</b>

<sup>(1)</sup> Includes all issuances within the year including amounts issued to refinance maturing amounts. During 2011, we converted \$4.0 billion of debt owed to ING V following capital contributions received indirectly from ING V.

**Senior Unsecured Credit Facility**

On April 20, 2012 ING U.S., Inc. entered into a \$5.0 billion Senior Unsecured Credit Facility with a syndicate of banks. The Senior Unsecured Credit Facility, which is guaranteed by Lion Holdings, consists of the \$3.5 billion Revolving Credit Agreement and the \$1.5 billion Term Loan Agreement. The Revolving Credit Agreement expires on April 20, 2015 and the Term Loan Agreement expires on April 20, 2014.

*Revolving Credit Agreement.* The Revolving Credit Agreement, while primarily an LOC facility, also includes a revolving credit sublimit of up to \$1.5 billion of the \$3.5 billion total, which may be directly borrowed by ING U.S., Inc. This \$1.5 billion direct borrowings sublimit is reduced by 50% of the face amount of any debt securities issued by us, provided, that the sublimit may not be reduced below \$750.0 million as a result. The cost of borrowings and LOC under the Revolving Credit Agreement vary depending on ING U.S., Inc.'s credit rating. The terms of the Senior Unsecured Credit Facility require ING U.S., Inc. to maintain liquidity of \$500.0 million at all times. Liquidity is defined for this purpose to include, among other things, cash, ordinary dividend capacity from operating subsidiaries and undrawn borrowing capacity under the Revolving Credit Agreement. In order to meet this requirement in the future, ING U.S., Inc. could be required to forgo otherwise available draws under the Revolving Credit Agreement.

Immediately following the closing of the Revolving Credit Agreement, ING U.S., Inc. drew \$500.0 million of direct borrowings to replace internally funded financing. In addition, \$1.4 billion of LOCs were issued to replace \$1.4 billion of LOCs issued under a pre-existing \$2.5 billion syndicated LOC facility. As of December 31, 2012, \$2.0 billion of LOCs were outstanding under the Revolving Credit Agreement.

On July 17, 2012, ING U.S., Inc. repaid the \$500.0 million of direct borrowings with proceeds from the issuance of the 2022 Notes (see Debt Securities below). As a result of the issuance of the 2022 Notes, the direct borrowing sublimit under the Revolving Credit Agreement was reduced to \$1.075 billion consistent with the requirement described above.



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On February 11, 2013, ING U.S., Inc. issued \$1.0 billion of unsecured 2.9% Senior Notes due 2018 in a private placement with registration rights (the 2018 Notes ) (see Debt Securities below). As a result of the issuance of the 2018 Notes, the revolving credit borrowings sublimit of the Revolving Credit Agreement was reduced by 50% of the issuance to a minimum of \$750.0 million.

*Term Loan Agreement.* The proceeds of the Term Loan Agreement were used to replace financing that was internally funded. ING U.S., Inc. pays interest at a variable rate based on its credit rating and is required to make principal payments totaling 20% of the original borrowing amount over the first 12 months and 30% over the second twelve months with all remaining amounts due by April 20, 2014.

During February 2013, we made payments totaling \$850.0 million on the Syndicated Bank Term Loan from the proceeds of the 2018 Notes.

***Credit Facilities and Subsidiary Credit Support Arrangements***

We use credit facilities primarily to provide collateral required under our affiliated reinsurance transactions as well as certain third party reinsurance arrangements to which one of our captive reinsurance subsidiaries is a party. We also issue guarantees and enter into financing arrangements in connection with our affiliated reinsurance transactions. These arrangements are primarily designed to facilitate the financing of excess reserve requirements associated with Statutory Regulations XXX and AG38. Regulation XXX and AG38 require insurers to hold significantly higher levels of reserves on term products and universal life insurance products with secondary guarantees, respectively, than are generally thought to be sufficient. By reinsuring business to special purpose financial captive reinsurance companies, we are able to use alternative sources of collateral to fund the excess reserve requirements and are generally able to secure longer term financing on a more capital efficient basis. As of December 31, 2012, we had credit facilities providing \$2.0 billion of XXX and AG38 reinsurance credit associated with our individual life business.

Effective January 1, 2009, we entered into a master asset purchase agreement (the MPA ) with Scottish Re Group Limited, Scottish Holdings, Inc., Scottish Re (U.S.), Inc. ( SRUS ), Scottish Re Life (Bermuda) Limited ( Scottish Bermuda ) and Scottish Re (Dublin) Limited (collectively, Scottish Re ) and Hannover Re. Pursuant to the MPA, we recaptured individual life reinsurance business which had previously been reinsured to Scottish Re and immediately ceded 100% of such business to Hannover Re on a modified coinsurance, funds withheld and coinsurance basis, which resulted in no gain or loss. We will remain obligated to maintain collateral for the excess reserve requirements associated with Statutory Regulations XXX and AG38 on the business transferred from us to Hannover Re for the duration of such reserve requirements or until the underlying reinsurance contracts are novated to Hannover Re or Hannover Re puts into place its own collateral for such reserve requirements. As of December 31, 2012, we had credit facilities providing \$3.5 billion of XXX and AG38 reinsurance credit associated with our individual life reinsurance acquired by Hannover Re. Hannover Re reimburses us for a portion of our fees for these credit facilities. We refer to this block as the Hannover Re block and its results are reported as part of the Closed Block Other segment.

We also utilize LOCs to provide credit for reinsurance on portions of the Closed Block Variable Annuity segment liabilities reinsured to our Cayman Islands insurance subsidiary in order to meet the onshore statutory reserve requirements at those times when the assets and other capital backing the reinsurance liabilities may be less than the statutory reserve requirement. As of December 31, 2012, the amount of LOCs required for this purpose was approximately \$424.0 million and the actual amount of the LOCs outstanding was \$1.0 billion.

In addition to the \$6.5 billion of individual life, individual life reinsurance and Closed Block Variable Annuity credit facilities utilized, a \$1.5 billion contingent capital LOC was issued by ING Bank to support the Closed Block Variable Annuity segment and \$345.6 million of LOCs were outstanding to support miscellaneous requirements. In total, \$8.2 billion of credit facilities were utilized as of December 31, 2012. As of December 31, 2012, the capacity of our unsecured and uncommitted credit facilities totaled \$3.4 billion and the capacity of our unsecured and committed credit facilities totaled \$8.9 billion. We also have approximately \$275.0 million in secured facilities.

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Total fees associated with credit facilities for the years ended December 31, 2012 and 2011 were \$223.2 million and \$103.4 million, respectively.

The following table presents our credit facilities, their dates of expiration, capacity and utilization as of December 31, 2012:

(\$ in millions)							
Obligor /							
Applicant	Liability Supported	Secured/ Unsecured	Committed/ Uncommitted	Expiration	Capacity	Utilization	Unused Commitment
ING U.S., Inc. <sup>(1)</sup>		Unsecured	Committed	04/20/15	\$ 3,500.0	\$ 1,953.8	\$ 1,546.2
	Individual Life					296.0	
	Hannover Re block					435.0	
	CBVA					1,020.0	
	Retirement Solutions					129.0	
	Other					73.8	
ING U.S., Inc. / SLDI, Roaring River LLC <sup>(1)</sup>	Individual Life	Unsecured	Uncommitted	02/28/13	1,605.0	30.1	
SLDI <sup>(1)</sup>	CBVA	Unsecured	Uncommitted	12/31/31	1,500.0	1,500.0	
ING U.S., Inc. / SLDI	Hannover Re block	Unsecured	Committed	08/19/21	750.0	750.0	
ING U.S., Inc. / SLDI	Hannover Re block	Unsecured	Committed	11/09/21	750.0	750.0	
ING U.S., Inc. / SLDI <sup>(1)</sup>	Hannover Re block	Unsecured	Committed	12/31/13	825.0	825.0	
ING U.S., Inc. / SLDI	Hannover Re block	Unsecured	Committed	12/27/22	500.0	500.0	
ING U.S., Inc. / SLDI <sup>(1)(2)</sup>	Hannover Re block	Unsecured	Uncommitted	06/30/13	300.0	225.6	
ReliaStar Life Insurance Company	Institutional Spread Products	Secured	Committed	Conditional	265.0	265.0	
ING U.S., Inc. / SLDI	Individual Life	Unsecured	Committed	12/31/25	475.0	475.0	
ING U.S., Inc.	Other	Unsecured	Uncommitted	Various dates	2.1	2.1	
ING U.S., Inc.	Other	Secured	Uncommitted	Various dates	10.0	4.7	
ING U.S., Inc. / Roaring River III LLC	Individual Life	Unsecured	Committed	06/30/22	1,151.2	445.0	706.2
ING U.S., Inc. / Roaring River II LLC	Individual Life	Unsecured	Committed	12/31/19	995.0	465.0	530.0
Total					\$ 12,628.3	\$ 8,191.3	\$ 2,782.4

<sup>(1)</sup> Refer to the *Related Party Transactions* Note to these Consolidated Financial Statements for more information.

<sup>(2)</sup> This facility was amended on October 4, 2012 to extend the availability to issue LOCs until June 30, 2013.

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Additionally, as of December 31, 2012, Whisperingwind II, LLC and Whisperingwind III, LLC had issued \$359.3 million and \$329.1 million of surplus notes to a third party bank which mature on December 31, 2037 and June 30, 2037, respectively. The proceeds of the surplus notes are used to fund AG38 reserves of our Individual Life segment. On January 3, 2013, Whisperingwind II, LLC repaid its surplus note in full. See Surplus Notes.

The following tables present our existing financing facilities for each of our Individual Life, Hannover Re and Closed Block Variable Annuity blocks of business as of December 31, 2012. While these tables present the current financing for each block, these financing facilities will expire prior to the runoff of the reserve liabilities they support. In addition, these liabilities will change over the life of each block. As a result, the existing financing will be periodically extended or replaced and increased as each block grows toward the peak reserve requirement noted below.

*Individual Life*

(\$ in millions)

Obligor/Applicant	Financing Structure	Reserve Type	Expiration	Capacity	Utilization
ING U.S., Inc.	Credit Facility	XXX	04/20/15	\$ 296.0	\$ 296.0
ING U.S., Inc.	Credit Facility	Other	11/01/26	30.0	30.0
ING U.S., Inc./Roaring River III LLC	Trust Note	XXX	06/30/22	1,151.2	445.0
ING U.S., Inc./SLDI	LOC Facility	AG38	12/31/25	475.0	475.0
ING U.S., Inc./Whisperingwind II LLC <sup>(1)</sup>	Surplus Notes	AG38	12/31/37	459.0	
ING U.S., Inc./Whisperingwind III LLC	Surplus Notes	AG38	06/30/37	499.0	329.1
ING U.S., Inc./Roaring River II LLC	LOC Facility	XXX	12/31/19	995.0	465.0
Total				\$ 3,905.2	\$ 2,040.1

<sup>(1)</sup> On January 3, 2013, the notes were repaid in full. See Surplus notes.

The peak financing requirement for the Individual Life liabilities above is expected to reach approximately \$4.2 billion during the period 2017-2020.

*Hannover Re block*

(\$ in millions)

Obligor/Applicant	Financing Structure	Reserve Type	Expiration	Capacity	Utilization
ING U.S., Inc.	Credit Facility	XXX/AG38	04/20/2015	\$ 435.0	\$ 435.0
ING U.S., Inc./SLDI	Collateral Note	XXX/AG38	08/19/2021	750.0	750.0
ING U.S., Inc./SLDI	Collateral Note	XXX/AG38	11/09/2021	750.0	750.0
ING U.S., Inc./SLDI	Collateral Note	XXX/AG38	12/27/2022	500.0	500.0
SLDI	Collateral Note	XXX/AG38	12/31/2013	825.0	825.0
ING U.S., Inc./SLDI	LOC Facility	XXX/AG38	06/30/2013	300.0	225.6
Total				\$ 3,560.0	\$ 3,485.6

The peak financing requirement for the Hannover Re block is expected to reach approximately \$4.0 billion in 2016.





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(\$ in millions)

Obligor/Applicant	Financing Structure	Product	Expiration	Capacity	Utilization
ING U.S., Inc./SLDI	Credit Facility	GMWBL/GMIB	04/20/2015	\$ 1,020.0	\$ 1,020.0
Total				\$ 1,020.0	\$ 1,020.0

Of the \$1.0 billion LOC outstanding, approximately \$424.0 million was required as of December 31, 2012. As the statutory reserve requirements of AG43 react differently to equity and interest market movements than do the funding requirements of the intercompany reinsurance agreement between ING USA and SLDI, we may utilize LOCs to provide for this difference. The amount of LOCs will vary based on asset values, market movements, and reinsurance trust funding.

*Contingent Capital Letter of Credit*

As of December 31, 2012, our Cayman Islands insurance subsidiary, SLDI, was the sole obligor under a \$1.5 billion contingent capital LOC facility with ING Bank, under which \$1.5 billion of LOCs have been issued to support SLDI's reinsurance obligations to ING USA for certain minimum guarantees included in its Closed Block Variable Annuity products. This facility, which is unconditional and irrevocable, expires on December 31, 2031. Subject to the terms of the Credit Agreement, draws under the LOC will be financed by ING Bank and payable in full on December 31, 2041. The proceeds of draws may only be used to meet SLDI's obligations under its reinsurance agreement with ING USA. The agreement has no recourse to ING U.S., Inc.

*Reinsurance Subsidiaries ING U.S., Inc. Credit Support*

As of December 31, 2012, ING U.S., Inc. supported the reinsurance obligations of its reinsurance subsidiaries with \$30.1 million in LOCs issued by ING Bank of which \$30.1 million was guaranteed by ING V. Subsequently, \$15.1 million in LOCs were cancelled in January 2013. The remaining \$15.0 million, and thus the ING V guarantee, will expire in 2026. No fees are paid by the Company to ING V with respect to this guarantee.

ING U.S., Inc. also maintains credit facilities with third-party banks to support the reinsurance obligations of our onshore captive reinsurance subsidiaries. As of December 31, 2012, such facilities provided for up to \$2.1 billion of capacity, of which \$910.0 million was utilized.

In addition to providing credit facilities, we also provide credit support to our onshore captive reinsurance subsidiaries through surplus maintenance agreements, pursuant to which we agree to cause these subsidiaries to maintain particular levels of capital or surplus and which we entered into in connection with particular reinsurance transactions. These agreements are effective for the duration of the in-force policies subject to the related reinsurance transactions and the maximum potential obligations are not specified or applicable. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these agreements.

In connection with certain reinsurance transactions involving a third-party trust (the Master Trust), ING U.S., Inc. and SLDI are parties to reimbursement agreements with third-party banks that lend securities to the Master Trust. SLDI has reimbursement obligations to the banks under these agreements, in an aggregate amount of up to \$2.0 billion, which obligations are guaranteed by ING U.S., Inc. ING U.S., Inc. also provides an indemnification to the third-party banks with respect to any defaults by the Master Trust under the securities lending agreements under which these banks lend securities to the Master Trust, up to \$2.0 billion. These agreements and the related indemnification were entered into to facilitate collateral requirements supporting reinsurance and are effective for the duration that the collateral remains outstanding.

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ING U.S., Inc. provides a separate indemnification to ING Bank with respect to any defaults by the Master Trust under a similar securities lending agreement between the Master Trust and ING Bank, up to \$825.0 million. This agreement and the related indemnification were entered into to facilitate collateral requirements supporting reinsurance agreements and are effective for the duration that the collateral remains outstanding. This agreement expires on December 31, 2013.

ING U.S., Inc. has also entered into a corporate guarantee agreement with a third party ceding insurer where it guarantees the reinsurance obligations of our subsidiary, SLD, assumed under a reinsurance agreement with the third-party cedent. SLD retrocedes the business to Hannover Life Reassurance Company of America ( Hannover US ) who is the claims paying party. The current amount of reserves outstanding as of December 31, 2012 is \$24.6 million. The maximum potential obligation is not specified or applicable. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these guarantees.

On September 6, 2012, ING U.S., Inc. as borrowing party and its subsidiary, Roaring River III, as borrower, entered into a reimbursement agreement with a third-party bank providing for \$390.0 million of initial funding in the form of a putable variable funding trust note due 2022 where ING U.S., Inc. guarantees the reimbursement obligations of Roaring River III. Roaring River III has entered into a reinsurance agreement with an affiliated ceding company and by entering into the reimbursement agreement, Roaring River III provides collateral for reinsurance in the form of the trust note. To support additional growth in reserves on the policies reinsured, the initial trust note notional amount of \$390.0 million may be increased to approximately \$1.2 billion prior to maturity. As of December 31, 2012 the amount of the trust note was increased to \$445.0 million.

The \$390.0 million of trust notes replaces \$462.0 million of collateral provided under previous financing arrangements involving \$257.0 million of reserves ceded to Whisperingwind I and \$205.0 million of reserves ceded to Roaring River which were collateralized by LOCs provided by a third-party bank and ING Bank, respectively, and guaranteed by ING V. The completion of the transaction involved moving business from several ING U.S., Inc. subsidiaries to the newly established Roaring River III captive such that the amount of reserves which required collateral under the new transaction were less than under the previous transactions. As a result, there is not a one for one correlation between the new total amount of capacity of \$390.0 million replacing the prior total amount of \$462.0 million. The completion of the transaction reduced ING V guarantee obligations under the prior LOC by \$462.0 million.

Effective October 1, 2012, ReliaStar Life Insurance Company novated the reinsurance ceded to Whisperingwind II to a third party reinsurer which replaced \$359.3 million of surplus notes with \$364.0 million of trust assets at fair value for reserve credit as of December 31, 2012.

***Reinsurance Subsidiaries Other Credit Support***

RLI and SLD, indirect and direct subsidiaries of ING U.S., Inc., respectively, guarantee a reinsurance contract entered into by SLDI with respect to SLDI s reinsurance of \$250.0 million of the principal and interest of a bond insured by an unrelated insurance company. The bond payments are supported by the insurer s closed block. Surplus from the closed block, in the form of dividends, is used to pay the bond principal and interest.

In order to collateralize obligations under this treaty, RLI provided a LOC of \$265.0 million issued by the FHLB of Des Moines to the unrelated insurer which is secured by assets pledged by RLI to FHLB. As of December 31, 2012 and 2011, the LOC is collateralized by assets with a market value of approximately \$336.5 million and \$354.0 million, respectively.

***Other Subsidiaries ING U.S., Inc. Credit Support***

ING U.S., Inc. guarantees obligations of Lion Holdings with respect to a \$500.0 million loan from ING V, which matures in 2016. ING U.S., Inc. also guarantees obligations of Lion Holdings under \$13.0 million par

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amount of Series B Capital Securities maturing in 2027 as well as \$644.8 million combined par amount of debentures. For more information see Debt Securities below. From time to time, ING U.S., Inc. may also have outstanding guarantees of various obligations of its subsidiaries.

We did not recognize any asset or liability as of December 31, 2012 in relation to intercompany indemnifications and support agreements. As of December 31, 2012, no circumstances existed in which we were required to currently perform under these indemnifications and support agreements.

***Commercial Paper***

ING U.S., Inc. has a commercial paper program with an authorized capacity of \$3.0 billion. Our commercial paper borrowings have been generally used to fund the working capital needs of our subsidiaries and provide short-term liquidity to us. Outstanding commercial paper borrowings were \$192.0 million and \$554.6 million at December 31, 2012 and 2011, respectively. The issuances under this program benefit from a full and irrevocable guarantee provided by ING V. We pay ING V 10 basis points ( bps ) on the outstanding balance of the commercial paper program as a fee for this guarantee. We expect the balance of commercial paper outstanding under the commercial paper program to be reduced to zero prior to completion of this offering, and thereafter expect to terminate this program. In the future, as and when our credit profile permits us to do so, we intend to establish a standalone commercial paper program in the ordinary course of business.

***Debt Securities***

As of December 31, 2012 and 2011, Lion Holdings had outstanding \$138.7 million par amount of 6.75% Debentures due September 15, 2013, \$163.0 million par amount of 7.25% Debentures due August 15, 2023, \$235.1 million par amount of 7.63% Debentures due August 15, 2026 and \$108.0 million par amount of 6.97% Debentures due August 15, 2036 (collectively, the Aetna Notes ), all of which were issued by a predecessor of Lion Holdings and assumed in connection with our acquisition of Aetna's life insurance and related businesses. In addition, Equitable of Iowa Capital Trust II, a limited purpose trust, has outstanding \$13.0 million par amount of 8.42% Series B Capital Securities due April 1, 2027 (the ING USA Notes ). ING Group guarantees all of the foregoing debt securities with the exception of the \$13.0 million par amount Series B Capital Securities. Both the Aetna Notes and the ING USA Notes benefit from a guarantee by ING U.S., Inc. See Certain Relationships and Related Party Transactions Relationship with ING Group Following the Offering Shareholders Agreement Provisions with respect to certain obligations of the Company guaranteed by ING Group or its subsidiaries Aetna Notes.

On July 13, 2012, we issued \$850.0 million of 2022 Notes. The 2022 Notes are guaranteed by Lion Holdings. We pay interest semi-annually on each January 15 and July 15, commencing on January 15, 2013. ING Financial Markets LLC, a non-subsidiary affiliate of ING U.S., Inc., served as Joint Book Running Manager and was paid \$0.3 million for its services. We used the proceeds of the 2022 Notes to repay \$500.0 million of the direct borrowings under the Revolving Credit Agreement. The remaining proceeds of the 2022 Notes were used for general corporate purposes, including the retirement of commercial paper.

The documents governing the terms of our 2022 Notes contain provisions that provide for the adjustment of the interest rate payable on the 2022 Notes if the rating on the 2022 Notes is downgraded by Moody's or S&P. The interest rate payable on the 2022 Notes will increase by 25 basis points for each one-notch rating downgrade and is subject to reversal in the event of subsequent upgrades. In addition, if a rating on the 2022 Notes is withdrawn, suspended, or otherwise discontinued, the interest rate payable on the 2022 Notes will increase by 100 basis points for each such ratings withdrawal, suspension or discontinuation. Notwithstanding the foregoing, in no event shall the cumulative interest rate increase on the 2022 Notes as a result of all downgrades or ratings withdrawals exceed 200 basis points in the aggregate, and in no event shall the interest rate payable on the 2022 Notes be lower than 5.50%. The interest rate payable on the 2022 Notes will no longer be subject to adjustment pursuant to such provisions after the date that is 180 days following the completion of this offering.

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The documents governing the terms of our 2022 Notes also contain provisions that provide that upon the occurrence of certain change of control events prior to the date that is 180 days following the completion of this offering, we will be required to make an offer to each holder of the 2022 Notes to repurchase all or any part of the holder's notes at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2022 Notes repurchased plus any accrued and unpaid interest on the notes repurchased to, but excluding, the date of repurchase.

On February 11, 2013, we issued \$1.0 billion of 2018 Notes. The 2018 Notes are guaranteed by Lion Holdings. Interest is payable semi-annually on each February 15 and August 15, commencing on August 15, 2013. ING Financial Markets LLC, an affiliate, served as Joint Book Running Manager and was paid \$0.3 million for its services. Concurrently, as a result of the issuance of the 2018 Notes, the revolving credit borrowings sublimit of the Revolving Credit Agreement was reduced by 50% of the issuance to a minimum of \$750.0 million.

During February 2013, we made payments totaling \$850.0 million on the Syndicated Bank Term Loan from the proceeds of the 2018 Notes. We will use the remaining proceeds of the 2018 Notes for general corporate purposes including retirement of outstanding commercial paper.

### ***Surplus Notes***

Two of our onshore captive reinsurance subsidiaries have issued surplus notes in order to finance insurance reserves assumed. These notes have maturities in 2037. These notes had \$688.4 million and \$688.4 million outstanding as of December 31, 2012 and 2011, respectively.

On January 3, 2013, ReliaStar Life Insurance Co. and Whisperingwind II, LLC, indirect wholly owned subsidiaries of us, executed a novation and recapture agreement with a third party reinsurer related to an existing insurance securitization transaction. Effective October 1, 2012, ReliaStar Life Insurance Company novated the reinsurance ceded to Whisperingwind II to a third party reinsurer which replaced \$359.3 million of surplus notes with \$364.0 million of trust assets at fair value for reserve credit as of December 31, 2012. As a result, Whisperingwind II, LLC's outstanding floating rate variable funding surplus note in the amount of \$359.3 million due December 31, 2037 was repaid.

### ***ING Group Credit Support***

As described above, certain of our indebtedness benefits from a guarantee provided by ING Group or ING V. As of December 31, 2012, the indebtedness for which ING Group or ING V provide guarantees included:

\$30.1 million in LOC issued by ING Bank and used to support the reinsurance obligations of certain of our captive reinsurance subsidiaries;

\$192.0 million in borrowings under our commercial paper program; and

\$644.8 million aggregate par amount of Aetna Notes issued by Lion Holdings.

In addition, ING V guarantees our obligations under \$1.0 billion notional amount of credit default swaps ( CDS ) written by one of our subsidiaries.

### ***Securities Lending***

We engage in securities lending for cash or cash equivalents, on a direct basis, or through an agent, whereby certain domestic securities from our 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 domestic securities. For portions of the agency program, the lending agent retains 5% of the collateral deposited by the borrower in liquid

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securities and transfers the remaining 95% to us. For other portions of the agency program, the lending agent retains all of the cash collateral. Collateral retained by the agent is invested in liquid assets on our behalf. 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 due to interest rates, spreads and other risk factors. As of December 31, 2012 and 2011, the fair value of loaned securities was \$601.8 million and \$1.0 billion, respectively, and is included in Securities pledged on the Consolidated Balance Sheets. As of December 31, 2012 and 2011, collateral retained by the lending agent and invested in liquid assets on our behalf was \$619.5 million and \$1.0 billion, respectively, and is recorded in Short-term investments under securities loan agreement, including collateral delivered on the Consolidated Balance Sheets. Cash collateral received by us is included in Cash and cash equivalents or Invested assets to the extent it is reinvested. As of December 31, 2012 and 2011, liabilities to return collateral of \$619.5 million and \$1.0 billion, respectively, are included in Payables under securities loan agreement, including collateral held on the Consolidated Balance Sheets.

***Repurchase Agreements***

We engage in dollar repurchase agreements with mortgage-backed securities ( dollar rolls ) and repurchase agreements with other collateral types to increase our return on investments and improve liquidity. Such arrangements meet the requirements to be accounted for as financing arrangements. We enter into dollar roll transactions by selling existing MBS and concurrently entering into an agreement to repurchase similar securities within a short time frame at a lower price. Under repurchase agreements, we borrow cash from a counterparty at an agreed upon interest rate for an agreed upon time frame and pledge collateral in the form of securities. At the end of the agreement, the counterparty returns the collateral to us, and we, in turn, repay the loan amount along with the additional agreed upon interest. We require that at all times during the term of the dollar roll and repurchase agreements that cash or other collateral types obtained is sufficient to allow us to fund substantially all of the cost of purchasing replacement assets. Cash received is invested in short-term investments, with the offsetting obligation to repay the loan included as a liability on the Consolidated Balance Sheets. As per the terms of the agreements, the market value of the loaned securities is monitored with additional collateral obtained or refunded as the market value of the loaned securities fluctuates due to changes in interest rates, spreads and other risk factors.

The carrying value of the securities pledged in dollar rolls and repurchase agreement transactions and the related repurchase obligation are included in Securities pledged and Short-term debt, respectively, on the Consolidated Balance Sheets. As of December 31, 2012 and 2011, we did not have any securities pledged in dollar rolls and repurchase agreement transactions.

We also enter into reverse repurchase agreements. These transactions involve a purchase of securities and an agreement to sell substantially the same securities as those purchased. We require that, at all times during the term of the reverse repurchase agreements, cash or other collateral types provided is sufficient to allow the counterparty to fund substantially all of the cost of purchasing the replacement assets. As of December 31, 2012 and 2011, we did not have any securities pledged under reverse repurchase agreements.

The primary risk associated with short-term collateralized borrowings is that the counterparty will be unable to perform under the terms of the contract. Our exposure is limited to the excess of the net replacement cost of the securities over the value of the short-term investments. We believe the counterparties to the dollar rolls, repurchase and reverse repurchase agreements are financially responsible and that the counterparty risk is minimal.

***FHLB***

We are currently a member of the FHLB of Des Moines and the FHLB of Topeka and are required to maintain a collateral deposit that backs any advances, funding agreements issued or LOCs issued by the FHLB. We have the ability to obtain funding from the FHLBs based on a percentage of the value of our assets and are subject to the availability of eligible collateral. The limits across all programs are 15% of the general and

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separate accounts of ING USA, potentially up to 40% of the general account of SLD based on credit approval from FHLB of Topeka and 20% of the general and separate accounts of RLI. Furthermore, collateral is pledged based on the outstanding balances of FHLB advances, funding agreements and LOCs. The amount varies based on the type, rating and maturity of the collateral posted to the FHLB. Generally, mortgage securities are pledged to the FHLBs. Market value fluctuations resulting from changes in interest rates, spreads and other risk factors for each type of assets are monitored and additional collateral is either pledged or released as needed.

Our borrowing capacity under these credit facilities does not have an expiration date as long as we maintain a satisfactory level of creditworthiness based on the FHLBs' credit assessment. At December 31, 2012 and 2011, we had \$2.6 billion and \$3.2 billion in non-putable funding agreements, respectively, which are included in Contract owner account balances on the Consolidated Balance Sheets. At December 31, 2012 and 2011, we had \$265.0 million and \$265.0 million, respectively, of LOCs issued by the FHLB. At December 31, 2012 and 2011, we had assets with a market value of approximately \$3.1 billion and \$3.8 billion, respectively, which collateralized the FHLB funding agreements. At December 31, 2012 and 2011, we had assets with a market value of approximately \$336.5 million and \$354.0 million, respectively, which collateralized the FHLB LOCs. Assets pledged to the FHLB are included in Fixed maturities, available-for-sale, on the Consolidated Balance Sheets. See *Liquidity and Capital Resources-Description of Certain Indebtedness* above for further discussion.

***Borrowings from Parent***

For information related to these arrangements, see *Certain Relationships and Related Party Transactions*.

***Borrowings from Subsidiaries***

We maintain revolving reciprocal loan agreements with a number of our life and non-life insurance subsidiaries that are used to fund short-term cash requirements that arise in the ordinary course of business. Under these agreements, either party may borrow up to the maximum allowable under the agreement for a term not more than 270 days. For life insurance subsidiaries, the amounts that either party may borrow from the other under the agreement vary and are equal to 2%-5% of the insurance subsidiary's statutory net admitted assets (excluding separate accounts) as of the previous year end depending on the state of domicile. As of December 31, 2012, the aggregate amount that may be borrowed or lent under agreements with life insurance subsidiaries was \$2.5 billion. Each agreement with a life insurance subsidiary has received all necessary approvals from the appropriate state insurance regulatory authorities. For non-life insurance subsidiaries, the maximum allowable under the agreement is based on the assets of the subsidiaries and their particular cash requirements. As of December 31, 2012, we borrowed \$319.1 million from our subsidiaries and lent \$77.0 million.

***Collateral Derivative Contracts***

Under the terms of our Over-The-Counter Derivative International Swaps and Derivatives Association, Inc. ( ISDA ) agreements, we may receive from, or deliver to, counterparties, collateral to assure that all terms of the ISDA agreements will be met with regard to the Credit Support Annex ( CSA ). The terms of the CSA call for us to pay interest on any cash received equal to the federal funds rate. As of December 31, 2012, we held \$890.3 million of net cash collateral related to derivative contracts. As of December 31, 2012, we delivered \$32.8 million and \$11.8 million of cash collateral related to derivative contracts and credit facilities, respectively. As of December 31, 2011, we held \$757.7 million of net cash collateral related to derivative contracts. As of December 31, 2011, we delivered \$40.0 million and \$11.8 million of cash collateral related to derivative contracts and credit facilities, respectively. The collateral held and delivered is included in Payables under securities loan agreements, including collateral held and short-term investments under securities loan agreements, including collateral delivered, respectively, on the consolidated balance sheets. In addition, as of December 31, 2012 and 2011, we delivered securities as collateral of \$1.0 billion and \$1.3 billion, respectively, which were included in Securities pledged on the consolidated balance sheets. Collateral requirements are monitored on a daily basis and incorporate changes in market values of both the derivatives contract as well as the collateral pledged. Market value fluctuations are due to changes in interest rates, spreads and other risk factors.

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***Ratings***

Our access to funding and our related cost of borrowing, requirements for derivatives collateral posting and the attractiveness of certain of our products to customers are affected by our credit ratings and insurance financial strength ratings, which are periodically reviewed by the rating agencies. Financial strength ratings and credit ratings are important factors affecting public confidence in an insurer and its competitive position in marketing products. The credit ratings are also important for the ability to raise capital through the issuance of debt and for the cost of such financing.

A downgrade in our credit ratings or the credit or financial strength ratings of our rated subsidiaries could potentially, among other things, limit our ability to market products, reduce our competitiveness, increase the number or value of policy surrenders and withdrawals, increase our borrowing costs and potentially make it more difficult to borrow funds, adversely affect the availability of financial guarantees or LOCs, cause additional collateral requirements or other required payments under certain agreements, allow counterparties to terminate derivative agreements and/or hurt our relationships with creditors, distributors or trading counterparties thereby potentially negatively affecting our profitability, liquidity and/or capital. In addition, we consider nonperformance risk in determining the fair value of our liabilities. Therefore, changes in our credit or financial strength ratings may affect the fair value of our liabilities.

Additionally, our ratings may be influenced by the credit ratings of our indirect parent companies, ING V and ING Group. A downgrade of the credit ratings of these entities could result in downgrades of our own credit and financial strength ratings. We received explicit guarantees of our commercial paper program and certain credit facilities from ING V. A downgrade of the credit rating of ING V could impact our ability to issue commercial paper or increase the amount of collateral that we are required to provide under these credit facilities.

Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. These ratings are not a recommendation to buy or hold any of our securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

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The financial strength and credit ratings of ING U.S., Inc. and its principal subsidiaries as of the date of this prospectus are presented in the following table. In parentheses, following the initial occurrence in the table of each rating, is an indication of that rating's relative rank within the agency's rating categories. That ranking refers only to the generic or major rating category and not to the modifiers appended to the rating by the rating agencies to denote relative position within such generic or major category. For each rating, the relative position of the rating within the relevant rating agency's ratings scale is presented, with 1 representing the highest rating in the scale.

Company	A.M. Best	Fitch	Moody's	S&P
ING U.S., Inc. (Commercial Paper)	NR	F2 (2 of 7)	P-2 (2 of 4)	A-2 (2 of 8)
ING U.S., Inc. (Long-term Issuer Credit)	bbb(4 of 10)	BBB (4 of 11)	Baa3 (LT Issuer Domestic) (4 of 9) Baa2 (Senior Unsecured Foreign) (4 of 9)	BBB-(4 of 11)
ING U.S., Inc. (Senior Unsecured Debt) <sup>(1)</sup>	bbb(4 of 10)	BBB- (4 of 9)	Baa3 (4 of 9)	BBB- (4 of 9)
<b>ING Life Insurance and Annuity Company</b>				
Financial Strength Rating	A(3 of 16)	A- (3 of 9)	A3 (3 of 9)	A- (3 of 9)
<b>ING USA Annuity &amp; Life Insurance</b>				
Financial Strength Rating	A(3 of 16)	A- (3 of 9)	A3 (3 of 9)	A- (3 of 9)
Short-term Issuer Credit Rating	NR	NR	P-2 (2 of 4)	A-2 (2 of 8)
<b>ReliaStar Life Insurance Company</b>				
Financial Strength Rating	A(3 of 16)	A- (3 of 9)	A3 (3 of 9)	A- (3 of 9)
Short-term Issuer Credit Rating	NR	NR	NR	A-2 (2 of 8)
<b>Security Life of Denver Insurance Company</b>				
Financial Strength Rating	A(3 of 16)	A- (3 of 9)	A3 (3 of 9)	A- (3 of 9)
Short-term Issuer Credit Rating	NR	NR	P-2 (2 of 4)	A-2 (2 of 8)
<b>Midwestern United Life Insurance Company</b>				
Financial Strength Rating	A-(4 of 16)	NR	NR	A- (3 of 9)
<b>Lion Connecticut Holdings, Inc.</b>				
Long-term Issuer Credit Rating	NR	NR	Baa3 (LT Issuer) (4 of 9)	BBB-(4 of 11)

<sup>(1)</sup> \$850.0 million of our 2022 Notes and \$1.0 billion of 2018 Notes.

Rating Agency	Financial Strength Rating Scale	Long-term Credit Rating Scale	Senior Unsecured Debt Credit Rating Scale	Short-term Credit Rating Scale
A.M. Best <sup>(1)</sup>	A++ to S	aaa to rs	aaa to d	AMB-1+ to d
Fitch <sup>(2)</sup>	AAA to C	AAA to D	AAA to C	F1 to D
Moody <sup>(3)</sup>	Aaa to C	Aaa to C	Aaa to C	Prime-1 to Not Prime
S&P <sup>(4)</sup>	AAA to R	AAA to D	AAA to D	A-1 to D

<sup>(1)</sup> A.M. Best's financial strength rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. It is based on a comprehensive quantitative



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- and qualitative evaluation of a company's balance sheet strength, operating performance and business profile. A.M. Best's long-term credit ratings reflect its assessment of the ability of an obligor to pay interest and principal in accordance with the terms of the obligation. Ratings from aa to ccc may be enhanced with a + (plus) or - (minus) to indicate whether credit quality is near the top or bottom of a category. A.M. Best's short-term credit rating is an opinion to the ability of the rated entity to meet its senior financial commitments on obligations maturing in generally less than one year.
- (2) Fitch's financial strength ratings provide an assessment of the financial strength of an insurance organization. The IFS Rating is assigned to the insurance company's policyholder obligations, including assumed reinsurance obligations and contract holder obligations, such as guaranteed investment contracts. Within long-term and short-term ratings, a + or a - may be appended to a rating to denote relative status within major rating categories.
- (3) Moody's financial strength ratings are opinions of the ability of insurance companies to repay punctually senior policyholder claims and obligations. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Moody's long-term credit ratings are opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations.
- (4) S&P's insurer financial strength rating is a forward-looking opinion about the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. A + or - indicates relative strength within a category. An S&P credit rating is an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Short-term issuer credit ratings reflect the obligor's creditworthiness over a short-term time horizon.

Our ratings by S&P, Fitch, Inc. ( Fitch ), A.M. Best Company ( A.M. Best ) and Moody's reflect a broader view of how the financial services industry is being challenged by the current economic environment, but also are based on the rating agencies' specific views of our financial strength. In making their ratings decisions, the agencies consider past and expected future capital and earnings, asset quality and risk, profitability and risk of existing liabilities and current products, market share and product distribution capabilities and direct or implied support from parent companies, including implications of the 2009 Restructuring Plan and the 2012 Amended Restructuring Plan, among other factors.

Rating agencies use an outlook statement for both industry sectors and individual companies. For an industry sector, a stable outlook generally implies that over the next 12 to 18 months the rating agency expects ratings to remain unchanged among companies in the sector. For a particular company, an outlook generally indicates a medium - or long-term trend in credit fundamentals, which if continued, may lead to a rating change.

Ratings actions affirmation and outlook changes by S&P, Moody's and A.M. Best from December 31, 2011 through December 31, 2012 and subsequently through the date of this prospectus are as follows:

On February 7, 2013, Fitch assigned a BBB - rating to our \$1.0 billion 2018 Notes. On January 7, 2013, Fitch affirmed the BBB issuer default rating and the BBB - senior debt rating of ING U.S., Inc. as well as the A - insurer financial strength rating of its operating subsidiaries. Furthermore, Fitch removed all ratings from Ratings Watch Evolving and assigned a Stable outlook to the ratings.

On February 7, 2013, A.M. Best assigned a bbb debt rating to our \$1.0 billion 2018 Notes with a Stable outlook.

On February 7, 2013 Moody's assigned a Baa3 senior debt rating to our \$1.0 billion 2018 Notes with a Stable outlook.

On February 6, 2013, S&P assigned a BBB - senior unsecured debt rating to our \$1.0 billion 2018 Notes.

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On July 23, 2012, A.M. Best assigned a bbb issuer credit rating to ING U.S., Inc. and a bbb debt rating to the 2022 Notes. Additionally, A.M. Best removed from under review with negative implications and affirmed the A financial strength rating of the life insurance subsidiaries. A.M. Best assigned a Stable outlook to the ratings.

On July 18, 2012, S&P assigned a BBB - senior unsecured debt rating to the 2022 Notes.

On July 12, 2012, Fitch assigned a BBB - rating to the 2022 Notes and maintained a Rating Watch Evolving on all ratings of ING U.S., Inc., and subsidiaries. On June 28, 2012, Fitch assigned a BBB long-term issuer default rating to ING U.S. Inc.

On July 11, 2012, Moody's assigned a Baa3 senior debt rating to the 2022 Notes with a Stable outlook.

On April 17, 2012, Moody's assigned a Baa3 guaranteed issuer rating to ING U.S., Inc. guaranteed by Lion Holdings (issuer rating Baa3, Stable outlook). Separately, Moody's affirmed the A3 insurance financial strength ratings of our insurance subsidiaries with a Stable outlook.

On March 7, 2012, S&P affirmed the A - financial strength ratings on our insurance subsidiaries and the BBB - counterparty credit ratings on ING U.S., Inc. and Lion Holdings. S&P removed all ratings from Credit Watch negative and assigned a Stable outlook.

***Potential Impact of a Ratings Downgrade***

Our ability to borrow funds and the terms under which we borrow are sensitive to our short and long-term issuer credit ratings. A downgrade of either or both of these credit ratings could increase our cost of borrowing. Additionally, a downgrade of either or both of these credit ratings could decrease the total amount of new debt that we are able to issue in the future or increase the costs associated with an issuance.

Certain of our credit facility agreements contain provisions that are linked to the credit or financial strength ratings of certain legal entities, including our indirect parent ING V. If financial strength ratings were downgraded in the future, these provisions might be triggered and counterparties to the credit facility agreements could demand collateralization which could negatively impact overall liquidity.

Based on the amount of credit outstanding as of December 31, 2012 and 2011, a one-notch downgrade of the credit ratings of ING U.S., Inc. by S&P or Moody's would have resulted in an estimated increase in our collateral requirements by approximately \$1.2 billion and \$1.2 billion, respectively. A two notch downgrade of the credit ratings of ING U.S., Inc. would not have resulted in an additional increase in our collateral requirements beyond that resulting from a one notch downgrade. The nature of the collateral that we may be required to post is principally in the form of cash and U.S. Treasury securities. Alternative forms of collateral, such as LOCs, may also be used.

Based on the amount of credit outstanding as of December 31, 2012 and 2011, a one notch downgrade of the credit ratings of ING V would not result in an increase in our estimated collateral requirements. A two-notch downgrade of the credit ratings of ING V by S&P would have resulted in an estimated increase in our collateral requirements by approximately \$30.1 million and \$3.4 billion, respectively.

The documents governing the terms of our 2022 Notes and 2018 Notes contain provisions that provide for the adjustment of the interest rate payable on the 2022 Notes and 2018 Notes if the rating on the 2022 Notes or 2018 Notes, respectively, is downgraded by Moody's or S&P. The interest rate payable on the 2022 Notes and 2018 Notes will increase by 25 basis points for each one notch rating downgrade and is subject to reversal in the event of subsequent upgrades. In addition, if a rating on the 2022 Notes or 2018 Notes is withdrawn, suspended, or otherwise discontinued, the interest rate payable on the 2022 Notes or 2018 Notes will increase by 100 basis points for each such ratings withdrawal, suspension or discontinuation. Notwithstanding the foregoing, in no event shall the cumulative interest rate increase on the 2022 Notes or 2018 Notes as a result of all downgrades or

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ratings withdrawals exceed 200 basis points in the aggregate, and in no event shall the interest rate payable on the 2022 Notes be lower than 5.50% or the interest rate payable on the 2018 Notes be lower than 2.90%. The interest rate payable on the 2022 Notes and 2018 Notes will no longer be subject to adjustment pursuant to such provisions after the date that is 180 days following the completion of any sale or distribution to the public of any equity securities of ING U.S., Inc., if at the time of such sale or distribution (or within 30 days thereafter) such equity securities are of a class that is listed on a national securities exchange.

Each 25 basis point increase in the interest rate payable on the 2022 Notes and 2018 Notes would result in a pre-tax increase in our interest payments of \$2.1 million and \$2.5 million per annum, respectively.

Certain of our reinsurance agreements contain provisions that are linked to the financial strength ratings of the individual legal entity that entered into the reinsurance agreement. If the insurance subsidiaries' financial strength ratings were downgraded in the future, the terms in our reinsurance agreements might be triggered and counterparties to the credit facility agreements could demand collateralization which could negatively impact overall liquidity. Based on the amount of credit outstanding as of December 31, 2012 and 2011, a one-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our collateral requirements by approximately \$24.6 million and \$22.8 million, respectively. The nature of the collateral that we may be required to post is principally in the form of cash, highly rated securities or LOC.

Certain of our derivative agreements contain provisions that are linked to the financial strength ratings of the individual legal entity that entered into the derivative agreement. If insurance subsidiaries' financial strength ratings were downgraded in the future, the terms in our derivative agreements might be triggered and counterparties to the derivative agreements could demand immediate further collateralization which could negatively impact overall liquidity. Based on the market value of our derivatives as of December 31, 2012 and 2011, a one-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our derivative collateral requirements by approximately \$125.0 million and \$123.0 million, respectively. The nature of the collateral that we may be required to post is principally in the form of cash and U.S. Treasury securities.

Based on the market value of our derivatives as of December 31, 2012 and 2011, a two-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in the derivative collateral requirements required by a one-notch downgrade by an additional \$2.5 million and \$6.7 million, respectively.

The amount of collateral that would be required to be posted is also dependent on the fair value of our derivative positions. For additional information on our derivative positions, see Note for *Derivative Financial Instruments*, in our Consolidated Financial Statements.

***Reinsurance***

We have reinsurance treaties covering a portion of the mortality risks and guaranteed death and living benefits under our life insurance and annuity contracts. We also have an annually renewable reinsurance transaction in our Employee Benefits segment which lowers the amount of required capital for the segment. We remain liable to the extent our reinsurers do not meet their obligations under the reinsurance agreements.

We reinsure our business through a diversified group of well capitalized, highly rated reinsurers. We monitor trends in arbitration and any litigation outcomes with our reinsurers. Collectability of reinsurance balances are evaluated by monitoring ratings and evaluating the financial strength of its reinsurers. Large reinsurance recoverable balances with offshore or other non-accredited reinsurers are secured through various forms of collateral, including secured trusts, funds withheld accounts and irrevocable LOCs.

We utilize indemnity reinsurance agreements to reduce our exposure to losses from unhedged GMDBs in our annuity insurance business. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge our primary liability as direct insurer of the risks. We evaluate the financial strength of potential reinsurers and continually monitor the financial strength and credit ratings of our reinsurers.

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The S&P rating of our reinsurers with the largest reinsurance recoverable balances are all A-rated or better. These reinsurers are Lincoln National Life Insurance Company, Lincoln Life & Annuity Company of New York, Hannover US and Hannover Re (Ireland) Plc (collectively, Hannover Re ) and various subsidiaries of Reinsurance Group of America Incorporated (collectively, RGA ). Only those reinsurance recoverable balances where recovery is deemed probable are recognized as assets on our consolidated balance sheets.

We have a significant concentration of reinsurance arising from the divestment of a block of individual life business via a reinsurance transaction prior to our acquisition of ILIAC (formerly Aetna Life Insurance and Annuity Company) in 2000. In 1998, we entered into an indemnity reinsurance agreement with a subsidiary of Lincoln National Corporation ( Lincoln ). The Lincoln subsidiary established a trust to secure its obligations to us under the reinsurance transaction. Of the reinsurance recoverable on the Consolidated Balance Sheets, \$2.1 billion and \$2.2 billion at December 31, 2012 and 2011, respectively, is related to the reinsurance recoverable from the subsidiary of Lincoln under this reinsurance agreement.

Effective January 1, 2009, we entered into the MPA with Scottish Re and Hannover Re. See Letter of Credit Facilities. Of the Reinsurance recoverable on the Consolidated Balance Sheets, \$2.7 billion and \$2.8 billion as of December 31, 2012 and 2011, respectively, is related to the reinsurance recoverable from Hannover Re under this reinsurance agreement.

On December 31, 2004, we reinsured the individual life reinsurance business (and sold certain systems and operating assets used in the individual life reinsurance business) to Scottish Re on a 100% coinsurance basis (the 2004 Transaction ) through our wholly owned subsidiaries, SLD and SLDI. As part of the 2004 Transaction, we paid a ceding commission and transferred assets backing reserves and miscellaneous other liabilities on the individual life reinsurance to Scottish Re. The ceding commission (net of taxes), along with other reserve assets, was placed in trust for our benefit to secure Scottish Re s obligations as reinsurers of the acquired business.

On November 19, 2008, an existing reinsurance agreement between SRUS and Ballantyne Re, concerning a portion of the business that was originally ceded to Scottish Re as part of the 2004 Transaction, was novated with the result that we were substituted for SRUS as the ceding company to Ballantyne Re and made the sole beneficiary of trust assets connected with the Ballantyne Re facility. The trust assets support the reserve requirements of the business transferred from SLD to Ballantyne Re. As of December 31, 2012, trust assets supporting reserves of \$712.5 million had a market value of \$975.5 million.

Effective January 1, 2010, we disposed of several blocks of its reinsurance business under coinsurance agreements with various subsidiaries of RGA for \$129.8 million. Under the terms of the agreements, we ceded to RGA 100% of various blocks of business, including Group Life, Accident and Special Risk, Medical, Managed Care and Long-term Disability contracts. RGA established trusts with initial assets of \$625.4 million to secure its obligations to us under the reinsurance transaction. As of December 31, 2012, due primarily to novation, there were no remaining trust funding requirements. Of the Reinsurance recoverable on the Consolidated Balance Sheets, \$6.7 million and \$11.1 million as of December 31, 2012 and 2011, respectively, is related to the reinsurance recoverable from RGA under this reinsurance agreement.

***Statutory Capital and Risk-Based Capital***

Each of our wholly owned U.S. insurance subsidiaries is subject to minimum RBC requirements established by the insurance departments of their applicable state of domicile. The formulas for determining the amount of RBC specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of TAC, as defined by the National Association of Insurance Commissioners ( NAIC ), to RBC requirements, as defined by the NAIC. Each of our United States insurance subsidiaries exceeded the minimum RBC requirements that would require regulatory or corrective action for all periods presented herein.

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Our wholly owned insurance subsidiaries are required to prepare statutory financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of the state of domicile of the respective insurance subsidiary. Statutory accounting practices primarily differ from GAAP by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions as well as valuing investments and certain assets and accounting for deferred taxes on a different basis. Certain assets that are not admitted under statutory accounting principles are charged directly to surplus. Depending on the regulations of the insurance department of the state of domicile, the entire amount or a portion of an asset balance can be non-admitted depending on specific rules regarding admissibility. The most significant non-admitted assets are typically deferred tax assets. Refer to the discussion regarding Statement of Statutory Accounting Principles ( SSAP ) No. 101 for additional information on the admissibility of deferred tax assets.

Statutory capital and surplus of our principal insurance subsidiaries is as follows for the periods presented:

Subsidiary Name (State of domicile):	As of December 31,	
	2012	2011
ING USA Annuity and Life Insurance Company (IA)	\$ 2,174.1	\$ 2,222.0
ING Life Insurance and Annuity Company (CT)	1,921.8	1,931.9
Security Life of Denver Insurance Company (CO)	1,459.9	1,519.5
ReliaStar Life Insurance Company (MN)	2,278.6	2,104.3

We monitor the ratio of our insurance subsidiaries TAC to company action level risk-based capital ( CAL ). A ratio in excess of 125% indicates that the insurance subsidiary is not required to take any corrective actions to increase capital levels at the direction of the applicable state of domicile.

The ratio of TAC to CAL on a combined basis for our four principal insurance subsidiaries (ING USA, ILIAC, SLD and RLI) is set out below for the periods presented:

(\$ in millions, except otherwise noted)

As of December 31, 2012			As of December 31, 2011		
CAL	TAC	Ratio	CAL	TAC	Ratio
\$1,497.4	\$7,871.9	526%	\$1,655.0	\$8,071.0	488%

Statutory reserves established for variable annuity contracts and riders are sensitive to changes in the equity markets and are affected by the level of account values relative to the level of any guarantees, product design and reinsurance arrangements. As a result, the relationship between reserve changes and equity market performance is non-linear during any given reporting period. Market conditions greatly influence the ultimate capital required due to its effect on the valuation of reserves and derivative assets hedging these reserves.

The sensitivity of our insurance subsidiaries statutory reserves and surplus established for variable annuity contracts and certain minimum interest rate guarantees to changes in the interest rates, credit spreads and equity markets will vary depending on the magnitude of the decline. The sensitivity will be affected by the level of account values, the level of guaranteed amounts and product design. Should statutory reserves increase, this could result in future reductions in our insurance subsidiaries surplus, which may also impact RBC. Adverse changes in interest rates and the continued widening of credit spreads may result in an increase in the reserves for product guarantees which adversely impact statutory surplus, which may also impact RBC.

RBC is also affected by the product mix of the in force book of business (i.e., the amount of business without guarantees is not subject to the same level of reserves as the business with guarantees). RBC is an important factor in the determination of the credit and financial strength ratings of ING U.S., Inc. and our insurance subsidiaries.

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Effective December 31, 2009, our insurance subsidiaries adopted Actual Guideline 43 Variable Annuity Commissioners Annuity Reserve Valuation Method ( AG43 ) for its statutory basis of accounting. The adoption of AG43 resulted in higher reserves than those calculated under previous standards by \$293.0 million. Where the application of AG43 produces higher reserves than our insurance subsidiaries had otherwise established under previous standards, we may request permission from the respective state insurance departments to grade-in the impact of higher reserves over a three year period. This grade-in provision was elected for some of our insurance subsidiaries, as allowed under AG43 and as approved by the applicable insurance regulator of domicile, which allows such insurance subsidiaries to reflect the impact of adoption over a three year period. The impact of the grade-in for the year ended December 31, 2010 was an increase in reserves and a corresponding decrease in statutory surplus of \$23.0 million. The grade-in did not have an impact on reserves or statutory surplus in 2011.

In June 2012, in conjunction with a limited scope examination of ING USA's AG43 variable annuity reserves, we agreed with the Iowa Insurance Division that by December 31, 2012 we would implement a revised prudent margin (i.e., provision for adverse deviation) to the assumed mortality for our block of GMIB and GMWBL liabilities ceded from ING USA to SLDI. This revision will not alter our best estimate mortality assumption used in our US GAAP financial statements. This revised prudent margin will increase our gross AG43 reserves before ceded reinsurance. As of December 31, 2012, the impact of this implementation to ING USA's gross AG43 reserves is an increase of \$175 million and the related reserve ceded to SLDI is increased by \$188 million. Thus, the net reserve impact to statutory reserves at ING USA is \$13 million favorable and SLDI is required to increase collateral in support of ceded reserves (i.e., qualifying assets in trust or approved letters of credit) in the amount of \$188 million.

Effective January 1, 2012, our insurance subsidiaries adopted statutory basis of accounting SSAP No. 101, Income Taxes ( SSAP 101 ), a replacement of SSAP No. 10R and SSAP No. 10. SSAP 101 provides revised statutory accounting principles for current and deferred federal income taxes. There is a three part admissibility test for calculating admitted deferred tax assets. The first part of the admissibility test requires a reversal period that corresponds to the tax loss carryback provisions of the Internal Revenue Code (not to exceed three years). The second part of the admissibility test establishes reversal periods and surplus limitation parameters (one year and 10 percent or three years and 15 percent) based upon risk-based capital levels. The third part of the admissibility test adds a requirement that the reporting entity offset gross deferred tax assets against deferred tax liabilities (considering the reversal patterns of temporary differences). The effects on the insurance subsidiaries' 2012 statutory-based financial statements of adopting this change in accounting principle at January 1, 2012 were an increase to statutory-based total assets and statutory-based capital and surplus of \$66.0 million.

***Pension and Postretirement Plans***

For the years ended December 31, 2012 and 2011 we contributed \$101.8 million and \$173.1 million, respectively, to our pension plans and \$4.1 million and \$4.9 million to our postretirement plans.

We are evaluating the MAP-21 legislation and considering the impacts to future funding. The legislation did not impact contributions that were made during the year ended December 31, 2012. Based on our actuarial assumptions, incorporating the provisions of MAP-21 reduces the required contributions to the plan in 2013. However, reduced funding levels in the near term could lead to increased PBGC variable-rate premiums and/or increases in plan funding in following years. For additional information on our pension and postretirement plan arrangements, see the Note for *Employee Benefit Arrangements* in our Consolidated Financial Statements.

**Off-Balance Sheet Arrangements**

Through the normal course of investment operations, we commit to either purchase or sell securities, commercial mortgage loans, or money market instruments, at a specified future date and at a specified price or yield. The inability of counterparties to honor these commitments may result in either a higher or lower replacement cost. Also, there is likely to be a change in the value of the securities underlying the commitments.

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At December 31, 2012 and 2011, we had off-balance sheet commitments to purchase investments equal to their fair value of \$890.1 million and \$1.3 billion, respectively, of which \$254.9 million and \$470.9 million, respectively, relates to consolidated investment entities.

**Aggregate Contractual Obligations**

As of December 31, 2012, we had certain contractual obligations due over a period of time as presented in the following table. The estimated payments reflected in this table are based on our estimates and assumptions about these obligations. Because these estimates and assumptions are necessarily subjective, the actual cash outflows in future periods will vary, possibly materially, from those presented in the table.

(\$ in millions)	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
<b>Contractual Obligations</b>					
Purchase obligations <sup>(1)</sup>	\$ 890.1	\$ 890.1	\$	\$	\$
Reserves for insurance obligations <sup>(2)(7)</sup>	113,724.6	7,894.5	13,697.7	13,258.4	78,874.0
Pension Obligations <sup>(3)</sup>	1,117.0	96.7	307.8	110.4	602.1
Short-term and long-term debt obligations <sup>(4)(8)</sup>	5,669.8	1,202.2	1,187.2	690.8	2,589.6
Operating leases <sup>(5)</sup>	159.2	41.9	55.0	39.4	22.9
Securities lending and repurchase agreements <sup>(6)</sup>	619.5	619.5			
<b>Total</b>	<b>\$ 122,180.2</b>	<b>\$ 10,744.9</b>	<b>\$ 15,247.7</b>	<b>\$ 14,099.0</b>	<b>\$ 82,088.6</b>

- (1) Purchase obligations consist primarily of outstanding commitments under alternative investments that may occur any time within the terms of the partnership, private loans and mortgages. The exact timing, however, of funding these commitments cannot be estimated. Therefore, the total amount of the commitments is included in the category Less than 1 Year.
- (2) Reserves for insurance obligations consist of amounts required to meet our future obligations for future policy benefits and contract owner account balances. Amounts presented in the table represent estimated cash payments under such contracts, including significant assumptions related to the receipt of future premiums, mortality, morbidity, lapse, renewal, retirement, disability and annuitization comparable with actual experience. These assumptions also include market growth and interest crediting consistent with assumptions used in amortizing DAC. All estimated cash payments are undiscounted for the time value of money. Accordingly, the sum of cash flows presented for all years of \$113.7 billion significantly exceeds the sum of Future policy benefits and Contract owner account balances of \$86.1 billion recorded on our Consolidated Balance Sheets as of December 31, 2012. Estimated cash payments are also presented gross of reinsurance. Due to the significance of the assumptions used, the amounts presented could materially differ from actual results.
- (3) Pension obligations consist of contribution matching obligations and other supplemental retirement and insurance obligations, under various benefit plans.
- (4) The estimated payments due by period for long-term debt reflects the contractual maturities of principal, as disclosed in Financing Agreements in our Consolidated Financial Statements, as well as estimated future interest payments. The payment of principal and estimated future interest for short-term debt are reflected in estimated payments due in less than one year. See Financing Agreements in our Consolidated Financial Statements for additional information concerning the short-term and long-term debt.
- (5) Operating leases consist primarily of outstanding commitments for office space, equipment and automobiles.
- (6) Payables under securities loan agreements including collateral held represents the liability to return collateral received from counterparties under securities lending agreements. Securities lending agreements include provisions which permit us to call back securities with minimal notice and accordingly, the payable is classified as having a term of less than 1 year.
- (7) Contractual obligations related to certain closed blocks, with Reserves in the amount of \$5.7 billion, have been excluded from the table because the blocks were divested through reinsurance contracts. Although we

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are not relieved of its legal liability to the contract holder for these closed blocks, third party collateral of \$6.6 billion has been provided for the payment of the related insurance obligations. The sufficiency of collateral held for any individual block may vary.

- (8) On February 11, 2013, we issued \$1.0 billion of 2018 Notes, which increased short-term and long-term debt obligations in the category More than 5 years, after the date as of which this table is presented. Using proceeds from the issuance of the 2018 Notes, we made payments totaling \$850.0 million on the Syndicated Bank Term Loan. As a result, short-term and long-term debt obligations in the category More than 5 years have decreased, after the date as of which this table is presented.

**Critical Accounting Judgments and Estimates**

***General***

The preparation of financial statements in conformity with GAAP requires us 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Critical estimates and assumptions are evaluated on an on-going basis based on historical developments, market conditions, industry trends and other information that is reasonable under the circumstances. There can be no assurance that actual results will conform to estimates and assumptions and that reported results of operations will not be materially affected by the need to make future accounting adjustments to reflect changes in these estimates and assumptions from time to time.

We have identified the following accounting policies, judgments and estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability:

Reserves for future policy benefits, DAC/VOBA and other intangibles and related amortization (including unlocking), valuation of investments and derivatives, impairments, income taxes, contingencies and employee benefit plans.

In developing these accounting estimates and policies, we make subjective and complex judgments that are inherently uncertain and subject to material changes as facts and circumstances develop. Although variability is inherent in these estimates, we believe the amounts provided are appropriate based upon the facts available upon preparation of the Consolidated Financial Statements.

The above critical accounting estimates are described in the *Business, Basis of Presentation and Significant Accounting Policies* Note to the 2012 ING U.S., Inc. Consolidated Financial Statements.

***Reserves for Future Policy Benefits***

The determination of future policy benefit reserves is dependent on actuarial assumptions. The principal assumptions used to establish liabilities for future policy benefits are based on our experience and periodically reviewed against industry standards. These assumptions include mortality, morbidity, policy lapse, contract renewal, payment of subsequent premiums or deposits by the contract owner, retirement, investment returns, inflation, benefit utilization and expenses. The assumptions used require considerable judgments. Changes in, or deviations from, the assumptions used can significantly affect our reserve levels and related results of operations.

Mortality is the incidence of death amongst policyholders triggering the payment of underlying insurance coverage by the insurer. In addition, mortality also refers to the ceasing of payments on life-contingent annuities due to the death of the annuitant. We utilize a combination of actual and industry experience when setting our mortality assumptions. A lapse rate is the percentage of in-force policies surrendered by the policyholder or canceled by us due to non-payment of premiums. For certain of our variable products, the lapse rate assumption varies according to the current account value relative to guarantees associated with the product and applicable



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surrender charges. In general, policies with guarantees that are considered in the money, or where the benefit is in excess of the account value, are assumed to be less likely to lapse or surrender. Conversely, out of the money guarantees may be assumed to be more likely to lapse or surrender as the policyholder has less incentive to retain the policy.

See the Notes for *Reserves for Future Policy Benefits and Contract Owner Account Balances and Guaranteed Benefit Features* in our Consolidated Financial Statements for further information on our reserves for future policy benefits and product guarantees.

*Insurance and Other Reserves*

Reserves for traditional life insurance contracts (mainly term insurance, participating and non-participating whole life insurance, traditional group life insurance) and accident and health insurance represent the present value of future benefits to be paid to or on behalf of contract owners and related expenses, less the present value of future net premiums. Assumptions as to interest rates, mortality, expenses and persistency are based upon our estimates of anticipated experience at the period the policy is sold or acquired, including a provision for adverse deviation. Interest rates used to calculate the present value of these reserves ranged from 2.5% to 7.7%.

Reserves for payout contracts with life contingencies are equal to the present value of expected future payments. Assumptions as to interest rates, mortality, and expenses are based upon the Company's experience at the period the policy is sold or acquired, including a provision for adverse deviation. Such assumptions generally vary by annuity plan type, year of issue, and policy duration. Interest rates used to calculate the present value of future benefits ranged from 3.0% to 7.75%.

Although assumptions are locked-in upon the issuance of individual and group life insurance, payout contracts with life contingencies, and certain accident and health insurance, significant changes in experience or assumptions may require the Company to provide for expected future losses on a product by establishing premium deficiency reserves. Premium deficiency reserves are determined based on best estimate assumptions that exist at the time the premium deficiency reserve is established and do not include a provision for adverse deviation.

*Product Guarantees*

The assumptions used to establish the liabilities for our product guarantees require considerable judgment and are established as management's best estimate of future outcomes. We periodically review these assumptions and, if necessary, update them based on additional information that becomes available. Changes in, or deviation from, the assumptions used can significantly affect our reserve levels, and related results of operations.

Reserves for annuity GMDB and GMIB are determined by estimating the value of expected benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments. Expected experience is based on a range of scenarios. Assumptions used, such as the long-term equity market return, lapse rate, and mortality, are consistent with assumptions used in estimating gross revenues for the purpose of amortizing DAC. In addition, the reserve for the GMIB guarantee incorporates assumptions for the likelihood and timing of the potential annuitizations that may be elected by the contract owner. In general, we assume that GMIB annuitization rates will be higher for policies with more valuable (more in the money) guarantees.

We also issue certain products which contain embedded derivatives and are measured at estimated fair value separately from the host contract. These embedded derivatives include annuity GMAB, GMWB, GMWBL, FIAs, and Stabilizer. The managed custody guarantee product ( MCG ) is a stand-alone derivative and is measured in its entirety at estimated fair value. Changes in estimated fair value of these derivatives are reported in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

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At inception of the GMAB, GMWB, and GMWBL contracts, we project a fee to be attributed to the embedded derivative portion of the guarantee equal to the present value of projected future guaranteed benefits. The estimated fair value of the GMAB, GMWB, and GMWBL contracts is determined based on the present value of projected future guaranteed benefits, minus the present value of projected attributed fees. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk free rates. The projection of future guaranteed benefits and future attributed fees require the use of assumptions for capital markets (e.g. implied volatilities, correlation among indices, risk-free swap curve, etc.) and policyholder behavior (e.g. lapse, benefit utilization, mortality, etc.).

We have only minimal experience on policyholder behavior for our GMIB and GMWBL products and, as a result, future experience could lead to significant changes in our assumptions. Our GMIB contracts have a ten-year waiting period before annuitization is available, with most of these GMIB contracts issued during the period 2004 to 2006. These contracts first become eligible to annuitize during the period 2014 to 2016, but contain significant incentives to delay annuitization beyond the first eligibility date. As a result, to date we have only a statistically small sample of experience used to set annuitization rates. Therefore, we anticipate that observable experience data will become statistically credible later this decade, when a large volume of GMIB benefits begin to reach their maximum benefit over the four-year period from 2019 to 2022. It is possible, however, that policyholders may choose to annuitize soon after the first annuitization date, rather than delay annuitization to receive increased guarantee benefits, in which case we may have statistically credible experience as early as in the period from 2014 to 2016.

Similarly, most of our GMWBL contracts are still in the first three to five policy years, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges over the next five to seven years. In addition, like our GMIB contracts, many of our GMWBL contracts contain significant incentives to delay withdrawal. We expect customer decisions on annuitization and withdrawal will be influenced by customers' financial plans and needs as well as by interest rate and market conditions over time and by the availability and features of competing products. If emerging experience deviates from our assumptions on either GMIB annuitization or GMWBL withdrawal, such could have a significant effect on our reserve levels and related results of operation.

We also make estimates of expected lapse of these products, which is the probability that a policy will not remain in force from one period to the next. Lapse rates of our annuity products may be significantly impacted by the value of guaranteed minimum benefits relative to the value of the underlying separate accounts (account value or account balance). In general, policies with guarantees that are in the money (i.e., where the notional benefit amount is in excess of the account value) are assumed to be less likely to lapse. Conversely, out of the money guarantees are assumed to be more likely to lapse as the policyholder has less incentive to retain the policy.

Our lapse rate experience of these products has varied significantly over the period from 2006 to the present, reflecting among other factors, both pre and post-financial crisis experience. During the early years of this period, our lapse rate experience was higher than our current best estimate of policyholder lapse behavior would have indicated; in the later part of this period, after mid-2009, it was lower. Management's best estimate of lapse behavior incorporates actual experience over the entire period, as we believe that, over the duration of the policies, we will experience the full range of policyholder behavior and market conditions.

We review overall policyholder experience at least annually (including lapse, annuitization, withdrawal and mortality), and update these assumptions when deemed necessary based on additional information that becomes available. If actual lapse rates are significantly different from those assumed, such could have a significant effect on our reserve levels and related results of operation. During the third quarter of 2012, we updated policyholder assumptions related to lapse rates on variable annuity contracts with lifetime living benefit guarantees based on updated experience studies as well as changes in cash flow projection and volatility assumptions on certain products. As a result of this review, GAAP reserves increased by approximately \$151.7 million driven primarily

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by an update to lapse rates on variable annuity contracts with lifetime living benefit guarantees. This increase in reserve consisted primarily of a \$114.6 million change in policyholder assumptions related to lapse rates on variable annuity contracts with lifetime living benefit guarantees and \$37.1 million related to changes in cash flow projection and volatility assumptions on certain products.

We increased reserves in the fourth quarter of 2011 after a comprehensive review of our assumptions relating to lapses, mortality, annuitization of income benefits and utilization of withdrawal benefits. The review in 2011 included an analysis of a larger body of actual experience than was previously available, including a longer period with low equity markets and interest rates, which we believe provided greater insight into anticipated policyholder behavior for contracts that are in the money. This resulted in an increase of GAAP reserves of \$741 million and gross U.S. statutory reserves of \$2.8 billion in the fourth quarter of 2011.

Reserves for universal and variable life secondary guarantees and paid-up guarantees are calculated by estimating the expected value of death benefits payable and recognizing those benefits ratably over the accumulation period based on total expected assessments. The reserve for such products recognizes the portion of contract assessments received in early years used to compensate us for benefits provided in later years. Assumptions used, such as the interest rate, lapse rate and mortality, are consistent with assumptions used in estimating gross profits for purposes of amortizing DAC.

The estimated fair value of the FIA contracts is based on the present value of the excess of interest payments to the contract holders over the minimum guaranteed interest rate ( MGIR ). The excess interest payments are determined as the excess of projected index driven benefits over the projected guaranteed benefits. The projection horizon is over the anticipated life of the related contracts which takes into account best estimate actuarial assumptions, such as partial withdrawals, full surrenders, deaths, annuitizations and maturities.

The estimated fair value of the Stabilizer and MCG contracts is determined based on the present value of projected future claims minus the present value of future guaranteed premiums. At inception of the contract, we project a guaranteed premium to be equal to the present value of the projected future claims. The income associated with the contracts is projected using actuarial and capital market assumptions, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are projected under multiple capital market scenarios using observable risk-free rates and other best estimate assumptions.

The GMAB, GMWB, GMWBL, FIA, and Stabilizer embedded derivative liabilities and the stand-alone derivative for MCG include a risk margin to capture uncertainties related to policyholder behavior assumptions. The margin represents additional compensation a market participant would require to assume these risks.

The discount rate used to determine the fair value of our GMAB, GMWB, GMWBL, FIA, and Stabilizer embedded derivative liabilities and the stand-alone derivative for MCG includes an adjustment to reflect the risk that these obligations will not be fulfilled ( nonperformance risk ). Through the second quarter of 2012, our nonperformance risk adjustment was based on the CDS spreads of ING V, the indirect parent of ING U.S., and applied to the risk-free swap curve in our valuation models. As a result of the availability of our own market observable data following our issuance of the 2022 Notes in the third quarter of 2012, we changed the estimate of nonperformance risk as of the beginning of the third quarter of 2012 to incorporate a blend of observable, similarly rated peer holding company CDS spreads, adjusted to reflect the credit quality of our individual insurance subsidiary that issued the guarantee as well as an adjustment to reflect the priority of policyholder claims. The impact of the adjustment for nonperformance risk on the fair value of these liabilities was a reduction of approximately \$924 million and \$1,485 million as of December 31, 2012 and 2011, respectively.

See **Qualitative and Quantitative Disclosure About Market Risk** for additional information regarding the specific hedging strategies and reinsurance we utilize to mitigate risk for the product guarantees. Sensitivities of the GMAB, GMWB, GMWBL, FIA, and Stabilizer embedded derivative liabilities and the stand-alone derivative for MCG to changes in certain capital markets assumptions is also discussed.

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### ***Valuation and Amortization of Deferred Policy Acquisition Costs, Value of Business Acquired, and Other Intangibles and Related Amortization***

DAC represents policy acquisition costs that have been capitalized and are subject to amortization and interest. Capitalized costs are incremental, direct costs of contract acquisition, as well as certain costs that are directly related to successful acquisition activities. Such costs consist principally of commissions, underwriting, sales, and contract issuance and processing expenses directly related to the successful acquisition of new and renewal business. DAC recoverability testing is performed for current issue year products to determine if premiums are sufficient to cover estimated benefits and expenses. Indirect or unsuccessful acquisition costs, maintenance, product development, and overhead expenses are charged to expense as incurred. VOBA represents the outstanding value of in force business acquired and is subject to amortization and interest. The value is based on the present value of estimated net cash flows embedded in the insurance contracts at the time of the acquisition and increased for subsequent deferrable expenses on purchased policies.

DSI represents benefits paid to contract owners for a specified period that are incremental to the amounts we credit on similar contracts without sales inducements and are higher than the contract's expected ongoing crediting rates for periods after the inducement. URR relates to universal and variable universal life products and represents policy charges for benefits or services to be provided in future periods.

Collectively, we refer to DAC, VOBA, DSI and URR as DAC/VOBA and other intangibles. See the Note for *Deferred Policy Acquisition Costs and Value of Business Acquired* in our Consolidated Financial statements for additional information on the DAC/VOBA and other intangibles balances.

#### *Amortization Methodologies*

We amortize DAC and VOBA related to traditional contracts (term insurance, participating and non-participating whole life insurance, and traditional group life insurance) and certain accident and health insurance over the premium payment period in proportion to the present value of expected gross premiums. Assumptions as to mortality, morbidity, persistency, and interest rates, which include provisions for adverse deviation, are consistent with the assumptions used to calculate reserves for future policy benefits. These assumptions are locked-in at issue and not revised unless the DAC or VOBA balance is deemed to be unrecoverable from future expected profits. DAC recoverability testing is performed for current issue year products to determine if net premiums are sufficient to cover estimated benefits and expenses. In subsequent periods, the recoverability of the DAC or VOBA balances are determined by assessing whether future gross profits are sufficient to amortize the DAC or VOBA balances as well as provide for expected future benefits and maintenance costs. If a premium deficiency is deemed to be present, charges will be applied against the DAC and VOBA balances before an additional reserve is established. Absent such a premium deficiency, variability in amortization after policy issuance or acquisition relates only to variability in premium volumes.

We amortize DAC and VOBA related to fixed and variable universal life contracts and fixed and variable deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits. Assumptions as to mortality, persistency, interest crediting rates, fee income, returns associated with separate account performance, impact of hedge performance, expenses to administer the business, and certain economic variables, such as inflation, are based on our experience and overall capital markets. At each valuation date, the most recent quarter's estimated gross profits are updated with actual gross profits and the assumptions underlying future estimated gross profits are evaluated for continued reasonableness. Adjustments to estimated gross profits require that amortization rates be revised retroactively to the date of the contract issuance (unlocking). If the update of assumptions causes estimated gross profits to increase, DAC and VOBA amortization will decrease, resulting in lower amortization expense in the period. The opposite result occurs when the assumption update causes estimated gross profits to decrease.

For variable deferred annuity contracts within Closed Block Variable Annuity, we amortize DAC and VOBA in relation to the emergence of estimated gross revenue. For GICs and Employee Benefit stop-loss and certain life, disability, and voluntary employee paid products, acquisition costs are expensed as incurred.

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We defer sales inducements and amortize the DSI over the life of the policy using the same methodology and assumptions used to amortize DAC. The amortization of sales inducements is included in Interest credited to contract owner account balances in the Consolidated Statements of Operations.

URR is amortized over the expected life of the contract in proportion to the estimated gross profits in a manner consistent with DAC for these products. The amortization of URR is included in Fee income in the Consolidated Statements of Operations.

Each year, or more frequently if circumstances indicate a potential loss recognition issue exists, we perform testing to assess the recoverability of DAC/VOBA and other intangibles. If DAC/VOBA and other intangibles are not deemed recoverable from future expected profits, changes will be applied against the DAC/VOBA and other intangibles before an additional reserve is established.

### *Assumptions and Periodic Review*

Changes in assumptions can have a significant impact on DAC/VOBA and other intangibles balances, amortization rates and results of operations. Assumptions are management's best estimate of future outcome. Several assumptions are considered significant and require significant judgment in the estimation of gross profits associated with our variable products. We periodically review these assumptions against actual experience and, based on additional information that becomes available, update our assumptions.

One significant assumption is the assumed return associated with the variable account performance, which has historically had a greater impact on variable annuity than variable universal life products. To reflect the volatility in the equity markets, this assumption involves a combination of near-term expectations and long-term assumptions regarding market performance. The overall return on the variable account is dependent on multiple factors, including the relative mix of the underlying sub-accounts among bond funds and equity funds, as well as equity sector weightings. Our practice assumes that near-term and long-term increases or decreases in equity markets revert to the long-term appreciation in equity markets. We monitor market events and only change the assumption when sustained deviations are expected. This methodology incorporates a 9% long-term equity return assumption, a 14% cap and a five-year look-forward period. We implemented this reversion to the mean methodology on January 1, 2011.

Another significant assumption used in the estimation of future gross profits for fixed and variable universal life products is mortality. We utilize a combination of actual and industry experience when setting our mortality assumptions, and are consistent with the assumptions used to calculate reserves for future policy benefits.

Assumptions related to interest rate spreads and credit losses also impact estimated gross profits for all applicable products with credited rates. These assumptions are based on the current investment portfolio yields and credit quality, estimated future crediting rates, capital markets, and estimates of future interest rates and defaults.

Other significant assumptions include estimated policyholder behavior assumptions, such as surrender, lapse, and annuitization rates. We use a combination of actual and industry experience when setting and updating our policyholder behavior assumptions and such assumptions require considerable judgment. Estimated gross profits of our variable annuity contracts are particularly sensitive to these assumptions.

We include the impact of the change in value of the embedded derivative associated with the FIA contracts in gross profits for purposes of determining DAC amortization. When performing loss recognition testing on the GMAB, GMWB, GMWBL contracts, we include the change in value of the associated embedded derivatives in gross profits. In addition, we utilize a hedging program to mitigate the exposure of our Closed Block Variable Annuity segment to adverse capital market results, economic downturns and seek to ensure that the required assets are available to satisfy future death and

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living benefit guarantees. In general, our variable annuity hedge program generates gains and losses that mitigate our exposure to these guarantees. As our hedging program does not explicitly hedge the GAAP liability, we typically experience breakage, or a difference between the change in the GAAP liability and the change in the corresponding derivative instrument. We include the impact of our hedging activities supporting our death and living benefit guarantees in gross profits when performing loss recognition testing.

*Sensitivity*

We perform sensitivity analyses to assess the impact that certain assumptions have on DAC/VOBA and other intangibles. The following table presents the estimated instantaneous net impact to income before income taxes of various assumption changes on our DAC/VOBA and other intangibles and the impact on related reserves for future policy benefits and reinsurance. The effects presented are not representative of the aggregate impacts that could result if a combination of such changes to equity markets, interest rates and other assumptions occurred.

	As of
(\$ millions)	December 31, 2012
Decrease in long-term rate of return assumption by 100 basis points	\$ (239.2)
A change to the long-term interest rate assumption of -50 basis points	(65.5)
A change to the long-term interest rate assumption of +50 basis points	65.7
An assumed increase in future mortality by 1%	(20.3)
A one-time, 10% decrease in equity market values	(203.8)

Assumptions regarding shifts in market factors may be overly simplistic and not indicative of actual market behavior in stress scenarios.

Lower assumed equity rates of return, lower assumed interest rates, increased assumed future mortality and decreases in equity market values all tend to decrease the balances of DAC/VOBA and other intangibles and to increase future policy benefit reserves, thus decreasing income before income taxes.

Higher assumed interest rates tend to increase the balances of DAC/VOBA and other intangibles and to decrease future policy benefit reserves, thus increasing income before income taxes.

**Valuation of Investments and Derivatives**

Our investment portfolio consists of public and private fixed maturity securities, commercial mortgage and other loans, equity securities, short-term investments, other invested assets, and derivative financial instruments. Fixed maturity and equity securities are primarily classified as available-for-sale and are carried at fair value on the Consolidated Balance Sheets with the difference from amortized cost included in Shareholder's equity as a component of AOCI. We use derivatives mainly to provide an economic hedge of our exposure to variability of cash flows, interest rate risk, credit risk, exchange rate risk and market risk of assets and liabilities. See the Notes for *Investments (excluding Consolidated Investment Entities)* and *Derivative Financial Instruments* in our Consolidated Financial Statements for further information. We also issue certain products which contain embedded derivatives. See Critical Accounting Judgments and Estimates Reserves for Future Policy Benefits for further information.

*Investments*

We measure the fair value of our financial assets and liabilities based on assumptions used by market participants, which may include inherent risk, restrictions on the sale or use of an asset, or nonperformance risk, including our own credit risk. The estimate of fair value is the price that would be received to sell an asset or

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transfer a liability in an orderly transaction between market participants ( exit price ) in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability. We use a number of valuation sources to determine the fair values of our financial assets and liabilities, including quoted market prices, third-party commercial pricing services, third-party brokers, and industry-standard, vendor-provided software that models the value based on market observable inputs, and other internal modeling techniques based on projected cash flows.

We categorize our financial instruments into a three-level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

When available, the estimated fair value of securities is based on quoted prices in active markets that are readily and regularly obtainable. When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, including discounted cash flows, matrix pricing, or other similar techniques. Inputs to these methodologies include, but are not limited to, market observable inputs such as benchmark yields, credit quality, issuer spreads, bids, offers, and cash flow characteristics of the security. For privately placed bonds, we also consider such factors as the net worth of the borrower, value of the collateral, the capital structure of the borrower, the presence of guarantees and the borrower's ability to compete in its relevant market. Valuations are reviewed and validated monthly by an internal valuation committee using price variance reports, comparisons to internal pricing models, back testing of recent trades, and monitoring of trading volumes, as appropriate.

The valuation of financial assets and liabilities involves considerable judgment, is subject to considerable variability, is established using management's best estimate and is revised as additional information becomes available. As such, changes in, or deviations from the assumptions used in such valuations can significantly affect our results of operations. Financial markets are subject to significant movements in valuation and liquidity which can impact our ability to liquidate and the selling price which can be realized for our securities.

***Derivatives***

Derivatives are carried at fair value, which is determined by using observable key financial data, such as yield curves, exchange rates, Standard & Poor's 500 Index ( S&P 500 ) prices, London Interbank Offered Rates ( LIBOR ), and Overnight Index Swap rates through values established by third-party sources, such as third-party brokers. Valuations for our futures contracts are based on unadjusted quoted prices from an active exchange. Counterparty credit risk is considered and incorporated in our valuation process through counterparty credit rating requirements and monitoring of overall exposure. Our own credit risk is also considered and incorporated in our valuation process.

We have certain CDS and options that are priced using models that primarily use market observable inputs, but contain inputs that are not observable to market participants.

We also have investments in certain fixed maturities, and have issued certain annuity products, that contain embedded derivatives whose fair value is at least partially determined by, among other things, levels of or changes in domestic and/or foreign interest rates (short-term or long-term), exchange rates, prepayment rates, equity markets, or credit ratings/spreads. The fair values of these embedded derivatives are determined using prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. For additional information regarding the valuation of and significant assumptions associated with derivatives and embedded derivatives related to guaranteed benefits contained within certain product offerings, see Critical Accounting Judgments and Estimates Reserves for Future Policy Benefits.

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In addition, we have entered into a coinsurance with funds withheld reinsurance arrangement that contains an embedded derivative with the fair value of the derivative based on the change in the fair value of the underlying assets held in the trust using the valuation methods and assumptions described for our investments held.

The valuation of derivatives involves considerable judgment, is subject to considerable variability, is established using management's best estimate and is revised as additional information becomes available. As such, changes in, or deviations from these assumptions used in such valuations can have a significant effect on the results of operations. For additional information regarding the fair value of our investments and derivatives, see the Note for *Fair Value Measurements* in our Consolidated Financial Statements.

### ***Impairments***

We evaluate our available-for-sale general account investments quarterly to determine whether there has been an other-than-temporary decline in fair value below the amortized cost basis. This evaluation process entails considerable judgment and estimation. Factors considered in this analysis include, but are not limited to, the length of time and the extent to which the fair value has been less than amortized cost, the issuer's financial condition and near-term prospects, future economic conditions and market forecasts, interest rate changes, and changes in ratings of the security. An extended and severe unrealized loss position on a fixed maturity may not have any impact on: (a) the ability of the issuer to service all scheduled interest and principal payments, and (b) the evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for certain equity securities, we give greater weight and consideration to a decline in market value and the likelihood such market value decline will recover.

When assessing our intent to sell a security or if it is more likely than not we will be required to sell a security before recovery of its amortized cost basis, we evaluate facts and circumstances such as, but not limited to, decisions to rebalance the investment portfolio and sales of investments to meet cash flow or capital needs.

We use the following methodology and significant inputs to determine the amount of the OTTI credit loss:

We perform a discounted cash flow analysis comparing the current amortized cost of a security to the present value of future cash flows expected to be received, including estimated defaults and prepayments.

When determining collectability and the period over which the value is expected to recover for U.S. and foreign corporate securities, foreign government securities and state and political subdivision securities, we apply the same considerations utilized in our overall impairment evaluation process, which incorporates information regarding the specific security, the industry and geographic area in which the issuer operates, and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from our best estimates of likely scenario-based outcomes, after giving consideration to a variety of variables that include, but are not limited to: general payment terms of the security; the likelihood that the issuer can service the scheduled interest and principal payments; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; and changes to the rating of the security or the issuer by rating agencies.

Additional considerations are made when assessing the unique features that apply to certain structured securities, such as subprime Alt-A, non-agency, RMBS, CMBS and ABS. These additional factors for structured securities include, but are not limited to: the quality of underlying collateral; expected prepayment speeds; loan-to-value ratio; debt service coverage ratios; current and forecasted loss severity; consideration of the payment terms of the underlying assets backing a particular security; and the payment priority within the tranche structure of the security.



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Mortgage loans on real estate are all commercial mortgage loans. If a mortgage loan is determined to be impaired (i.e., when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement), the carrying value of the mortgage loan is reduced to the lower of either the present value of expected cash flows from the loan, based on the original purchase yield or the fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure.

Impairment analysis of the investment portfolio involves considerable judgment, is subject to considerable variability, is established using management's best estimate and is revised as additional information becomes available. As such, changes in, or deviations from the assumptions used in such analysis can have a significant effect on the results of operations. For additional information regarding the evaluation process for impairments, see the Note for *Investments (excluding Consolidated Investment Entities)* in our Consolidated Financial Statements for further information regarding the evaluation process for impairments.

### ***Income Taxes***

#### ***Valuation Allowances***

We use certain assumptions and estimates in determining the income taxes payable or refundable for the current year, the deferred income tax liabilities and assets for items recognized differently in our financial statements from amounts shown on our income tax returns, and the federal income tax expense. Determining these amounts requires analysis and interpretation of current tax laws and regulations, including the loss limitation rules associated with change in control. We exercise considerable judgment in evaluating the amount and timing of recognition of the resulting income tax liabilities and assets. These judgments and estimates are reevaluated on a periodic basis as regulatory and business factors change.

We evaluate and test the recoverability of deferred tax assets. Deferred tax assets represent the tax benefit of future deductible temporary differences and operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. Considerable judgment and the use of estimates are required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance, we consider many factors, including:

The nature and character of the deferred tax assets and liabilities;

The nature and character of income by life and non-life subgroups;

Income in non-U.S. companies;

Taxable income in prior carryback years;

Projected future income, exclusive of reversing temporary differences and carryforwards;

Projected future reversals of existing temporary differences;

The length of time carryforwards can be utilized;

Any prudent and feasible tax planning strategies we would employ to avoid a tax benefit from expiring unused;

The nature, frequency and severity of cumulative GAAP losses in recent years; and

Any tax rules that would impact the utilization of the deferred tax assets.

We have assessed whether it is more likely than not that the deferred tax assets will be realized in the future. In making this assessment, we considered the available sources of income and positive and negative evidence regarding our ability to generate sufficient taxable income to realize our deferred tax assets, which include net operating loss carryforwards ( NOLs ), capital loss carryforwards and tax credit carryforwards.

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We have considered these sources of income: future reversals of existing taxable temporary differences, future taxable income, taxable income in prior carry back years, and tax planning strategies.

Positive evidence includes a recent history of earnings, projected earnings attributable to our ongoing insurance and investment businesses, plans or the ability to sell certain assets and streams of revenues, plans to reduce future projected losses by reduction of sales of certain products, and predictable patterns of loss and income recognition. Negative evidence includes a history of operating losses in certain life businesses, large losses in the non-life business, and the potential unpredictability of certain components of future projected taxable income.

We use judgment in considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists (a) the more positive evidence is necessary and (b) the more difficult it is to support a conclusion that a valuation allowance is not needed for some portion or all of the deferred tax asset. We concluded that the cumulative losses in recent years were significant negative evidence requiring the establishment of a valuation allowance.

We have determined that a valuation allowance of \$3.0 billion is required as of December 31, 2012. Pursuant to ASC Topic 740, we do not specifically identify the valuation allowance with individual categories. However, we estimate that \$1.0 billion and \$43.2 million of the December 31, 2012 valuation allowance are related to federal net operating losses and non-life realized capital losses, respectively. We also estimate that approximately \$280 million and \$640 million of the December 31, 2012 valuation allowance are related to non-life subgroup deferred amounts and life subgroup deferred amounts, respectively. The remaining balance of the valuation allowance is attributable to various items including losses in SLDI, our Cayman Islands insurance subsidiary, state taxes, and other deferred tax assets.

As of December 31, 2012, we have recognized \$652.0 million deferred tax assets based on tax planning related to unrealized gains on investment assets. This tax planning strategy supports recognition of deferred tax assets which have been provided on deductible temporary differences. Future changes, such as interest rate movements or an ownership change under Section 382 of the Internal Revenue Code (discussed below), can adversely impact this tax planning strategy. To the extent unrealized gains decrease or to the extent loss utilization is limited, the tax benefit will be reduced by increasing the tax valuation allowance.

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As of December 31, 2012, we had approximately \$2.9 billion of federal NOLs and \$0.1 billion of capital loss carryforwards, which expire as follows (the deferred tax asset and offsetting valuation allowances, if any, are also presented):

(\$ in millions)

<b>Expiration</b>	<b>Life Ordinary Losses</b>	<b>Non-Life Ordinary Losses</b>	<b>Life Capital Losses</b>	<b>Non-Life Capital Losses</b>	<b>Total Carryforward</b>
2013	\$	\$	\$	\$ (24.9)	\$ (24.9)
2014				(41.0)	(41.0)
2015				(7.6)	(7.6)
2016					
2017		(3.2)		(49.9)	(53.1)
2018		(5.3)			(5.3)
2019		(8.2)			(8.2)
2020		(24.9)			(24.9)
2021		(59.0)			(59.0)
2022		(7.2)			(7.2)
2023	(172.1)	(89.4)			(261.5)
2024					
2025	(178.7)	(510.1)			(688.8)
2026	(188.7)	(355.0)			(543.7)
2027		(168.4)			(168.4)
2028		(214.2)			(214.2)
2029		(411.5)			(411.5)
2030		(379.2)			(379.2)
2031		(59.8)			(59.8)
2032		(112.1)			(112.1)
<b>Total losses</b>	<b>\$ (539.5)</b>	<b>\$ (2,407.5)</b>	<b>\$</b>	<b>\$ (123.4)</b>	<b>\$ (3,070.4)</b>
Gross deferred tax asset	\$ 188.8	\$ 842.6	\$	\$ 43.2	\$ 1,074.6
Valuation allowance	188.8	842.6		43.2	1,074.6
Deferred tax asset on losses	\$	\$	\$	\$	\$

The current level of and assumptions related to the valuation allowances have implications for our future tax provisions. First, to the extent we have future book pre-tax losses, additional valuation allowances will most likely be provided to offset the majority of the deferred tax assets created. Second, to the extent we have future book pre-tax income, valuation allowances will most likely be released in the near term to offset the majority of the deferred tax liabilities created. Third, to the extent income is sustained for a period of time in the future, we may be able to consider future taxable income to support deferred tax assets. This may result in a release of significant valuation allowances. These changes in the valuation allowance could have a significant impact on earnings in the future.

Section 382 imposes limitations on a corporation's ability to use its NOLs when we undergo an ownership change (See Risk Factors Risks Related to Our Business General We expect that our ability to use beneficial U.S. tax attributes will be subject to limitations. ). As of December 31, 2012, we have not recorded a valuation allowance giving specific consideration to a Section 382 ownership change event because the ultimate divestiture by ING Group of its interest in ING U.S., Inc. has not occurred. If ING Group were to divest its interest in ING U.S., Inc. in a manner such that Section 382 does apply, additional valuation allowances may be required. We are uncertain as to the ultimate financial impact of a reduction of the deferred tax asset resulting from an ownership change. However, using amounts available at December 31, 2012, we estimate that the deferred tax asset that would potentially be subject to an additional valuation allowance is approximately \$80 million to \$180 million (mainly as a result of built-in losses), which could change following the final Section 382 calculations. The actual impact on the valuation allowance is dependent mainly on the level of unrealized



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capital gains and losses at the time of the ownership change, the calculated Section 382 limitation, the estimated reversal pattern of the capital losses supported by tax planning strategies, the estimated reversal pattern of the unrealized capital gains comprising the tax planning strategies, the estimated reversal pattern of the unrealized capital losses subject to the built in loss rules and the level of the valuation allowance otherwise held prior to the 382 event. The actual impact may be materially different from this estimate. The amounts described above are based solely on data and assumptions as of December 31, 2012.

### *Tax Contingencies*

In establishing unrecognized tax benefits, we determine whether a tax position is more likely than not to be sustained under examination by the appropriate taxing authority. We also consider positions which have been reviewed and agreed to as part of an examination by the appropriate taxing authority. Tax positions that do not meet the more likely than not standard are not recognized. Tax positions that meet this standard are recognized in our Consolidated Financial Statements. We measure the tax position as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate resolution with a taxing authority that has full knowledge of all relevant information.

### *Changes in Law*

Certain changes or future events, such as changes in tax legislation, geographic mix of earnings and completion of tax audits, planning opportunities, and expectations about future outcomes could have an impact on our estimates of valuation allowances, deferred taxes, tax provisions, and effective tax rates.

For example, a reduction in the corporate tax rate would most likely result in a tax benefit based on the fact that, as of December 31, 2012, we have a deferred tax liability. Conversely, an increase in the corporate tax rate would most likely result in an additional tax expense.

### *Contingencies*

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Examples of loss contingencies include pending or threatened adverse litigation, threat of expropriation of assets, and actual or possible claims and assessments. Amounts related to loss contingencies involve considerable judgments and are accrued if it is probable that a loss has been incurred and the amount can be reasonably estimated. Reserves are established reflecting management's best estimate, reviewed on a quarterly basis and revised as additional information becomes available. When a loss contingency is reasonably possible, but not probable, disclosure is made of management's best estimate of possible loss, or the range of possible loss, or a statement is made that such an estimate cannot be made.

We are involved in threatened or pending lawsuits/arbitrations arising from the normal conduct of business. Due to the climate in insurance and business litigation/arbitration, suits against us sometimes include claims for substantial compensatory, consequential or punitive damages and other types of relief. Moreover, certain claims are asserted as class actions, purporting to represent a group of similarly situated individuals. It is not always possible to accurately estimate the outcome of such lawsuits/arbitrations. Therefore, changes to such estimates could be material. As facts and circumstances change, our estimates are revised accordingly. Our reserves reflect management's best estimate of the ultimate resolution.

### *Employee Benefits Plans*

We sponsor defined benefit pension and other postretirement benefit plans covering eligible employees, sales representatives, and other individuals. The net periodic benefit cost and projected benefit obligations are calculated based on assumptions such as the discount rate, rate of return on plan assets, rates of future

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compensation increases, and health care cost trend rates. These assumptions require considerable judgment, are subject to considerable variability and are established using management's best estimate. Actual results could vary significantly from assumptions based on changes such as economic and market conditions, demographics of participants in the plans, and amendments to benefits provided under the plans. Differences between the expected return and the actual return on plan assets and all other actuarial changes, which could be significant, are immediately recognized in the Consolidated Statements of Operations.

Beginning January 1, 2012, the ING Americas Retirement Plan (the Retirement Plan) began using a cash balance pension formula instead of a final average pay (FAP) formula, allowing all eligible employees to participate in the Retirement Plan. Participants will earn an annual credit equal to 4% of eligible compensation. The accrued vested cash balance benefit is portable; participants can take it when they leave the Company's employ. For participants in the Retirement Plan as of December 31, 2011, there will be a two-year transition period from the Retirement Plan's current FAP formula to the cash balance pension formula. Under ASC Topic 715 requirements, the impact of the change in the Retirement Plan was recognized upon Board approval on November 10, 2011, resulting in an \$83.6 million decrease to the benefit obligation.

*Sensitivity*

The discount rate and expected rate of return assumptions relating to our defined benefit pension and other postretirement benefit plans have historically had the most significant effect on our net periodic benefit costs and the projected and accumulated projected benefit obligations associated with these plans.

The discount rate is based upon current market information provided by plan actuaries. The discount rate modeling process involves selecting a portfolio of high quality, non-callable bonds that will match the cash flows of the Retirement Plan. The weighted average discount rate in 2012 for the net periodic benefit cost was 4.59%. Due to the curtailment of the Retirement Plan as a result of the Cognizant transaction (see Business Employees for a description of the Cognizant transaction), we remeasured the Retirement Plan's assets and liabilities using a discount rate of 4.25% on August 16, 2012. See the Note for *Employee Benefit Arrangements* in our Consolidated Financial Statements for details regarding the Cognizant transaction and the related Retirement Plan remeasurement.

The discount rate for determining the projected benefit obligation and accumulated projected benefit obligation as of December 31, 2012 was 4.05%. As of December 31, 2012, the sensitivities of the effect of an increase or decrease in the discount rate are as presented below:

(\$ in millions)	Increase (Decrease) in Net Periodic		Increase (Decrease) in Net Periodic	
	Benefit Cost	Pension Plans	Benefit Cost	Other Postretirement Benefits
Increase in discount rate by 100 basis points	\$	(295.7)	\$	(2.6)
Decrease in discount rate by 100 basis points		375.5		3.0

(\$ in millions)	Increase (Decrease) in		Increase (Decrease) in Accumulated	
	Pension Benefit Obligation		Postretirement Benefit Obligation	
Increase in discount rate by 100 basis points	\$	(293.7)	\$	(2.8)
Decrease in discount rate by 100 basis points		374.0		3.3

The expected rate of return considers the asset allocation, historical returns on the types of assets held, and the current economic environment. Based on these factors, we expect that the assets will earn an average percentage per year over the long term. This estimation is based on an active return on a compound basis, with a reduction for administrative expenses and non-ING investment manager fees paid from the assets. For estimation purposes, we assume the long-term asset mix will be consistent with the target allocation. Changes on the asset mix could impact the amount of recorded pension income or expense, the funded status of the Retirement Plan, and the need for future cash contributions.

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The expected rate of return for 2012 was 7.5% (net of expenses) for the Retirement Plan. The expected rate of return assumption is only applicable to this plan as assets are not held by any of the other pension and other postretirement plans.

As of December 31, 2012, the effect of an increase or decrease in the actual rate of return on the net periodic benefit cost is presented in the table below:

(\$ in millions)	<b>Increase (Decrease) in Net Periodic Benefit Cost Pension Plans</b>	
Increase in actual rate of return by 100 basis points	\$	(12.3)
Decrease in actual rate of return by 100 basis points		12.3

For more information related to our employee benefit plans, see the Note for *Employee Benefit Arrangements* in our Consolidated Financial Statements.

**Impact of New Accounting Pronouncements**

For information regarding the impact of new accounting pronouncements, see the Note for *Business, Basis of Presentation and Significant Accounting Policies* in our Consolidated Financial Statements.

**Qualitative and Quantitative Disclosure About Market Risk**

Market risk is the risk that our consolidated financial position and results of operations will be affected by fluctuations in the value of financial instruments. We have significant holdings in financial instruments and are naturally exposed to a variety of market risks. The main market risks we are exposed to include credit risk, interest rate risk and equity market price risk. We do not have material market risk exposure to trading activities in our Consolidated Financial Statements.

**Risk Management**

As a financial services company active in Retirement, Investment Management and Insurance, taking measured risks is part of our business. As part of our effort to ensure measured risk taking, we have integrated risk management in our daily business activities and strategic planning.

We place a high priority to risk management and risk control. We have comprehensive risk management and control procedures in place at all levels and have established a dedicated risk management function with responsibility for the formulation of our risk appetite, strategies, policies and limits. The risk management function is also responsible for monitoring our overall market risk exposures and provides review, oversight and support functions across us on risk-related issues.

Our risk appetite is aligned with how our businesses are managed and anticipates future regulatory developments. In particular, our risk appetite is aligned with regulatory capital requirements applicable to other regulated insurance subsidiaries as well as metrics that are aligned with various ratings agency models.

Our risk governance and control systems enable us to identify, control, monitor and aggregate risks and provide assurance that risks are being measured, monitored and reported adequately and effectively. To promote measured risk taking, we have integrated risk management with our business activities and strategic planning through a strategy to manage risk in accordance with the following three principles:

1. Management of the businesses has primary responsibility for the day-to-day management of risk and forms the first line of defense.
2. The risk management function, both at the corporate and the business level, as the second line of defense, has the primary responsibility to align risk taking with strategic planning through risk





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tolerance and limit setting. Risk managers in the businesses have direct reporting lines to the Chief Risk Officer ( CRO ).

3. The internal audit function provides an ongoing independent (i.e. outside of the risk organization) and objective assessment of the effectiveness of internal controls, including financial and operational risk management and forms the third line of defense.

Our risk management is organized along a functional line comprising two levels within the organization: the corporate and business levels. The CRO heads the functional line, and each of the businesses has a similar function that reports to the CRO. This layered, functional approach is designed to promote consistent application of guidelines and procedures, regular reporting and appropriate communication vertically through the risk management function, as well as to provide ongoing support for the business. The scope, roles, responsibilities and authorities of the risk management function at different levels are described in an Insurance Risk Management Governance Framework to which all businesses must adhere.

Our Risk Committee discusses and approves all risk policies and reviews and approves risks associated with our activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. Each business has an Asset-Liability Committee that reviews business specific risks and is governed by the Risk Committee.

We have implemented several limit structures to manage risk. Examples include, but are not limited to, the following:

At-risk limits on sensitivities of earnings and regulatory capital to the capital markets provide the fundamental framework to manage capital markets risks including the risk of asset / liability mismatch;

Duration and convexity mismatch limits;

Credit risk concentration limits;

Mortality concentration limits;

Catastrophe and mortality exposure retention limits for our insurance risk; and

Investment and derivative guidelines.

We manage our risk appetite based on two key risk metrics:

Regulatory and Rating Agency Capital Sensitivities: the potential reduction, under a moderate capital markets stress scenario, of the excess of available statutory capital above the minimum required under the NAIC regulatory RBC methodology and of our targeted rating agency capital position; and

Earnings Sensitivities: the potential reduction in results of operations under a moderate capital markets stress scenario. Maintaining a consistent level of earnings helps us to finance our operations, support our capital requirements and provide funds to pay dividends to stockholders.

Our risk metrics cover the most important aspects in terms of performance measures where risk can materialize and are representative of the regulatory constraints to which our business is subject. The sensitivities for earnings and statutory capital are important metrics since they provide insight into the level of risk we take under moderate stress scenarios. They also are the basis for internal risk management.

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We are also subject to cash flow stress testing pursuant to regulatory requirements. This analysis measures the effect of changes in interest rate assumptions on asset and liability cash flows. The analysis includes the effects of:

the timing and amount of redemptions and prepayments in our asset portfolio;

our derivative portfolio;

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death benefits and other claims payable under the terms of our insurance products;

lapses and surrenders in our insurance products;

minimum interest guarantees in our insurance products; and

book value guarantees in our insurance products.

We evaluate any shortfalls that our cash flow testing reveals and if needed increase statutory reserves or adjust portfolio management strategies.

Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, financial indices, or other prices of securities or commodities. Derivatives include swaps, futures, options and forward contracts. Under U.S. insurance statutes, our insurance subsidiaries may use derivatives to hedge market values or cash flows of assets or liabilities; to replicate cash market instruments; and for certain limited income generating activities. Our insurance subsidiaries are generally prohibited from using derivatives for speculative purposes. References below to hedging and hedge programs refer to our process of reducing exposure to various risks. This does not mean that the process necessarily results in hedge accounting treatment for the respective derivative instruments. To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk of the hedged item and meet other specific requirements. Effectiveness of the hedge is assessed at inception and throughout the life of the hedging relationship. Even if a derivative qualifies for hedge accounting treatment, there may be an element of ineffectiveness of the hedge. The ineffective portion of a hedging relationship subject to hedge accounting is recognized in Net realized capital gains (losses) in the Consolidated Statements of Operations.

***Market Risk Related to Interest Rates***

We define interest rate risk as the risk of an economic loss due to adverse changes in interest rates. This risk arises from our holdings in interest sensitive assets and liabilities, primarily as a result of investing life insurance premiums, fixed annuity and guaranteed investment contract deposits received in interest-sensitive assets and carrying these funds as interest-sensitive liabilities. We are also subject to interest rate risk on our variable annuity business, as a sustained decline in interest rates or a prolonged period of low interest rates may subject us to higher cost of guaranteed benefits and increased hedging costs.

We use product design, pricing and ALM strategies to reduce the adverse effects of interest rate movement. Product design and pricing strategies can include the use of surrender charges, withdrawal restrictions and the ability to reset credited interest rates. ALM strategies can include the use of derivatives and duration and convexity mismatch limits. See Risk Factors Risks Related to Our Business General The level of interest rates may adversely affect our profitability, particularly in the event of a continuation of the current low interest rate environment.

Derivatives strategies include the following:

*Minimum Interest Rate Guarantees.* For certain liability contracts, we provide the contract holder a guaranteed minimum interest rate. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate floors, swaps and swaptions to reduce risk associated with these liability guarantees.

*Book Value Guarantees in Stable Value Contracts.* For certain stable value contracts, the contract holder and participants may surrender the contract for the account value even if the market value of the asset portfolio is in an unrealized loss position. We purchase derivatives including interest rate caps, swaps and swaptions to reduce the risk associated with this type of guarantee.

*Interest Risk Related to Variable Annuity Guaranteed Living Benefits.* For Variable Annuity contracts with Guaranteed Living benefits, the contract holder may elect to receive income benefits over the



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remainder of their lifetime. We use derivatives such as interest rate swaps to hedge a portion of the interest rate risk associated with this type of guarantee.

*Other Market Value and Cash Flow Hedges.* We also use derivatives in general to hedge present or future changes in cash flows or market value changes in our assets and liabilities. We use derivatives such as interest rate swaps to specifically hedge interest rate risks associated with our CMO-B portfolio, see Investments CMO-B Portfolio.

We assess interest rate exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either increasing or decreasing 100 basis point parallel shifts in the yield curve, reflecting changes in either credit spreads or risk-free rates. The following tables present the net estimated potential change in fair value from hypothetical 100 basis point upward and downward shifts in interest rates as of both December 31, 2012 and 2011. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding future interest rates or the performance of fixed-income markets, they are a near-term, reasonably possible hypothetical change that illustrates the potential impact of such events. These tests do not measure the change in value that could result from non-parallel shifts in the yield curve. As a result, the actual change in fair value from a 100 basis point change in interest rates could be different from that indicated by these calculations.

(\$ in millions)	Notional	As of December 31, 2012		
		Fair Value <sup>(1)</sup>	+100 Basis Points Yield Curve Shift	Hypothetical Change in Fair Value <sup>(2)</sup> -100 Basis Points Yield Curve Shift
<b>Financial assets with interest rate risk:</b>				
Fixed maturity securities, including securities pledged	\$	\$ 75,287.1	\$ (4,884.4)	\$ 4,724.7
Equity securities, available for sale		340.1	(7.8)	7.3
Commercial mortgage and other loans		8,954.8	(349.2)	291.9
Loan-Dutch State obligation				
<b>Derivatives:</b>				
Interest rate swaps, caps, forwards	71,010.3	635.1	(1,013.3)	1,283.0
<b>Financial liabilities with interest rate risk:</b>				
<b>Investment contracts:</b>				
Funding agreements without fixed maturities and deferred annuities <sup>(3)</sup>		56,851.0	(4,233.3)	5,237.7
Funding agreements with fixed maturities and GICs		3,671.0	(156.1)	162.4
Supplementary contracts and immediate annuities		3,482.3	(193.4)	221.3
Long-term debt		3,386.2	(131.9)	146.2
Embedded derivatives on reinsurance		169.5	(82.2)	80.4
<b>Guaranteed benefit derivatives<sup>(3)</sup>:</b>				
FIA		1,434.3	(85.0)	85.0
GMAB / GMWB / GMWBL		2,035.4	(835.0)	1,050.0
Stabilizer and MCGs		102.0	(86.0)	130.0

(1) Separate account assets and liabilities which are interest sensitive are not included herein as any interest rate risk is borne by the holder of separate account.

(2) (Decrease) in assets or (decrease) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

(3) Certain amounts included in Deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the tables above.

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(\$ in millions)	Notional	As of December 31, 2011		
		Fair Value <sup>(1)</sup>	Hypothetical Change in Fair Value <sup>(2)</sup>	
			+100 Basis Points Yield Curve Shift	-100 Basis Points Yield Curve Shift
<b>Financial assets with interest rate risk:</b>				
Fixed maturity securities, including securities pledged	\$	\$ 72,669.4	\$ (4,334.6)	\$ 4,326.1
Equity securities, available for sale		353.8	(7.6)	8.0
Commercial mortgage and other loans		8,943.7	(293.0)	235.8
Loan-Dutch State obligation		1,806.4	(19.0)	9.3
<b>Derivatives:</b>				
Interest rate swaps, caps, forwards	65,352.0	839.9	(1,090.6)	1,367.2
<b>Financial liabilities with interest rate risk:</b>				
<b>Investment contracts:</b>				
<b>Funding agreements without fixed maturities and deferred annuities<sup>(3)</sup></b>				
Funding agreements with fixed maturities and GICs		55,014.7	(3,677.6)	4,592.1
Supplementary contracts and immediate annuities		5,261.0	(184.5)	197.4
Long-term debt		3,311.9	(173.2)	198.3
Embedded derivatives on reinsurance		1,448.5	(52.2)	59.5
<b>Guaranteed benefit derivatives<sup>(3)</sup>:</b>				
FIA		137.2	(86.4)	85.7
GMAB / GMWB / GMWBL		1,304.9	(81.9)	88.8
Stabilizer and MCGs		2,272.2	(837.9)	1,065.6
		221.0	(137.1)	192.1

(1) Separate account assets and liabilities which are interest sensitive are not included herein as any interest rate risk is borne by the holder of the separate account.

(2) (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

(3) Certain amounts included in Deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the tables above.

**Market Risk Related to Equity Market Prices**

Our variable products, FIA products and general account equity securities are significantly influenced by global equity markets. Increases or decreases in equity markets impact certain assets and liabilities related to our variable products and our earnings derived from those products. Our variable products include variable annuity contracts and variable life insurance.

**Hedging of Variable Annuity Guaranteed Benefits**

We primarily mitigate variable annuity market risk exposures through hedging. Market risk arises primarily from the minimum guarantees within the variable annuity products, whose economic costs are primarily dependent on future equity market returns, interest rate levels, equity volatility levels and policyholder behavior. The variable annuity hedging program is used to mitigate our exposure to equity market and interest rate changes and seek to ensure that the required assets are available to satisfy future death benefit and living benefit obligations. While the variable annuity guarantee hedge program does not explicitly hedge statutory or GAAP reserves, as markets move up or down, in aggregate the returns generated by the variable annuity hedge program will significantly offset the statutory and GAAP reserve changes due to market movements.

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The objective of the guarantee hedging program is to offset changes in equity market returns for most minimum guaranteed death benefits and all guaranteed living benefits, while also providing interest rate protection for certain minimum guaranteed living benefits. We hedge the equity market exposure using a hedge target set using market consistent valuation techniques for all guaranteed living benefits and most death benefits. We also hedge the interest rate risk in our GMWB/GMAB/GMWBL blocks using a market consistent valuation hedge target. We do not hedge interest rate risks for our GMIB or GMDB primarily because doing so would result in volatility in our regulatory reserves and rating agency capital that exceeds our tolerances and, secondarily, because doing so would produce additional volatility in our GAAP financial statements.

### ***Variable Annuity Capital Hedge Overlay Program***

Variable annuity guaranteed benefits are hedged based on their economic or fair value; however, the statutory reserves are not based on a market value. When equity markets decrease, the statutory reserve and rating agency required assets for the variable annuity guaranteed benefits can increase more quickly than the value of the derivatives held under the guarantee hedging program. This causes regulatory reserves to increase and rating agency capital to decrease. To protect the residual risk to regulatory and rating agency capital in a decreasing equity market, we implemented the use of a static capital hedge in 2008. In 2010, we shifted to a dynamic CHO program. The current CHO strategy is intended to actively mitigate equity risk to the regulatory and rating agency capital of the Company. The hedge is executed through the purchase and sale of equity index futures and is designed to limit the uncovered reserve increase in an immediate down equity market scenario to an amount we believe prudent for a company of our size and scale. This amount will change over time with market movements, changes in regulatory and rating agency capital and our risk tolerances.

### ***Hedging of Fixed Indexed Annuity Benefits***

We mitigate FIA market risk exposures through a combination of capital market hedging, product design and capital management. For the FIA book of business, these risks stem from the MGIR offered and the additional interest credits (Equity Participation or Interest Rate Participation) based on exposure to various stock market indices or the 3-month LIBOR. The minimum guarantees and stock market exposures are strongly dependent on capital markets and, to a lesser degree, policyholder behavior.

We mitigate this exposure in two ways. The primary way we hedge FIA equity exposure is to purchase over the counter ( OTC ) equity index call options from broker-dealer derivative counterparties who generally have a minimum credit rating of A3 from Moody's and A - from S&P. The second way to hedge FIA equity exposure is by purchasing exchange traded equity index futures contracts.

Additionally, the credited rate mechanism for certain FIA contracts exposes us to changes in interest rate benchmarks. We mitigate this exposure by purchasing OTC interest rate swaptions from broker-dealer derivative counterparties who generally have a minimum credit rate of A3 from Moody's and A - from S&P. For each broker-dealer counterparty, our derivative exposure to that counterparty is aggregated with any fixed income exposure to the same counterparty and is maintained within applicable limits.

These hedge programs are limited to the current policy term of the liabilities, based on current participation rates. Future returns, which may be reflected in FIA credited rates beyond the current policy term, are not hedged.

While the FIA hedging program does not explicitly hedge statutory or GAAP income volatility, the FIA hedging program tends to mitigate the statutory and GAAP reserve changes associated with movements in the equity market and 3-month LIBOR. This is due to the fact that a key component in the calculation of statutory and GAAP reserves is the market valuation of the current term embedded derivative. The risk management of the current term embedded derivative is the goal of the FIA hedging program. Due to the alignment of the embedded derivative reserve component with hedging of this same



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embedded derivative, there should be a match between changes in this component of the reserve and changes in the assets backing this component of the reserve. However, there may be an interim mismatch due to the fact that the hedges which are put in place are only intended to cover exposures expected to remain until the end of an indexing term (e.g. account value decrements during an indexing term associated with expected lapses and mortality are not hedged).

Call options are used to hedge against an increase in various equity indices. An increase in various equity indices may result in increased payments to contract holders of FIA contracts. The call options offset this increased expense.

Futures contracts are also used to hedge against an increase in certain equity indices. An increase in certain equity indices may result in increased payments to contract holders of fixed indexed annuity contracts. The futures contracts offset this increased expense.

Interest rate swaptions are used to hedge against an increase in the interest rate benchmark (currently the 3-month LIBOR). An increase in the interest rate benchmark may result in increased payments to contract holders of FIA contracts. The interest rate swaptions offset this increased expense.

We assess equity risk exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either an increase or decrease of 10% in all equity market benchmark levels. The following tables present the net estimated potential change in fair value from an instantaneous increase and decrease in all equity market benchmark levels of 10% as of both December 31, 2012 and 2011. In calculating these amounts, we exclude separate account equity securities related to products for which the investment risk is borne primarily by the separate account contract holder rather than by us. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding future the performance of equity markets, they are near-term, reasonably possible hypothetical changes that illustrate the potential impact of such events. These scenarios consider only the direct effect on fair value of declines in equity benchmark market levels and not changes in asset-based fees recognized as revenue, changes in our estimates of total gross profits used as a basis for amortizing DAC/VOBA, other intangibles and other costs, or changes in any other assumptions such as market volatility or mortality, utilization or persistency rates in variable contracts that could also impact the fair value of our living benefits features. In addition, these scenarios do not reflect the effect of basis risk, such as potential differences in the performance of the investment funds underlying the variable annuity products relative to the equity market benchmark we use as a basis for developing our hedging strategy. The impact of basis risk could result in larger differences between the change in fair value of the equity-based derivatives and the related living benefit features, in comparison to the hypothetical test scenarios.

(\$ in millions)	Notional	Fair Value	As of December 31, 2012	
			Hypothetical +10% Equity Shock	Hypothetical Change in Fair Value <sup>(1)</sup> -10% Equity Shock
<b>Financial assets with equity market risk:</b>				
Equity securities, available for sale	\$	\$ 340.1	\$ 33.0	\$ (33.0)
Limited liability partnerships/corporations		465.1	27.9	(27.9)
<b>Derivatives:</b>				
Equity futures and total return swaps <sup>(2)</sup>	11,766.6	(200.0)	(1,176.7)	1,176.7
Equity options	3,123.8	68.3	40.2	(19.7)
<b>Financial liabilities with equity market risk:</b>				
<b>Guaranteed benefit derivatives</b>				
FIA		1,434.3	108.0	(158.0)
GMAB / GMWB / GMWBL		2,035.4	(296.0)	373.0

<sup>(1)</sup> (Decrease) in assets or (decrease) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

<sup>(2)</sup> Primarily related to Closed Block Variable Annuity hedging programs.

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(\$ in millions)	As of December 31, 2011			
	Notional	Fair Value	Hypothetical +10% Equity Shock	Change in Fair Value <sup>(1)</sup> -10% Equity Shock
<b>Financial assets with equity market risk:</b>				
Equity securities, available for sale	\$	\$ 353.8	\$ 33.9	\$ (33.9)
Limited liability partnerships/corporations		599.6	25.5	(25.5)
<b>Derivatives:</b>				
Equity futures and total return swaps <sup>(2)</sup>	12,737.7	6.5	(1,274.7)	1,274.7
Equity options	3,059.7	34.3	29.3	(27.6)
<b>Financial liabilities with equity market risk:</b>				
<b>Guaranteed benefit derivatives:</b>				
FIA		1,304.9	222.0	(222.0)
GMAB / GMWB/ GMWBL		2,272.2	(270.1)	328.1

<sup>(1)</sup> (Decrease) in assets or (decrease) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

<sup>(2)</sup> Primarily related to Closed Block Variable Annuity hedging programs.

**Market Risk Related to Credit Risk**

Credit risk is primarily embedded in the general account portfolio. The carrying value of our fixed maturity and equity portfolio totaled \$75.6 billion and \$73.0 billion at December 31, 2012 and 2011, respectively. Our credit risk materializes primarily as impairment losses. We are exposed to occasional cyclical economic downturns, during which impairment losses may be significantly higher than the long-term historical average. This is offset by years where we expect the actual impairment losses to be substantially lower than the long-term average.

Credit risk in the portfolio can also materialize as increased capital requirements as assets migrate into lower credit qualities over time. The effect of rating migration on our capital requirements is also dependent on the economic cycle and increased asset impairment levels may go hand in hand with increased asset related capital requirements.

We manage the risk of default and rating migration by applying disciplined credit evaluation and underwriting standards and prudently limiting allocations to lower quality, higher risk investments. In addition, we diversify our exposure by issuer and country, using rating based issuer and country limits. We also set investment constraints that limit our exposure by industry segment. To limit the impact that credit risk can have on earnings and capital adequacy levels, we have portfolio-level credit risk constraints in place. Limit compliance is monitored on a daily or, in some cases, monthly basis. Limit violations are reported to senior management and we are actively involved in decisions around curing such limit violations.

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We also have credit risk related to the ability of reinsurance counterparties to honor their obligations to pay the contract amounts under various agreements. To minimize the risk of credit loss on such contracts, we diversify our exposures among many reinsurers and limit the amount of exposure to each based on credit rating. In addition, most of our largest reinsurance counterparties are required under the various agreements to collateralize their obligations to us which would substantially limit our credit losses in case of a counterparty default. We also generally limit our selection of counterparties with which we do new transactions to those with an A credit rating or above. When exceptions are made to that principle, we ensure that we obtain collateral to mitigate our risk of loss. The following table presents our reinsurance recoverable balances, collateral received and credit and financial strength ratings for our 10 largest reinsurance recoverable balances as of December 31, 2012:

(\$ in millions) Parent Company/Principal Reinsurers	Reinsurance Recoverable	% Collateralized <sup>(1)</sup>	Financial Strength Rating		Credit Rating	
			S&P	Moody's	S&P	Moody's
Hannover RE Group	\$ 2,717	85%			AA-	NR
Hannover Re (Ireland) Plc			AA-	NR		
Hannover Life Reassurance Co of America			AA-	NR		
Hannover Ruckversicherung-AG			AA-	NR		
Lincoln National Corp	2,143	98%			A-	Baa2
Lincoln Life & Annuity Company of New York			AA-	A2		
Lincoln National Life Insurance Co			AA-	A2		
Prudential plc (U.K.)	576	62%			A+	A2
Jackson National Life Insurance Co			AA	A1		
Reassure America Life Insurance Company <sup>(2)</sup>			AA-	A1		
Reinsurance Group of America Inc	375	47%			A-	Baa1
RGA Reinsurance Company			AA-	A1		
Scottish Re Group Ltd	300	90%			NR	NR
Ballantyne Re Plc			NR	NR		
Scottish Re (US) Inc			NR	NR		
Swiss Re Ltd	276	0%			AA-	A1
Swiss Re Life & Health America Inc			AA-	A1		
Westport Insurance Corp			AA-	A1		
Aegon N.V.	235	0%			A-	A3
Transamerica Financial Life Insurance Co			AA-	A1		
Transamerica Life Insurance Co			AA-	A1		
Assurant Inc	152	7%			BBB	Baa2
Union Security Insurance Co			A-	A3		
Munich Re Group	63	0%			AA-	NR
Munich American Reassurance Co.			AA-	NR		
Berkshire Hathaway	53	3%			AA+	Aa2
General Re Life Corp			AA+	NR		

(1) Collateral includes letters of credit, assets held in trust and funds withheld.

(2) On December 31, 2012, Reassure America Life Insurance Company merged into its parent, Jackson National Life Insurance Company. The ratings of Reassure America Life Insurance Company were subsequently withdrawn once the company ceased to exist. The ratings of the parent, Jackson National Life Insurance Company, are AA from S&P and A1 from Moody's. The reinsurance recoverable was \$83.6 million as of December 31, 2012.

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In the normal course of business, certain reinsurance recoverables are subject to reviews by the reinsurers. We are not aware of any material disputes arising from these reviews or other communications with the counterparties, and, therefore, as of December 31, 2012, no allowance for uncollectible amounts was recorded.

We also have credit risk related to the ability of our derivatives counterparties to honor their obligations to pay the contract amounts under various agreements. To minimize the risk of credit loss on such contracts, we diversify our exposures among many counterparties and limit the amount of exposure to each based on credit rating. For most counterparties, we have a credit support agreement ( CSA ) in place that would substantially limit our credit losses in case of a counterparty default. Thresholds for collateral posting by a derivative counterparty under a CSA generally range from \$0 to \$25 million, which, depending on the specific CSA and the rating of the counterparty, would represent the maximum uncollateralized exposure possible for the aggregate of in the money derivative transactions with any such counterparty. We also generally limit our selection of counterparties with whom we conduct new transactions to those with an A or above credit rating. For derivatives counterparty risk, we measure and monitor our risks daily on a market value basis.

The following table presents the outstanding notional amount of derivatives by contract type as of December 31, 2012:

(\$ in millions)	As of December 31, 2012		
	Exchange Traded	Over The Counter (OTC)	Total Notional
<b>Type of Contract</b>			
Credit Contracts	\$	\$ 3,106.0	\$ 3,106.0
Equity Contracts	10,923.4	3,967.0	14,890.4
Foreign Exchange Contracts		1,985.8	1,985.8
Interest Rate Contracts		71,010.3	71,010.3
Total	\$ 10,923.4	\$ 80,069.1	\$ 90,992.5

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The following table presents our exposure by counterparty, including notional amount, fair value and the net exposure as of December 31, 2012, demonstrating that we do not have a concentration of credit risk with our OTC derivative counterparties.

(\$ in millions)	As of December 31, 2012 Concentration of OTC Derivative Counterparty			
	Notional Amount	Asset Fair Value	Liability Fair Value	OTC Derivative Exposure <sup>(1)</sup>
<b>OTC Derivative Counterparty</b>				
BNP Paribas	\$ 12,002.6	\$ 558.0	\$ 222.5	\$ 21.1
Credit Suisse International	10,843.3	268.2	303.1	0.6
Citibank NA	8,531.3	184.7	132.1	2.4
Goldman Sachs International	7,417.7	440.8	301.1	0.4
Deutsche Bank AG	6,672.3	134.9	107.4	12.4
JP Morgan Chase Bank	6,560.4	190.1	223.2	10.4
Wells Fargo	5,021.4	126.1	52.6	59.4
Morgan Stanley Capital Services LLC	3,968.8	72.0	87.7	2.4
Barclays Bank	3,100.8	104.5	45.0	0.4
Bank of America, NA	2,967.2	12.3	54.3	
UBS AG	2,453.9	89.7	101.9	21.1
ING Capital Markets	2,144.8	30.6	15.0	0.8
HSBC Bank	1,787.4	35.6	35.0	8.0
Societe Generale	1,367.7	14.5	13.4	4.6
The Royal Bank of Scotland PLC	1,265.4	21.9	5.6	10.3
All Other OTC Counterparties	3,964.1	66.4	28.3	59.8
Total OTC Counterparties	\$ 80,069.1	\$ 2,350.3	\$ 1,728.2	\$ 214.1

(1) Represents net exposure after offsetting derivative assets and liabilities of the same counterparty under enforceable netting agreements and netting of collateral received and posted on a counterparty basis under CSAs.

The following table presents the maturities of our derivatives portfolio and associated notional and fair value as of December 31, 2012:

(\$ in millions)	As of December 31, 2012 Volume of Derivative Activities			
	Notional Amount	Asset Fair Value	Liability Fair Value	Net Fair Value
<b>By Maturity</b>				
<b>Over The Counter Contracts:</b>				
Within 1 Year	\$ 20,526.0	\$ 65.8	\$ 111.2	\$ (45.4)
1 Year to 5 Years	27,108.9	301.0	906.5	\$ (605.5)
5 Years to 10 Years	16,825.0	874.8	473.1	\$ 401.7
10 Years and longer	15,609.2	1,108.7	237.4	\$ 871.3
Total OTC Contracts	80,069.1	2,350.3	1,728.2	622.1
Exchange Traded Contracts	10,923.4	24.2	216.0	(191.8)
Total Derivatives	\$ 90,992.5	\$ 2,374.5	\$ 1,944.2	\$ 430.3



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During 2012, net cash settlements under OTC contracts were \$75.1 million received and net cash settlements for exchange traded derivatives were \$1.5 billion paid. Net realized losses on derivatives for the year ended December 31, 2012, were \$26.3 million and \$1.7 billion for OTC contracts and exchange traded contracts, respectively.

We use credit derivatives to reduce our exposure to credit-related events as well as taking credit risk. For every subsidiary or internal portfolio, the net notional amount of credit risk taken using credit derivatives is limited to the amount of U.S. Treasury security investments in the same portfolio. We also place a limit on the amount of earnings volatility that these instruments can cause.

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**INVESTMENTS**

Investments for our general account are managed by our wholly owned asset manager, ING Investment Management LLC, pursuant to investment advisory agreements with affiliates. In addition, our internal treasury group manages our holding company liquidity investments, primarily money market funds.

**Investment Strategy**

Our investment strategy seeks to achieve sustainable risk-adjusted returns by focusing on principal preservation, disciplined matching of asset characteristics with liability requirements and the diversification of risks. Investment activities are undertaken according to investment policy statements that contain internally established guidelines and risk tolerances and in all cases are required to comply with applicable laws and insurance regulations. Risk tolerances are established for credit risk, credit spread risk, market risk, liquidity risk and concentration risk across issuers, sectors and asset types that seek to mitigate the impact of cash flow variability arising from these risks.

Segmented portfolios are established for groups of products with similar liability characteristics. Our investment portfolio consists largely of high quality fixed maturities and short-term investments, investments in commercial mortgage loans, alternative investments and other instruments, including a small amount of equity holdings. Fixed maturities include publicly issued corporate bonds, government bonds, privately placed notes and bonds, ABS, traditional MBS and various CMO tranches managed in combination with financial derivatives as part of a proprietary strategy known as CMO-B.

We use derivatives for hedging purposes to reduce our exposure to the cash flow variability of assets and liabilities, interest rate risk, credit risk and market risk. In addition, we use credit derivatives to replicate exposure to individual securities or pools of securities as a means of achieving credit exposure similar to bonds of the underlying issuer(s) more efficiently.

Since the height of the financial crisis in 2008, we have pursued a substantial repositioning of the investment portfolio aimed at reducing risk, increasing the stability and predictability of returns and pursuing intentional investment risks that are reliant on our core strengths. In the initial stages of the portfolio transition during the financial crisis, sizable shifts in asset allocation occurred over short periods of time including greater than \$1.0 billion of reduction in exposure to hedge funds. The repositioning has resulted in a significant decrease in exposure to structured assets, an improvement in the NAIC designation profile of our remaining structured assets and an increase in exposure to public and private investment grade corporate bonds and U.S. Treasury securities.

Over the 2009-2011 period, we significantly reduced our exposure to Non-Agency RMBS and CMBS securities. The most substantial reduction occurred in the Alt-A Back-Up Facility, in which a full credit risk transfer to the Dutch State was realized on 80% of the approximately \$4.5 billion par Alt A RMBS portfolio. Over the same period, our exposure to Subprime RMBS and CMBS securities was reduced approximately \$2.4 billion and \$4.0 billion, respectively, through sales and impairments. The remaining Subprime and CMBS exposure carries a significantly improved NAIC designation profile. Over the same period, we have reduced exposure to financial institutions by approximately \$2.0 billion, primarily out of a desire to reduce exposure to risk in the portfolio that is highly correlated with our own business model.

Each of these significant reductions in exposure and the repositioning overall represents our attempt at reducing risk, improving the stability and predictability of our investment returns and leveraging our core strengths.

See the Note for *Investments (excluding Consolidated Investment Entities)* in our Consolidated Financial Statements.



**Table of Contents****Portfolio Composition**

The following table presents the investment portfolio as of the dates indicated:

(\$ in millions)	As of December 31, 2012		As of December 31, 2011	
	Carrying Value	%	Carrying Value	%
Fixed maturities, available-for-sale, excluding securities pledged	\$ 70,910.3	74.2%	\$ 67,405.6	72.7%
Fixed maturities, at fair value using the fair value option	2,771.3	2.8%	3,010.3	3.3%
Equity securities, available-for-sale	340.1	0.4%	353.8	0.4%
Short-term investments <sup>(1)</sup>	5,991.2	6.3%	3,572.7	3.8%
Mortgage loans on real estate	8,662.3	9.1%	8,691.1	9.4%
Loan Dutch State obligation			1,792.7	1.9%
Policy loans	2,200.3	2.3%	2,263.9	2.4%
Limited partnerships/corporations	465.1	0.5%	599.6	0.6%
Derivatives	2,374.5	2.5%	2,660.9	2.9%
Other investments	167.0	0.2%	215.1	0.2%
Securities pledged <sup>(2)</sup>	1,605.5	1.7%	2,253.5	2.4%
<b>Total investments</b>	<b>\$ 95,487.6</b>	<b>100.0%</b>	<b>\$ 92,819.2</b>	<b>100.0%</b>

<sup>(1)</sup> Short-term investments include investments with remaining maturities of one year or less, but greater than 3 months, at the time of purchase.

<sup>(2)</sup> See Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources for information regarding securities pledged.

**Fixed Maturities**

Total fixed maturities by market sector, including securities pledged, were as presented below as of the dates indicated:

(\$ in millions)	As of December 31, 2012			
	Amortized Cost	% of Total	Fair Value	% of Total
<b>Fixed maturities:</b>				
U.S. Treasuries	\$ 5,194.3	7.7%	\$ 5,883.7	7.7%
U.S. government agencies and authorities	645.4	1.0%	724.2	1.0%
State, municipalities and political subdivisions	320.2	0.5%	352.8	0.5%
U.S. corporate securities	32,986.1	49.1%	37,163.9	49.4%
Foreign securities <sup>(1)</sup>	14,391.2	21.4%	15,984.5	21.2%
Residential mortgage-backed securities	6,684.2	9.9%	7,667.0	10.2%
Commercial mortgage-backed securities	4,438.9	6.6%	4,946.4	6.6%
Other asset-backed securities	2,536.4	3.8%	2,564.6	3.4%
<b>Total fixed maturities, including securities pledged</b>	<b>\$ 67,196.7</b>	<b>100.0%</b>	<b>\$ 75,287.1</b>	<b>100.0%</b>

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



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(\$ in millions)

	As of December 31, 2011			
	Amortized Cost	% of Total	Fair Value	% of Total
<b>Fixed maturities:</b>				
U.S. Treasuries	\$ 5,283.8	7.9%	\$ 5,972.5	8.2%
U.S. government agencies and authorities	643.1	1.0%	727.8	1.0%
State, municipalities and political subdivisions	375.1	0.6%	393.9	0.5%
U.S. corporate securities	30,486.5	45.5%	33,473.1	46.2%
Foreign securities <sup>(1)</sup>	14,041.9	21.0%	15,067.4	20.7%
Residential mortgage-backed securities	7,935.0	11.8%	9,048.1	12.5%
Commercial mortgage-backed securities	5,387.1	8.1%	5,485.4	7.5%
Other asset-backed securities	2,727.0	4.1%	2,501.2	3.4%
<b>Total fixed maturities, including securities pledged</b>	<b>\$ 66,879.5</b>	<b>100.0%</b>	<b>\$ 72,669.4</b>	<b>100.0%</b>

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

As of December 31, 2012, the average duration of our fixed maturities portfolio, including securities pledged, is between 6.5 to 7 years.

**Fixed Maturities Credit Quality Ratings**

The Securities Valuation Office ( SVO ) of the National Association of Insurance Commissioners ( NAIC ) evaluates the fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called NAIC designations. An internally developed rating is used as permitted by the NAIC if no rating is available. These designations are generally similar to the credit quality designations of the NAIC acceptable rating organizations ( ARO ) for marketable fixed maturity securities, called rating agency designations except for certain structured securities as described below. NAIC designations of 1, highest quality and 2, high quality, include fixed maturity securities generally considered investment grade by such rating organizations. NAIC designations 3 through 6 include fixed maturity securities generally considered below investment grade by such rating organizations.

The NAIC adopted revised designation methodologies for non-agency residential mortgage-backed securities ( RMBS ), including RMBS backed by subprime mortgage loans reported within ABS and for commercial mortgage-backed securities ( CMBS ). The NAIC's objective with the revised designation methodologies for these structured securities was to increase the accuracy in assessing expected losses and to use the improved assessment to determine a more appropriate capital requirement for such structured securities. The NAIC designations for structured securities, including subprime and Alt-A RMBS, are based upon a comparison of the bond's amortized cost to the NAIC's loss expectation for each security. Securities where modeling results in no expected loss in all scenarios are considered to have the highest designation of NAIC 1. A large percentage of our RMBS securities carry a NAIC 1 designation while the ARO rating indicates below investment grade. This is primarily due to the credit and intent impairments recorded by us which reduced the amortized cost on these securities to a level resulting in no expected loss in all scenarios, which corresponds to a NAIC 1 designation. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from such structured securities. In the tables below, we present the rating of structured securities based on ratings from the revised NAIC rating methodologies described above (which may not correspond to rating agency designations.) All NAIC designations (e.g., NAIC 1-6) are based on the revised NAIC methodologies.

As a result of time lags between the funding of investments, the finalization of legal documents and the completion of the SVO filing process, the fixed maturity portfolio generally includes securities that have not yet been rated by the SVO as of each balance sheet date, such as private placements. Pending receipt of SVO ratings, the categorization of these securities by NAIC designation is based on the expected ratings indicated by internal analysis.

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

The fixed maturities in our portfolio are generally rated by external rating agencies and, if not externally rated, are rated by us 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 then the middle rating is applied;

when two ratings are received then the lower rating is applied;

when a single rating is received, the ARO rating is applied; and

when ratings are unavailable then an internal rating is applied.

The following tables present credit quality of fixed maturities, including securities pledged, using NAIC designations as of the dates indicated:

NAIC Quality Designation	As of December 31, 2012						Total Fair Value
	1	2	3	4	5	6	
U.S. Treasuries	\$ 5,883.7	\$	\$	\$	\$	\$	\$ 5,883.7
U.S. government agencies and authorities	724.2						724.2
State, municipalities and political subdivisions	347.5	4.3	1.0				352.8
U.S. corporate securities	17,106.9	18,289.5	1,369.1	344.2	36.3	17.9	37,163.9
Foreign securities <sup>(1)</sup>	4,429.5	10,533.9	875.1	40.8	105.2		15,984.5
Residential mortgage-backed securities	6,700.3	207.4	252.2	230.3	85.8	191.0	7,667.0
Commercial mortgage-backed securities	4,860.9	67.7	11.8	6.0			4,946.4
Other asset-backed securities	2,144.7	142.3	161.5	78.5	27.5	10.1	2,564.6
<b>Total fixed maturities</b>	<b>\$ 42,197.7</b>	<b>\$ 29,245.1</b>	<b>\$ 2,670.7</b>	<b>\$ 699.8</b>	<b>\$ 254.8</b>	<b>\$ 219.0</b>	<b>\$ 75,287.1</b>
% of Fair Value	56.0%	39.0%	3.5%	0.9%	0.3%	0.3%	100.0%

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

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(\$ in millions)

NAIC Quality Designation	As of December 31, 2011						Total Fair Value
	1	2	3	4	5	6	
U.S. Treasuries	\$ 5,972.5	\$	\$	\$	\$	\$	\$ 5,972.5
U.S. government agencies and authorities	727.8						727.8
State, municipalities and political subdivisions	333.6	4.7	0.9	54.7			393.9
U.S. corporate securities	15,680.3	15,978.0	1,449.2	320.4	45.2		33,473.1
Foreign securities <sup>(1)</sup>	4,185.6	9,754.3	968.9	63.0	95.5	0.1	15,067.4
Residential mortgage-backed securities	8,060.8	197.8	300.6	125.8	223.0	140.1	9,048.1
Commercial mortgage-backed securities	5,090.8	140.3	195.9	36.3		22.1	5,485.4
Other asset-backed securities	2,228.3	80.8	130.2	29.5	26.3	6.1	2,501.2
<b>Total fixed maturities</b>	<b>\$ 42,279.7</b>	<b>\$ 26,155.9</b>	<b>\$ 3,045.7</b>	<b>\$ 629.7</b>	<b>\$ 390.0</b>	<b>\$ 168.4</b>	<b>\$ 72,669.4</b>
% of Fair Value	58.2%	36.0%	4.2%	0.9%	0.5%	0.2%	100.0%

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

As of December 31, 2012, the weighted average quality rating of our fixed maturities portfolio was A. The following tables present credit quality of fixed maturities, including securities pledged, using ARO ratings as of the dates indicated:

(\$ in millions)

ARO Quality Ratings	As of December 31, 2012						Total Fair Value
	AAA	AA	A	BBB	BB	B and Below	
U.S. Treasuries	\$ 5,883.7	\$	\$	\$	\$	\$	\$ 5,883.7
U.S. government agencies and authorities	718.2	2.9	3.1				724.2
State, municipalities and political subdivisions	107.1	202.9	37.5	4.3	1.0		352.8
U.S. corporate securities	753.3	1,909.8	14,920.7	17,801.5	1,419.5	359.1	37,163.9
Foreign securities <sup>(1)</sup>	75.3	1,014.1	3,602.9	10,500.8	728.0	63.4	15,984.5
Residential mortgage-backed securities	5,843.5	61.3	166.2	172.4	121.6	1,302.0	7,667.0
Commercial mortgage-backed securities	1,882.2	851.7	555.1	881.0	483.7	292.7	4,946.4
Other asset-backed securities	1,489.2	24.4	129.1	85.1	111.3	725.5	2,564.6
<b>Total fixed maturities</b>	<b>\$ 16,752.5</b>	<b>\$ 4,067.1</b>	<b>\$ 19,414.6</b>	<b>\$ 29,445.1</b>	<b>\$ 2,865.1</b>	<b>\$ 2,742.7</b>	<b>\$ 75,287.1</b>
% of Fair Value	22.3%	5.4%	25.8%	39.1%	3.8%	3.6%	100.0%

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



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ARO Quality Ratings	As of December 31, 2011						Total Fair Value
	AAA	AA	A	BBB	BB	B and Below	
U.S. Treasuries	\$ 5,972.5	\$	\$	\$	\$	\$	\$ 5,972.5
U.S. government agencies and authorities	722.4	2.9	2.5				727.8
State, municipalities and political subdivisions	106.4	195.6	31.6	4.7	0.9	54.7	393.9
U.S. corporate securities	714.6	2,045.1	13,268.3	15,653.3	1,464.8	327.0	33,473.1
Foreign securities <sup>(1)</sup>	43.4	1,021.9	3,479.9	9,690.9	727.9	103.4	15,067.4
Residential mortgage-backed securities	7,118.8	68.3	290.7	70.4	83.0	1,416.9	9,048.1
Commercial mortgage-backed securities	2,591.5	553.1	907.1	740.3	577.1	116.3	5,485.4
Other asset-backed securities	1,361.2	59.4	118.0	144.1	144.9	673.6	2,501.2
<b>Total fixed maturities</b>	<b>\$ 18,630.8</b>	<b>\$ 3,946.3</b>	<b>\$ 18,098.1</b>	<b>\$ 26,303.7</b>	<b>\$ 2,998.6</b>	<b>\$ 2,691.9</b>	<b>\$ 72,669.4</b>
% of Fair Value	25.6%	5.4%	24.9%	36.2%	4.1%	3.8%	100.0%

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

Fixed maturities rated BB and below may have speculative characteristics and changes in economic conditions or other circumstances are more likely to lead to a weakened capacity of the issuer to make principal and interest payments than is the case with higher rated fixed maturities.

The amortized cost and fair value of fixed maturities, including securities pledged, at December 31, 2012 and 2011, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called, or prepaid. MBS and Other ABS are shown separately because they are not due at a single maturity date.

(\$ in millions)	As of December 31,			
	2012		2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Due to mature:</b>				
One year or less	\$ 2,820.9	\$ 2,918.1	\$ 2,815.1	\$ 2,885.5
After one year through five years	14,380.3	15,353.4	13,850.8	14,543.9
After five years through ten years	17,372.7	19,179.7	16,512.4	17,753.2
After ten years	18,963.3	22,657.9	17,652.1	20,452.1
Mortgage-backed securities	11,123.1	12,613.4	13,322.1	14,533.5
Other asset-backed securities	2,536.4	2,564.6	2,727.0	2,501.2
<b>Fixed maturities, including securities pledged</b>	<b>\$ 67,196.7</b>	<b>\$ 75,287.1</b>	<b>\$ 66,879.5</b>	<b>\$ 72,669.4</b>

As of December 31, 2012, we 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 our consolidated Shareholder's equity. As of December 31, 2011, we did not have any investments in a single issuer, other than obligations of the U.S. government and government agencies and the State of the Netherlands (the Dutch State) loan obligation, with a carrying value in excess of 10% of our consolidated Shareholder's equity.

**Table of Contents****Unrealized Capital Losses**

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturities, including securities pledged, by market sector and duration were as presented below as of the dates indicated:

(\$ in millions)

	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	
	Unrealized Capital Losses		Unrealized Capital Losses		Unrealized Capital Losses		Unrealized Capital Losses	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. Treasuries	\$ 451.2	\$ 1.8	\$	\$	\$	\$	\$ 451.2	\$ 1.8
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
<b>Total</b>	<b>\$ 2,606.3</b>	<b>\$ 40.3</b>	<b>\$ 240.6</b>	<b>\$ 15.4</b>	<b>\$ 1,784.8</b>	<b>\$ 237.0</b>	<b>\$ 4,631.7</b>	<b>\$ 292.7</b>

(\$ in millions)

	As of December 31, 2011							
	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	
	Unrealized Capital Losses		Unrealized Capital Losses		Unrealized Capital Losses		Unrealized Capital Losses	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. Treasuries	\$	\$	\$	\$	\$	\$	\$	\$
U.S. corporate, state and municipalities	1,812.9	55.7	173.2	10.4	393.4	45.3	2,379.5	111.4
Foreign	1,177.6	66.2	80.2	7.3	655.8	71.9	1,913.6	145.4
Residential mortgage-backed	426.6	5.1	388.3	16.1	865.1	219.6	1,680.0	240.8
Commercial mortgage-backed	338.3	6.4	1,131.6	87.6	241.4	55.2	1,711.3	149.2
Other asset-backed	306.9	5.3	165.8	42.7	668.5	222.7	1,141.2	270.7
<b>Total</b>	<b>\$ 4,062.3</b>	<b>\$ 138.7</b>	<b>\$ 1,939.1</b>	<b>\$ 164.1</b>	<b>\$ 2,824.2</b>	<b>\$ 614.7</b>	<b>\$ 8,825.6</b>	<b>\$ 917.5</b>

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 88.3% and 82.1% of the average book value as of December 31, 2012 and 2011, respectively.

Gross unrealized losses on fixed maturities, including securities pledged, decreased \$624.8 million and \$338.8 million for the years ended December 31, 2012 and 2011. The decrease in gross unrealized losses was primarily due to improving market conditions within other ABS and CMBS in addition to declining yields and tightening credit spreads.

As of December 31, 2012 we held one fixed maturity with unrealized capital losses in excess of \$10.0 million. The unrealized capital losses on this fixed maturity equaled \$13.6 million, or 4.7% of the total unrealized losses. As of December 31, 2011 we held five fixed maturities with unrealized capital losses in excess of \$10.0 million. The unrealized capital losses on these fixed maturities equaled \$63.6 million, or 6.9% of the total unrealized losses.





**Table of Contents****CMO-B Portfolio**

As part of our broadly diversified investment portfolio, we have a core holding in a proprietary mortgage derivatives strategy known as CMO-B, which invests in a variety of CMO securities in combination with interest rate derivatives in targeting a specific type of exposure to the U.S. residential mortgage market. Because of their relative complexity and generally small natural buyer base, we believe certain types of CMO securities are consistently priced below their intrinsic value, thereby providing a source of potential return for investors in this strategy.

The CMO securities that are part of our CMO-B portfolio are either notional or principal securities, backed by the interest and principal components, respectively, of mortgages secured by single-family residential real estate. There are many variations of these two types of securities including interest only and principal only securities, as well as inverse-floating rate (principal) securities and inverse interest only securities, all of which are part of our CMO-B portfolio. This strategy has been in place for nearly two decades and thus far has been a significant source of investment income while exhibiting relatively low volatility and correlation compared to the other asset types in the investment portfolio, although we cannot predict whether favorable returns will continue in future periods.

To protect against the potential for credit loss associated with financially troubled borrowers, investments in our CMO-B portfolio are primarily in CMO securities backed by one of the government sponsored entities: the Federal National Mortgage Association ( Fannie Mae ), the Federal Home Loan Mortgage Corporation ( Freddie Mac ) or Government National Mortgage Association.

Because the timing of the receipt of the underlying cash flow is highly dependent on the level and direction of interest rates, our CMO-B portfolio also has exposure to both interest rate and convexity risk. The exposure to interest rate risk (the potential for changes in value that results from changes in the general level of interest rates) is managed to a defined target duration using interest rate swaps. The exposure to convexity risk (the potential for changes in value that result from changes in duration caused by changes in interest rates) is dynamically hedged using interest rate swaps and at times, interest rate swaptions.

Changes in the prepayment behavior of homeowners represent both a risk and potential source of return for our CMO-B portfolio. As a result, we seek to invest in securities that are broadly diversified by collateral type to take advantage of the uncorrelated prepayment experiences of homeowners with unique characteristics that influence their ability or desire to prepay their mortgage. We choose collateral type and individual security based on an in-depth quantitative analysis of prepayment incentives across all available borrower types.

The following table shows fixed maturities balances held in the CMO-B portfolio by NAIC rating as of the dates indicated:

(\$ in millions) NAIC Designation	As of December 31, 2012			As of December 31, 2011		
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
1	\$ 2,526.4	\$ 3,323.1	91.0%	\$ 3,157.4	\$ 4,214.1	91.6%
2	5.1	6.9	0.2%	6.6	12.0	0.3%
3	11.6	25.0	0.7%	8.2	12.9	0.3%
4	32.4	46.0	1.3%	36.5	46.2	1.0%
5	40.1	59.6	1.6%	121.2	174.6	3.8%
6	108.9	188.6	5.2%	42.0	140.7	3.0%
<b>Total</b>	<b>\$ 2,724.5</b>	<b>\$ 3,649.2</b>	<b>100.0%</b>	<b>\$ 3,371.9</b>	<b>\$ 4,600.5</b>	<b>100.0%</b>

For CMO securities where we elected the FVO, amortized cost represents the market values. For details on the NAIC designation methodology, please see Fixed Maturities Credit Quality Ratings above.

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The following table presents the notional amounts and fair values of interest rate derivatives used in our CMO-B portfolio as of the dates indicated:

(\$ in millions)	As of December 31, 2012			As of December 31, 2011		
	Notional Amount	Assets	Liability	Notional Amount	Assets	Liability
		Fair Value	Fair Value		Fair Value	Fair Value

**Derivatives non-qualifying for hedge accounting:**

Interest Rate Contracts	\$ 34,634.2	\$ 773.1	\$ 1,005.8	\$ 33,204.1	\$ 770.2	\$ 1,024.3
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The recent financial crisis resulted in tighter lending standards which has led to higher involuntary and lower voluntary prepayments, greater variations in prepayments based on borrower traits, lower correlation between interest rates and prepayments and elevated sensitivity to government policy changes for prepayments and valuations. We believe our CMO-B portfolio was positioned for such a landscape, as the interest only and inverse interest only, or notional, exposure in the portfolio generally benefited from slowing prepayments in 2009. At the same time, the diversified nature of the mortgage collateral underlying the securities in our CMO-B portfolio benefited from the renewed importance of differentiation by borrower classification. Our CMO-B portfolio also benefitted in 2009 from the fact that, consistent with the market, generally, valuations of some of the CMO-B securities had fallen significantly in late 2008 despite a lack of significant changes in the expectations for underlying cash flows. The decrease in valuations in 2008 created an opportunity for increases in valuations in 2009 when investors recognized the attractiveness of the sector.

The following table presents our CMO-B fixed maturity securities balances and tranche type as of the dates indicated:

(\$ in millions)	As of December 31, 2012			As of December 31, 2011		
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
<b>Tranche Type</b>						
Inverse Floater	\$ 1,008.6	\$ 1,518.6	41.7%	\$ 1,386.5	\$ 2,001.2	43.5%
Interest Only (IO)	225.5	264.4	7.2%	259.7	290.6	6.3%
Inverse IO	1,196.7	1,565.6	42.9%	1,339.6	1,913.3	41.6%
Principal Only (PO)	205.4	211.2	5.8%	246.9	252.6	5.5%
Floater	77.4	78.2	2.1%	120.6	120.7	2.6%
Other	10.9	11.2	0.3%	18.6	22.1	0.5%
<b>Total</b>	<b>\$ 2,724.5</b>	<b>\$ 3,649.2</b>	<b>100.0%</b>	<b>\$ 3,371.9</b>	<b>\$ 4,600.5</b>	<b>100.0%</b>

For the year ended December 31, 2012, we sold approximately \$509.0 million of IO and Inverse IO securities within the CMO-B strategy primarily to release required capital and improve the capital efficiency of the strategy going forward for certain portfolios and recognized a pre-tax gain of \$129.3 million.

Generally, a continued increase in valuations, as well as muted prepayments despite low interest rates, led to a strong performance of our CMO-B portfolio in 2010. Based on fundamental prepayment analysis, we were able to increase the allocation to notional securities in a manner that was diversified by borrower and mortgage characteristics without unduly increasing portfolio risk because of the new mortgage financing environment and the belief that an increase in prepayments would be muted by the tight credit environment.

While the market in the second half of 2011 was volatile as a result of the European debt crisis and concerns regarding the implications of Home Affordable Refinance Program 2.0, our CMO-B portfolio performed well due to persistently low levels of prepayments and a diversified selection of underlying collateral types. Lower valuations and prepayments due to tight housing-related credit continued in the year ended December 31, 2012; however, to the extent these conditions change, we expect that the results of our CMO-B portfolio will likely underperform those of recent periods.

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The following table shows returns for our CMO-B portfolio for the periods indicated:

(\$ in millions)	Years Ended December 31,		
	2012	2011	2010
Net investment income (loss)	\$ 1,059.3	\$ 1,158.5	\$ 1,261.4
Net realized capital gains (losses) <sup>(1)</sup>	(185.8)	(294.9)	(243.3)
<b>Total income (pre-tax)</b>	<b>\$ 873.5</b>	<b>\$ 863.6</b>	<b>\$ 1,018.1</b>

<sup>(1)</sup> Net realized capital gains (losses) also include derivatives interest settlements, mark to market adjustments and realized gains (losses) on standalone derivatives contracts that are in the CMO-B portfolio.

In defining operating earnings before income taxes and non-operating earnings for our CMO-B portfolio, certain recharacterizations are recognized. As indicated in footnote (1) above, derivatives activity including net coupon settlement on interest rate swaps is included as Net realized capital gains (losses). Since these swaps are hedging securities whose coupon payments are reflected as net investment income (loss) (operating earnings), it is appropriate to represent the net swap coupons as operating earnings before income taxes rather than non-operating earnings. Also included in Net realized capital gains (losses) is the premium amortization and the change in fair value for securities designated under the FVO, whereas the coupon for these securities is included in net investment income (loss). In order to present the economics of these fair value securities in a similar manner to those of an available for sale security, the premium amortization is reclassified from Net realized capital gains (losses) (or non-operating earnings) to operating earnings.

After adjusting for the two items referenced immediately above, the following table presents operating earnings before income taxes and non-operating earnings for our CMO-B portfolio for the periods indicated:

(\$ in millions)	As of December 31,		
	2012	2011	2010
<b>Operating earnings before income taxes</b>	<b>\$ 498.0</b>	<b>\$ 517.7</b>	<b>\$ 566.8</b>
Realized gains/losses including OTTI	154.4	19.4	19.6
Fair value adjustments	221.1	326.5	431.7
<b>Non-operating earnings</b>	<b>\$ 375.5</b>	<b>\$ 345.9</b>	<b>\$ 451.3</b>
<b>Income before income taxes</b>	<b>\$ 873.5</b>	<b>\$ 863.6</b>	<b>\$ 1,018.1</b>

**Subprime and Alt-A Mortgage Exposure**

The performance of underlying subprime and Alt-A mortgage collateral, originated prior to 2008, has continued to reflect the problems associated with a housing market that has since seen substantial price declines and an employment market that has declined significantly and remains under stress. Credit spreads have widened meaningfully from issuance and rating agency downgrades have been widespread and severe within the sector. Over the course of 2010 and 2011, market prices and liquidity within the sector exhibited volatility, driven by various factors, both domestically and globally. During 2012, market prices and sector liquidity have demonstrated more sustained improvements, driven by an improved technical picture and positive sentiment regarding the potential for fundamental improvement within the sector. In managing our risk exposure to subprime and Alt-A mortgages, we take into account collateral performance and structural characteristics associated with our various positions.

We do not originate or purchase subprime or Alt-A whole-loan mortgages. Subprime lending is the origination of loans to customers with weaker credit profiles. We define 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

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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.

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We have exposure to RMBS, CMBS and ABS. Our 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 were included in Other ABS under Fixed Maturities above. As of December 31, 2012, the fair value, amortized cost, and gross unrealized losses related to our exposure to subprime mortgage-backed securities were \$967.3 million, \$998.0 million, and \$89.1 million, representing 1.3% of total fixed maturities, including securities pledged, respectively. As of December 31, 2011, the fair value, amortized cost, and gross unrealized losses related to our exposure to subprime mortgage-backed securities were \$974.2 million, \$1.2 billion, and \$272.1 million, representing 1.3% of total fixed maturities, including securities pledged, respectively.

The NAIC adopted revised designation methodologies for non-agency residential mortgage-backed securities, including RMBS backed by subprime mortgage loans reported within ABS and for commercial mortgage-backed securities ( CMBS ). The NAIC's objective with the revised designation methodologies for these structured securities was to increase the accuracy in assessing expected losses and to use the improved assessment to determine a more appropriate capital requirement for such structured securities. The NAIC designations for structured securities, including subprime and Alt-A RMBS, are based upon a comparison of the bond's amortized cost to the NAIC's loss expectation for each security. Securities where modeling results in no expected loss in all scenarios are considered to have the highest designation of NAIC 1. A large percentage of our RMBS securities carry a NAIC 1 designation while the ARO rating indicates below investment grade. This is primarily due to the credit and intent impairments recorded by us which reduced the amortized cost on these securities to a level resulting in no expected loss in all scenarios, which corresponds to a NAIC 1 designation. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from such structured securities. In the tables below, we present the rating of structured securities based on ratings from the revised NAIC rating methodologies described above (which may not correspond to rating agency designations). All NAIC designations (e.g., NAIC 1-6) are based on the revised NAIC methodologies.

The following tables present our 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		
<b>As of December 31, 2012</b>						
	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%				
<b>As of December 31, 2011</b>						
	1	78.1%	AAA	2.9%	2007	26.9%
	2	4.7%	AA	1.2%	2006	41.2%
	3	13.4%	A	4.5%	2005 and prior	31.9%
	4	2.7%	BBB	8.8%		100.0%
	5	0.5%	BB and below	82.6%		
	6	0.6%		100.0%		
		100.0%				



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Our exposure to Alt-A mortgages is included in the RMBS line item in the Fixed Maturities table under Fixed Maturities above. As of December 31, 2012, the fair value, amortized cost, and gross unrealized losses related to our exposure to Alt-A RMBS aggregated to \$411.3 million, \$389.2 million, and \$47.9 million, respectively, representing 0.5% of total fixed maturities, including securities pledged. As of December 31, 2011, the fair value, amortized cost, and gross unrealized losses related to our exposure to Alt-A RMBS aggregated to \$410.8 million, \$470.8 million and \$117.6 million, respectively, representing 0.6% of total fixed maturities, including securities pledged.

The following tables present our exposure to Alt-A RMBS by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

As of December 31, 2012	NAIC Designation		% of Total Alt-A Mortgage-backed Securities		ARO Ratings		Vintage	
		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%				
<b>As of December 31, 2011</b>								
	1	38.7%	AAA	1.0%	2007		18.8%	
	2	11.0%	AA	2.3%	2006		25.3%	
	3	16.4%	A	7.5%	2005 and prior		55.9%	
	4	24.0%	BBB	3.9%			100.0%	
	5	9.0%	BB and below	85.3%				
	6	0.9%		100.0%				
				100.0%				

**Commercial Mortgage-Backed and Other Asset-backed Securities**

CMBS investments represent pools of commercial mortgages that are broadly diversified across property types and geographical areas. Delinquency rates on commercial mortgages increased over the course of 2009-2011 and have remained elevated during 2012. However, the steep pace of increases observed in the early years following the credit crisis has slowed, and some recent months have posted month over month declines in delinquencies. In addition, other performance metrics like vacancies, property values and rent levels have shown improvements, although these metrics can differ widely by dimensions such as geographic location and property type. The primary market for CMBS has continued its recovery from the credit crisis with higher total new issuances in 2012, the fourth straight year of higher new issuances. Higher primary issuance resulted in increased credit availability within the commercial real estate market.

For consumer Other ABS, delinquency and loss rates have continued to decline after the credit crisis. Improvements in various credit metrics across multiple types of asset-backed loans have been observed on a sustained basis.

As of December 31, 2012, the fair value, amortized cost and gross unrealized losses related to the Company's exposure to CMBS aggregated to \$4.9 billion, \$4.4 billion and \$6.1 million, respectively. As of





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December 31, 2012, the fair value, amortized cost and gross unrealized losses related to the Company's exposure to Other ABS, excluding subprime exposure, aggregated to \$1.6 billion, \$1.6 billion and \$1.8 million, respectively.

As of December 31, 2011, the fair value, amortized cost and gross unrealized losses related to the Company's exposure to CMBS aggregated to \$5.5 billion, \$5.4 billion and \$149.2 million, respectively. As of December 31, 2011, the fair value, amortized cost and gross unrealized losses related to the Company's exposure to Other ABS, excluding subprime exposure, aggregated to \$1.5 billion, \$1.6 billion and \$1.3 million, respectively.

The following tables present our 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	
<b>As of December 31, 2012</b>						
	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%
	4	0.1%	BBB	17.8%	2005 and prior	32.1%
	5		BB and below	15.7%		100.0%
	6			100.0%		
				100.0%		
<b>As of December 31, 2011</b>						
	1	92.7%	AAA	47.3%	2008	0.3%
	2	2.6%	AA	10.1%	2007	33.4%
	3	3.6%	A	16.5%	2006	26.5%
	4	0.7%	BBB	13.5%	2005 and prior	39.8%
	5		BB and below	12.6%		100.0%
	6	0.4%		100.0%		
				100.0%		

As of December 31, 2012, Other ABS was also broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations ( CLO ) and automobile receivables, comprising 40.5%, 4.1% and 33.3%, respectively, of total Other ABS, excluding subprime exposure. As of December 31, 2011, Other ABS was also broadly diversified both by type and issuer with credit card receivables, nonconsolidated CLO and automobile receivables, comprising 43.1%, 4.6% and 27.9%, respectively, of total Other ABS, excluding subprime exposure.

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The following tables summarize our exposure to Other ABS holdings, excluding subprime exposure, by credit quality using NAIC designations, ARO ratings and vintage year as of December 31, 2012 and 2011:

As of December 31, 2012	NAIC Designation		% of Total Other ABS		Vintage	
			ARO Ratings			
	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	9.5%
					2005 and prior	18.8%
						100.0%
<b>As of December 31, 2011</b>						
	1	96.1%	AAA	86.6%	2011	18.0%
	2	2.3%	AA	3.1%	2010	9.6%
	3		A	4.9%	2009	6.4%
	4	0.2%	BBB	3.8%	2008	7.0%
	5	1.4%	BB and below	1.6%	2007	24.8%
	6			100.0%	2006	9.5%
		100.0%			2005 and prior	24.7%
						100.0%

**Troubled Debt Restructuring**

We seek to invest in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications to these contracts are granted. 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. We consider 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 December 31, 2012, we had one private placement troubled debt restructuring with a pre-modification carrying value of \$1.2 million, which was written down to zero. As of December 31, 2011, we had two commercial mortgage loans and one private placement troubled debt restructurings with pre-modification and post modification carrying values of \$55.1 million and \$52.2 million, respectively.

As of December 31, 2012, we had no commercial mortgage loans or private placements modified in a troubled debt restructuring with a subsequent payment default. As of December 31, 2011, we had one loan modified in a troubled debt restructuring with a subsequent payment default.



**Table of Contents****Mortgage Loans on Real Estate**

Our mortgage loans on real estate are all commercial mortgage loans held for investment, which totaled \$8.7 billion and \$8.7 billion as of December 31, 2012 and 2011, respectively. The carrying value of these loans is reported at amortized cost, less impairment write-downs and allowance for losses.

We diversify our commercial mortgage loan portfolio by geographic region and property type to manage concentration risk. We manage risk when originating commercial mortgage loans by generally lending only up to 75% of the estimated fair value of the underlying real estate. Subsequently, we continuously evaluate all mortgage loans based on relevant current information including a review of loan-specific credit, property characteristics and market trends. Loan performance is continuously monitored on a loan-specific basis throughout the year. Our review includes submitted appraisals, operating statements, rent revenues and annual inspection reports, among other items. This review evaluates whether the properties are performing at a consistent and acceptable level to secure the debt.

We rate all commercial mortgages to quantify the level of risk. We place those loans with higher risk on a watch list and closely monitor these loans for collateral deficiency or other credit events that may lead to a potential loss of principal and/or interest. If we determine the value of any mortgage loan to be OTTI (i.e., when it is probable that we will be unable to collect on all amounts due according to the contractual terms of the loan agreement), the carrying value of the mortgage loan is reduced to either the present value of expected cash flows from the loan, discounted at the loan's effective interest rate, or fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure. The carrying value of the impaired loans is reduced by establishing an other-than-temporary write-down recorded in Net realized capital gains (losses) in the Consolidated Statements of Operations.

The following tables present our investment in commercial mortgage loans, the related valuation allowance and changes in the valuation allowance as of the dates indicated:

(\$ in millions)	As of December 31,	
	2012	2011
Commercial mortgage loans	\$ 8,666.2	\$ 8,695.5
Collective valuation allowance	(3.9)	(4.4)
<b>Total net commercial mortgage loans</b>	<b>\$ 8,662.3</b>	<b>\$ 8,691.1</b>
Collective valuation allowance for losses, beginning of period	\$ 4.4	\$ 7.0
Addition to / (decrease of) allowance for losses	(0.5)	(2.6)
Collective valuation allowance for losses, end of period	\$ 3.9	\$ 4.4

There were \$7.7 million in impairments taken on the mortgage loan portfolio for the year ended December 31, 2012. Impairments taken on the mortgage loan portfolio were \$9.3 million for the year ended December 31, 2011.

Our 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.

Mortgage loan impairments recorded were primarily attributable to losses recognized on vacant land intended to be developed and properties located in the state of Michigan, which was severely impacted by the economic downturn.

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

(\$ in millions)	30 days or less past due	31 to 90 days past due	91 to 180 days past due	181 days or more past due	Total
As of December 31, 2012	\$	\$	\$	\$ 9.0	\$ 9.0
As of December 31, 2011	\$ 1.6	\$	\$	\$ 16.6	\$ 18.2
As of December 31, 2010	\$ 9.6	\$ 2.2	\$ 0.5	\$ 11.6	\$ 23.9

Loan-to-value ( LTV ) and debt service coverage ( DSC ) ratios are measures commonly used to assess the risk and quality of commercial 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. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of 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 (loss) to its debt service payments. A DSC ratio of less than 1.0 indicates that 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 LTV and DSC ratios as of the dates indicated are as presented below:

(\$ in millions)	As of December 31,	
	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>
<b>Loan-to-Value Ratio:</b>		
0% - 50%	\$ 1,987.9	\$ 2,535.2
50% - 60%	2,425.2	2,479.4
60% - 70%	3,736.1	2,991.9
70% - 80%	481.7	621.2
80% and above	35.3	67.8
<b>Total Commercial Mortgage Loans</b>	<b>\$ 8,666.2</b>	<b>\$ 8,695.5</b>

<sup>(1)</sup> Balances do not include allowance for mortgage loan credit losses.

(\$ in millions)	As of December 31,	
	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>
<b>Debt Service Coverage Ratio:</b>		
Greater than 1.5x	\$ 5,953.7	\$ 5,710.3
1.25x - 1.5x	1,336.3	1,547.2
1.0x - 1.25x	992.7	1,082.2
Less than 1.0x	374.6	339.1
Commercial mortgage loans secured by land or construction loans	8.9	16.7
<b>Total Commercial Mortgage Loans</b>	<b>\$ 8,666.2</b>	<b>\$ 8,695.5</b>

<sup>(1)</sup> Balances do not include allowance for mortgage loan credit losses.

**Other-Than-Temporary Impairments**

We evaluate available-for-sale fixed maturities and equity securities for impairment on a regular basis. The assessment of whether impairments have occurred is based on a case-by-case evaluation of the underlying reasons for the decline in estimated fair value. See the Note for *Business, Basis of Presentation and Significant Accounting Policies* in our Consolidated Financial Statements for a policy used to evaluate whether the investments are other-than-temporarily impaired.



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The following table presents our credit-related and intent-related impairments included in the Consolidated Statements of Operations, excluding impairments included in AOCI, by type for the years ended December 31, 2012, 2011 and 2010:

(\$ in millions)	2012		2011		2010	
	Impairment	No. of Securities	Impairment	No. of Securities	Impairment	No. of Securities
U.S. Treasuries	\$		\$	\$	\$ 1.8	1
U.S. corporate	14.3	4	55.2	41	30.7	32
Foreign <sup>(1)</sup>	2.2	5	71.3	61	121.5	31
Residential mortgage-backed	25.2	106	37.7	134	73.4	128
Commercial mortgage-backed	1.7	1	133.7	26	59.5	15
Other asset-backed	2.6	7	195.5	122	589.9	107
Equity					0.5	4
Mortgage loans on real estate	7.7	2	9.3	7	13.5	11
Other assets <sup>(2)</sup>	1.4	1				
Total	\$ 55.1	126	\$ 502.7	391	\$ 890.8	329

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

<sup>(2)</sup> Includes loss on real estate owned that is classified as Other assets on the Consolidated Balance Sheets.

The above tables include \$47.3 million of write-downs related to credit impairments for the year ended December 31, 2012 in Other-than-temporary impairment losses, which were recognized in the Consolidated Statements of Operations. For the year ended December 31, 2012 the remaining \$7.8 million in write-downs are related to intent impairments.

The above tables include \$72.5 million of write-downs related to credit impairments for the year ended December 31, 2011 in Other-than-temporary impairment losses, which were recognized in the Consolidated Statements of Operations. The remaining \$430.2 million in write-downs for the year ended December 31, 2011 were related to intent impairments.

The following tables summarize these intent impairments, which are also recognized in earnings, by type for the years ended December 31, 2012, 2011 and 2010:

(\$ in millions)	2012		Years Ended December 31, 2011		2010	
	Impairment	No. of Securities	Impairment	No. of Securities	Impairment	No. of Securities
U.S. Treasuries	\$		\$	\$	\$ 1.8	1
U.S. corporate	1.1	2	55.2	40	28.2	31
Foreign <sup>(1)</sup>	1.5	4	59.0	56	75.0	26
Residential mortgage-backed	3.3	10	7.9	27	20.6	23
Commercial mortgage-backed	1.7	1	124.3	26	31.7	9
Other asset-backed	0.2	1	183.8	118	393.8	64
Total	\$ 7.8	18	\$ 430.2	267	551.1	154

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

As part of our investment strategy, we may sell securities during the period in which fair value has declined below amortized cost for fixed maturities or cost for equity securities. In certain situations, new factors, including changes in the business environment, can change our previous



intent to continue holding a security. Accordingly, these factors may lead us to record additional intent-related capital losses.

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The fair value of the fixed maturities with OTTI as of December 31, 2012 and December 31, 2011 was \$9.0 billion and \$9.3 billion, respectively.

During the year ended December 31, 2012, the primary source of credit-related OTTI was write-downs recorded in the RMBS sector on securities collateralized by subprime residential mortgages.

**Net Investment Income**

Net investment income was as presented below for the periods indicated:

(\$ in millions)	Years Ended December 31,		
	2012	2011	2010
Fixed maturities	\$ 4,184.0	\$ 4,402.1	\$ 4,374.3
Equity securities, available-for-sale	17.7	27.3	30.1
Mortgage loans on real estate	500.0	500.0	496.7
Policy loans	121.5	125.6	135.5
Short-term investments and cash equivalents	5.4	6.7	(3.5)
Other	(123.3)	(80.8)	(25.4)
<b>Gross investment income</b>	<b>4,705.3</b>	<b>4,980.9</b>	<b>5,007.7</b>
Less: investment expenses	7.4	12.1	20.7
<b>Net investment income</b>	<b>\$ 4,697.9</b>	<b>\$ 4,968.8</b>	<b>\$ 4,987.0</b>

Net investment income decreased \$270.9 million from \$4,968.8 million to \$4,697.9 million, partially due to a \$91.9 million loss related to the sale of certain alternative investments. Further decreases were due to lower investment income resulting from investment portfolio changes to improve capital, such as the sale of CMO-B assets, a decline in average assets in our Closed Block Institutional Spread Products segment and due to lapses in Multi-Year Guarantee Annuities ( MYGAs ). The decline in the assets of the Closed Block Institutional Spread Products is due to the continued run-off of this business. Certain MYGAs, mostly sold in 2002, have reached the end of their current guarantee period in 2012. Most of these MYGAs have high crediting rates and the supporting assets generate returns below the targets set when the contracts were issued, negatively impacting returns in our Annuities segment. During the twelve months ended December 31, 2012, approximately \$3.0 billion of the MYGAs reached the end of their current guarantee period, and approximately 66% of those policies up for renewal lapsed. The high lapse rate was expected as renewal crediting rates offered are lower than the credited rates during the initial term. The run-off of these MYGA contracts enhanced the margin of our Annuities segment during 2012. These decreases were partially offset by an increase in assets in our Retirement segment driven by positive net flows, including customer transfers from variable separate accounts as well as improved performance of funds and partnership income from our Investment Management segment.

The net decrease in investment income for the year ended December 31, 2011 was primarily due to a decline in the value of alternative investments and LIHTC partially offset by reduced investment expense. Within the fixed maturities investments, investment income increased in corporate securities and declined in CMBS as positions were reduced and reinvested into investment grade corporate securities. In addition, the increased income earned on corporate securities was also offset by a decline in earnings on certain CMO securities.

The decrease in net investment income for the year ended December 31, 2010 was generally due to reduction in average investment yields due to portfolio restructuring and declining interest rates. The decline in net investment income primarily related to fixed maturities as a portion of MBS and ABS securities have paid down or have been sold without reinvestment. The decline in net investment income was partially offset by an increase in corporate securities as this was the asset class where reinvestment has occurred. The decrease was also partially offset by the increase in other investment income which was primarily the result of increased investment income of alternative investments due to improved market conditions.

**Table of Contents****Net Realized Capital Gains (Losses)**

Net realized capital gains (losses) are comprised of the difference between the amortized cost of investments and proceeds from sale and redemption, as well as losses incurred due to the credit-related and intent-related other-than-temporary impairment of investments. Realized investment gains and losses are also generated from changes in fair value of embedded derivatives within product guarantees and fixed maturities, changes in fair value of fixed maturity securities recorded at FVO and changes in fair value including accruals on derivative instruments, except for effective cash flow hedges. The cost of the investments on disposal is generally determined based on first-in-first-out methodology.

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

(\$ in millions)	Years Ended December 31,		
	2012	2011	2010
Fixed maturities, available-for-sale, including securities pledged	\$ 391.7	\$ 56.4	\$ (340.4)
Fixed maturities, at fair value option	(278.8)	(92.0)	(63.6)
Equity securities, available-for-sale	4.2	18.6	9.6
Derivatives	(1,712.4)	418.6	(1,243.5)
Embedded derivatives fixed maturities	(15.7)	16.1	48.3
Embedded derivatives product guarantees	337.3	(1,945.1)	(72.7)
Other investments	(7.1)	(4.0)	(15.7)
Net realized capital gains (losses)	\$ (1,280.8)	\$ (1,531.4)	\$ (1,678.0)

Net realized capital losses decreased \$250.6 million from \$1,531.4 million to \$1,280.8 million, primarily due to higher net realized investments gains as well as favorable derivative results in our Retirement Solutions business, offset by changes in fair value of guaranteed benefit derivatives due to nonperformance risk and higher losses on derivatives from the Closed Block Variable Annuity segment liability hedges and CHO program. Higher net realized investment gains were mostly due to a \$447.6 million reduction in OTTI in 2012 compared to the prior year. The favorable derivative results in our Retirement Solutions business were driven by \$566.1 million in higher gains on guaranteed benefit derivatives, excluding nonperformance risk within our Retirement Solutions business. The gains in 2012 on guaranteed benefit derivatives were mostly due to a reduction in expected future guaranteed interest rates on certain Stabilizer contracts, compared to losses in 2011 due to declining interest rates.

**Derivatives**

We use derivatives for a variety of hedging purposes as further described below. We also have embedded derivatives within fixed maturities instruments and certain annuity products with guarantees. See Note for *Business, Basis of Presentation and Significant Accounting Policies* in the accompanying Consolidated Financial Statements for further information.

**Closed Block Variable Annuity Hedging***Variable Annuity Guarantee Hedging*

We primarily mitigate variable annuity market risk exposures through hedging. Market risk arises primarily from the minimum guarantees within the variable annuity products, whose economic costs are primarily dependent on future equity market returns, interest rate levels, equity volatility levels, and policyholder behavior. The variable annuity hedging program is used to mitigate our exposure to equity market and interest rate changes and seeks to ensure that the required assets are available to satisfy future death benefit and living benefit obligations. While the variable annuity guarantee hedging program does not explicitly hedge statutory or GAAP reserves, as markets move up or down, in aggregate the returns generated by the variable annuity hedge program will significantly offset the statutory and GAAP reserve changes due to market movements.

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The objective of the guarantee hedging program is to offset changes in equity market returns for most minimum guaranteed death benefits and all guaranteed living benefits, while also providing interest rate protection for certain minimum guaranteed living benefits. We hedge the equity market exposure using a hedge target set using market consistent valuation techniques for all guaranteed living benefits and most death benefits. We also hedge the interest rate risk in our GMWB/GMAB/GMWBL blocks using a market consistent valuation hedge target. We do not hedge interest rate risks for our GMIB or GMDB primarily because doing so would result in volatility in our regulatory reserves and rating agency capital that exceeds our tolerances and, secondarily, because doing so would produce additional volatility in GAAP financial statements.

Equity index futures on various equity indices are used to mitigate the risk of the change in value of the policyholder-directed separate account funds underlying the variable annuity contracts with minimum guarantees. A dynamic trading program is utilized to seek replication of the performance of targeted fund groups (i.e., the fund groups that can be covered by indices where liquid futures markets exist).

Total return swaps are also used to mitigate the risk of the change in value of certain policyholder directed separate account funds. These include fund classes such as emerging markets and real estate. They may also be used instead of futures of more liquid indices where it may be deemed advantageous. This hedging strategy is employed at our discretion based on current risk exposures and related transaction costs.

Interest rate swaps are used to mitigate the impact of interest rates changes on the economic liabilities associated with certain minimum guaranteed living benefits.

Variance swaps and equity options are used to mitigate the impact of changes in equity volatility on the economic liabilities associated with certain minimum guaranteed living benefits. This program began in the second quarter of 2012.

Foreign exchange forwards are used to mitigate the impact of policyholder-directed investments in international funds with exposure to fluctuations in exchange rates of certain foreign currencies. Rebalancing is performed based on pre-determined notional exposures to the specific currencies.

### *Variable Annuity Capital Hedge Overlay Program*

Variable annuity guaranteed benefits are hedged based on their economic or fair value; however, the statutory reserves are not based on a market value. When equity markets decrease, the statutory reserve and rating agency required assets for the variable annuity guaranteed benefits can increase more quickly than the value of the derivatives held under the guarantee hedging program. This causes regulatory reserves to increase and rating agency capital to decrease. To protect the residual risk to regulatory and rating agency capital in a decreasing equity market, we implemented the use of a static capital hedge in 2008. In 2010, we shifted to a dynamic CHO program. The current CHO strategy is intended to actively mitigate equity risk to the regulatory and rating agency capital. The hedge is executed through the purchase and sale of equity index futures and is designed to limit the uncovered reserve increase in an immediate down equity market scenario to an amount we believe prudent for a company of our size and scale. This amount will change over time with market movements, changes in regulatory and rating agency capital and management actions.

For additional information regarding these strategies, see Management's Discussion and Analysis of Results of Operations and Financial Condition-Qualitative and Quantitative Disclosure About Market Risk.

### *Fixed Indexed Annuity Hedging*

We mitigate FIA market risk exposures through a combination of capital market hedging, product design and capital management. For the FIA book of business these risks stem from the MGIR offered and the additional interest credits (Equity Participation or Interest Rate Participation) based on exposure to various stock market indices or the 3-month LIBOR. The minimum guarantees and stock market exposures are strongly dependent on capital markets and, to a lesser degree, policyholder behavior.

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The primary way we hedge FIA equity exposure is to purchase OTC equity index call options from broker-dealer derivative counterparties who generally have a minimum credit rating of A3 from Moody's and A from S&P. For each broker-dealer counterparty, our derivative exposure to that counterparty is aggregated with any fixed income exposure to the same counterparty and is maintained within applicable limits. The second way to hedge FIA equity exposure is by purchasing exchange traded equity index futures contracts.

Additionally, the credited rate mechanism for certain FIA contracts exposes us to changes in interest rate benchmarks. We mitigate this exposure by purchasing OTC interest rate swaptions from broker-dealer derivative counterparties who generally have a minimum credit rate of A3 from Moody's and A from S&P.

These hedge programs are limited to the current policy term of the liabilities, based on current participation rates. Future returns, which may be reflected in FIA credited rates beyond the current policy term, are not hedged.

While the FIA hedging program does not explicitly hedge statutory or GAAP income volatility, the FIA hedging program tends to mitigate the statutory and GAAP reserve changes associated with movements in the equity market and 3-month LIBOR. This is due to the fact that a key component in the calculation of statutory and GAAP reserves is the market valuation of the current term embedded derivative. The risk management of the current term embedded derivative is the goal of the FIA hedging program. Due to the alignment of the embedded derivative reserve component with hedging of this same embedded derivative, there should be a match between changes in this component of the reserve and changes in the assets backing this component of the reserve. However, there may be an interim mismatch due to the fact that the hedges which are put in place are only intended to cover exposures expected to remain until the end of an indexing term (e.g. account value decrements during an indexing term, associated with expected lapses and mortality, are not hedged).

Call options are used to hedge against an increase in various equity indices. An increase in various equity indices may result in increased payments to contract holders of FIA contracts. The call options offset this increased expense.

Futures contracts are also used to hedge against an increase in certain equity indices. An increase in certain equity indices may result in increased payments to contract holders of fixed indexed annuity contracts. The futures contracts offset this increased expense.

Interest rate swaptions are used to hedge against an increase in the interest rate benchmark (currently the 3-month LIBOR). An increase in the interest rate benchmark may result in increased payments to contract holders of FIA contracts. The interest rate swaptions offset this increased expense.

### *Invested Asset and Credit Hedging*

Interest rate caps and interest rate swaps are used to manage the interest rate risk in our fixed maturities portfolio. Interest rate swaps include forward starting swaps which are used for anticipated purchases of fixed maturities. They represent contracts that require the exchange of cash flows at regular interim periods, typically monthly or quarterly.

Foreign exchange swaps are used to reduce the risk of a change in the value, yield, or cash flow with respect to invested assets. Foreign exchange swaps represent contracts that require the exchange of foreign currency cash flows for U.S. dollar cash flows at regular interim periods, typically quarterly or semiannually.

Certain forwards are acquired to hedge certain CMO assets held by us against movements in interest rates, particularly mortgage rates. On the settlement date, we will either receive a payment (interest rate decreases on purchased forwards or interest rate rises on sold forwards) or will be required to make a payment (interest rate rises on purchased forwards or interest rate decreases on sold forwards).

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CDS are used to reduce the credit loss exposure with respect to certain assets that we own, or to assume credit exposure on certain assets that we do not own. Payments are made to or received from the counterparty at specified intervals and amounts for the purchase or sale of credit protection. In the event of a default on the underlying credit exposure, we will either receive an additional payment (purchased credit protection) or will be required to make an additional payment (sold credit protection) equal to par minus recovery value of the swap contract.

### **Sale of Certain Alternative Investments**

On June 4, 2012, certain of our insurance company subsidiaries entered into an agreement to sell certain general account private equity limited partnership investment interest holdings ( sale of certain alternative investments ) with a carrying value of \$812.2 million as of March 31, 2012 included in Assets related to consolidated investment entities. These assets were sold to a group of private equity funds that are managed by Pomona Management LLC, also a subsidiary of ours. The transaction resulted in a net pre-tax loss of \$91.9 million in the second quarter of 2012. The transaction closed in two tranches, with the first tranche having closed on June 29, 2012 and the second tranche having closed on October 29, 2012. No additional loss was incurred on the second tranche since the fair value of the alternative investments was reduced to the agreed upon sale price as of June 30, 2012.

We sold these assets in order to reduce our exposure to alternative investments as part of our ordinary course portfolio management. The transaction will reduce certain rating agency required capital levels in the selling insurance companies, in light of the high capital charge associated with the asset class and improve liquidity and reduce earnings volatility.

### **European Exposures**

We closely monitor our exposures to European sovereign debt in general, with a primary focus on our exposure to the sovereign debt of Greece, Ireland, Italy, Portugal and Spain (which we refer to as peripheral Europe ), as these countries have applied for support from the European Financial Stability Facility or received support from the European Central Bank via government bond purchases in the secondary market.

The financial turmoil in Europe continues to be a threat to global capital markets and remains a challenge to global financial stability. Additionally, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains elevated. Furthermore, it is our view that the risk among European sovereigns and financial institutions warrants specific scrutiny, in addition to our customary surveillance and risk monitoring, given how highly correlated these sectors of the region have become.

We quantify and allocate our exposure to the region, as described in the table below, by attempting to identify all aspects of the region or country risk to which we are exposed. Among the factors we consider are the nationality of the issuer, the nationality of the issuer's ultimate parent, the corporate and economic relationship between the issuer and its parent, as well as the political, legal and economic environment in which each functions. By undertaking this assessment, we believe that we develop a more accurate assessment of the actual geographic risk, with a more integrated understanding of all contributing factors to the full risk profile of the issuer.

In the normal course of our ongoing risk and portfolio management process, we closely monitor compliance with a credit limit hierarchy designed to minimize overly concentrated risk exposures by geography, sector and issuer. This framework takes into account various factors such as internal and external ratings, capital efficiency and liquidity and is overseen by a combination of Investment and Corporate Risk Management, as well as insurance portfolio managers focused specifically on managing the investment risk embedded in our portfolio.

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As of December 31, 2012, we had \$0.9 billion of exposure to peripheral Europe, which consisted of a broadly diversified portfolio of credit-related investments solely in the industrial and utility sectors. We had no fixed maturities or equity securities exposure to peripheral European sovereigns or to financial institutions based in peripheral Europe. Peripheral European exposure included non-sovereign exposure in Italy of \$0.3 billion, Ireland of \$0.3 billion, Spain of \$0.2 billion, and Portugal of \$9.8 million. We had no exposure to Greece. As of December 31, 2012, we had \$1.9 million of derivative assets exposure to financial institutions based in peripheral Europe. For purposes of calculating the derivative assets exposure, we have aggregated exposure to single name and portfolio product credit default swaps ( CDS ), as well as all non-CDS derivative exposure for which it either has counterparty or direct credit exposure to a company whose country of risk is in scope.

Among the remaining \$7.6 billion of total non-peripheral European exposure, we had a portfolio of credit-related assets similarly diversified by country and sector across developed and developing Europe. As of December 31, 2012 our sovereign exposure was \$0.3 billion, which consisted of fixed maturities and equity securities of \$312.2 million. We did not have any loans or receivables as of December 31, 2012 due to the termination of the Dutch State loan obligation under the Alt-A Back-up Facility on November 14, 2012. See Certain Relationships and Related Party Transactions Alt-A Back-up Facility. We also had \$917.5 million in net exposure to non-peripheral financial institutions with a concentration in the United Kingdom of \$322.0 million, and Switzerland of \$236.8 million. The balance of \$6.4 billion was invested across non-peripheral, non-financial institutions.

In addition to aggregate concentration to the Netherlands of \$1.3 billion and the United Kingdom of \$2.8 billion, we had significant non-peripheral European total country exposures in Switzerland of \$799.4 million, Germany of \$722.1 million, France of \$498.9 million and Belgium of \$396.5 million. We place additional scrutiny on our financial exposure in the United Kingdom, France and Switzerland given our concern for the potential for volatility to spread through the European banking system. We believe the primary risk results from market value fluctuations resulting from spread volatility and the secondary risk is default risk, should the European crisis worsen or fail to be resolved.

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The following table presents our European exposures at fair value and amortized cost as of December 31, 2012:

(\$ in millions)	Fixed Maturities and Equity Securities					Derivative Assets			Net Non-US Funded at December 31, 2012 <sup>(1)</sup>	
	Sovereign	Financial Institutions	Non- Financial Institutions	Total (Fair Value)	Total (Amortized Cost)	Sovereign	Financial Institutions	Non- Financial Institutions Collateral		
Ireland	\$	\$	\$ 345.6	\$ 345.6	\$ 326.4	\$	\$ 1.9	\$	\$ 1.9	\$ 347.5
Italy			326.6	326.6	292.9					326.6
Portugal			9.8	9.8	7.4					9.8
Spain			232.7	232.7	230.0					232.7
<b>Total Peripheral Europe</b>			914.7	914.7	856.7	1.9			1.9	\$ 916.6
Austria			77.4	77.4	75.0					77.4
Belgium	39.1		357.4	396.5	328.4					396.5
Bulgaria	6.1			6.1	5.9					6.1
Croatia	29.3			29.3	25.5					29.3
Czech Republic			10.7	10.7	10.1					10.7
Denmark		10.4	85.5	95.9	83.5					95.9
Finland			42.9	42.9	39.5					42.9
France		94.8	404.1	498.9	462.0	285.2		285.2		498.9
Germany		52.1	670.0	722.1	652.1	22.4		22.4		722.1
Hungary	6.2			6.2	5.8					6.2
Kazakhstan	58.8		5.8	64.6	54.6					64.6
Latvia	5.0			5.0	4.6					5.0
Lithuania	36.3			36.3	30.7					36.3
Luxembourg			134.1	134.1	131.8					134.1
Netherlands		179.5	1,077.9	1,257.4	1,120.3	12.4		12.4		1,257.4
Norway		2.5	217.1	219.6	201.8					219.6
Russian Federation	96.8		102.7	199.5	172.9					199.5
Slovakia	5.4			5.4	4.9					5.4
Sweden	23.6	19.4	128.8	171.8	156.2					171.8
Switzerland		156.7	562.6	719.3	641.6	50.2		(29.9)	80.1	799.4
Turkey	5.6			5.6	5.4					5.6
United Kingdom		316.1	2,499.6	2,815.7	2,529.9	68.3		62.4	5.9	2,821.6
<b>Total Non-Peripheral Europe</b>	312.2	831.5	6,376.6	7,520.3	6,742.5	438.5		352.5	86.0	7,606.3
<b>Total</b>	\$ 312.2	\$ 831.5	\$ 7,291.3	\$ 8,435.0	\$ 7,599.2	\$ 440.4	\$	\$ 352.5	\$ 87.9	\$ 8,522.9

<sup>(1)</sup> Represents: (i) fixed maturities and equity securities at fair value, including securities pledged; and (ii) derivative assets at fair value including securities pledged.



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### **Consolidated Investment Entities**

We provide investment management services to, and have transactions with, various collateralized debt structures and securitizations (primarily consolidated investment entities ( CLO entities )), private equity funds and single strategy hedge funds, insurance entities and other investment entities in the normal course of business. In certain instances, we serve as the investment manager, making day-to-day investment decisions concerning the assets of these entities. These entities are considered to be either variable interest entities ( VIEs ) or voting interest entities ( VOEs ) and we evaluate our involvement with each entity to determine whether consolidation is required.

Certain investment entities are consolidated under consolidation guidance. We consolidate entities under the VIE guidance when it is determined that we are the primary beneficiary. We consolidate certain entities under the VOE guidance when we act as the controlling general partner and the limited partners have no substantive rights to impact ongoing governance and operating activities.

With the exception of guarantees we issued in relation to collateral support for reinsurance contracts, we have no right to the benefits from, nor do we bear the risks associated with, these investments beyond our direct equity and debt investments in and management fees generated from these investment products. Such direct investments amounted to approximately \$600.0 million and \$1.2 billion as of December 31, 2012 and 2011, respectively. If we were to liquidate, the assets held by consolidated investment entities would not be available to our general creditors.

### ***Consolidated Investments***

#### ***CLO Entities***

Certain of our subsidiaries structure and manage CLO entities created for the sole purpose of offering investors various maturity and risk characteristics by issuing multiple tranches of collateralized debt. The notes issued by the CLO entities are backed by diversified portfolios consisting primarily of senior secured floating rate leveraged loans.

We provide collateral management services to the CLO entities and earn investment management fees and contingent performance fees. We have invested in certain of these entities, generally taking an ownership position in the unrated junior subordinated tranches. These CLO entities are structured and managed similarly, but have differing fee structures and we make different levels of initial capital investments in them. Our ownership interests and management and contingent performance fees were assessed to determine if we are the primary beneficiary of these entities.

As of December 31, 2012 and 2011, we consolidated 9 CLOs and 5 CLOs, respectively.

The collateral assets of consolidated CLO entities are held solely to satisfy the obligations of the CLO entities and the investors in the consolidated CLO entities have no recourse to the general credit of us for any losses sustained in the CLO entities.

#### ***Private Equity Funds and Single Strategy Hedge Funds (Partnerships)***

We invest in and manage various alternative investments, including private equity funds and single strategy hedge funds. We, as a general partner or managing member of certain sponsored investment funds, are generally presumed to control these alternative investments unless the limited partners have the substantive ability to remove us, as the general partner without cause based upon a simple majority vote, or can otherwise dissolve the partnership, or have substantive participating rights over decision-making of the partnerships. As of December 31, 2012 and 2011, we consolidated 34 funds and 27 funds, respectively. Refer to *Investments Sale of Certain Alternative Investments* for a discussion of the sale of certain general account private equity limited partnership investment interest holdings.

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### ***Fair Value Measurement***

Upon consolidation of CLO entities, we elected to apply the FVO for financial assets and financial liabilities held by these entities to measure these assets (primarily corporate loans) and liabilities (debt obligations issued by CLO entities) at fair value. We have elected the FVO to more closely align the accounting with the economics of the transactions and allow us to more effectively reflect changes in the fair value of CLO assets with a commensurate change in the fair value of CLO liabilities.

Investments held by consolidated private equity funds and single strategy hedge funds are reported in our Consolidated Financial Statements. Changes in the fair value of consolidated investment entities are recorded as a separate line item within Income related to Consolidated Investment Entities in our Consolidated Financial Statements.

The methodology for measuring the fair value and fair value hierarchy classification of financial assets and liabilities of consolidated investment entities is consistent with the methodology and fair value hierarchy rules that we apply to our investment portfolio. See the Fair Value Measurement section of the Note for *Business, Basis of Presentation and Significant Policies* in our Consolidated Financial Statements.

### ***Nonconsolidated VIEs***

#### ***CLO Entities***

In addition to the consolidated CLO entities discussed above, we also hold variable interest in certain CLO entities that we do not consolidate because we have determined that we are not the primary beneficiary. With these CLO entities, we serve as the investment manager and receive investment management fees and contingent performance fees. Generally, we do not hold any interest in those nonconsolidated CLO entities. We have not provided and are not obligated to provide any financial or other support to these entities.

Although we have the power to direct the activities that significantly impact the economic performance for CLO entities, we do not hold a significant variable interest in any of these CLO entities and, as such, do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Based on this analysis, we are not considered the primary beneficiary of any of these CLO entities, and have not consolidated. On a periodic basis we review the facts and circumstances regarding the CLO entities to determine whether our consolidation considerations remain appropriate. At December 31, 2012, 2011 and 2010, we did not hold any ownership interest in these unconsolidated CLOs and our maximum exposure was equal to zero.

We manage or hold investments in certain private equity funds and single strategy hedge funds. These funds are managed as a portfolio of investments that use advanced investment strategies such as leverage, long, short and derivative positions in both domestic and international markets with the goal of generating high returns. With these entities, we serve as the investment manager and are entitled to receive investment management fees and contingent performance fees that are generally expected to be insignificant. We do not hold any equity interest in these fund VIEs and have not provided and are not obligated to provide any financial or other support to these funds.

Although we have the power to direct the activities that significantly impact the economic performance of the funds, we do not hold a significant variable interest in any of these funds and, as such, do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Accordingly, we are not considered the primary beneficiary of and do not consolidate, any of these investment funds.

In addition, we do not consolidate funds, in which our involvement takes a form of a limited partner interest and is restricted to a role of a passive investor, as a limited partner's interest does not provide us with any substantive kick-out or participating rights, which would overcome the presumption of control by the general partner.

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***Securizations***

We invest in various tranches of securitization entities, including RMBS, CMBS and ABS. Certain RMBS investments represent agency pass-through securities and close-to-the-index tranches issued by Fannie Mae, Freddie Mac, or a similar government sponsored entity. Investments that we hold in non-agency RMBS and CMBS also include interest-only, principal-only, and inverse floating securities. We are not obligated to provide any financial or other support to these entities. The RMBS, CMBS and ABS entities are thinly capitalized by design and considered VIEs. Our involvement with these entities is limited to that of a passive investor. We have no unilateral right to appoint or remove the servicer, special servicer, or investment manager of these entities, which are generally viewed to have the power to direct the activities that most significantly impact the securitization entities' economic performance, in any of these entities, nor do we function in any of these roles. Through our investments or other arrangements, we do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Therefore, we are not the primary beneficiary and do not consolidate any of the RMBS, CMBS and ABS entities in which we hold investments. These investments are accounted for as investments available-for-sale as described in the *Fair Value Measurements* Note to our Consolidated Financial Statements and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS which are accounted for under the FVO, whose change in fair value is reflected in Other net realized gains (losses) in the Consolidated Statements of Operations. Our maximum exposure to loss on these structured investments is limited to the amount of our investment. See the Note for *Investments* in our Consolidated Financial Statements for details regarding the carrying amounts and classifications of these assets.

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**ORGANIZATIONAL HISTORY AND STRUCTURE**

**Our History**

Prior to this offering, we are a wholly owned subsidiary of ING Group, a global financial institution of Dutch origin, with operations in more than 40 countries and more than 95,000 employees.

ING Group entered the United States life insurance market in 1975 through the acquisition of Wisconsin National Life Insurance Company, followed in 1976 with its acquisition of Midwestern United Life Insurance Company and Security Life of Denver Insurance Company in 1977. ING Group significantly expanded its presence in the United States in the late 1990s and 2000s with the acquisitions of Equitable Life Insurance Company of Iowa (1997), Furman Selz, an investment advisory company (1997), ReliaStar Life Insurance Company (including Pilgrim Capital Corporation) (2000), Aetna Life Insurance and Annuity Company (including Aeltus Investment Management) (2000) and CitiStreet (2008).

The following chart presents the ownership structure through which ING Group currently holds its interest in us. ING Insurance International B.V. is the record holder of our outstanding shares, which it holds for the economic benefit of ING Verzekeringen N.V.

**Anticipated Divestment from ING Group**

Prior to this offering, we are a wholly owned subsidiary of ING Group. In October 2009, ING Group submitted a restructuring plan to the EC in order to receive approval for state aid granted to ING Group by the Dutch State in November 2008 and March 2009. To receive approval for this state aid, ING Group was required to divest its insurance and investment management businesses, including the Company. On November 19, 2012 ING Group and the EC announced that the EC approved the 2012 Amended Restructuring Plan. The 2012 Amended Restructuring Plan requires ING Group to divest at least 25% of the Company by December 31, 2013, more than 50% of the Company by December 31, 2014, and 100% of the Company by December 31, 2016. The divestment of 50% of the Company is measured in terms of a divestment of over 50% of the shares of ING U.S., Inc., the loss of ING Group's majority of directors on ING U.S., Inc.'s board of directors and the accounting deconsolidation of the Company (in line with IFRS accounting rules). In case ING Group does not satisfy its

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commitment to divest the Company as agreed with the EC, the Dutch State will renotify the recapitalization measure to the EC. In such a case, the EC may require additional restructuring measures or take enforcement actions against ING Group, or, at the request of ING Group and the Dutch State, could allow ING Group more time to complete the divestment. In the event ING Group is no longer required or is allowed more time to divest the Company, ING Group may delay its divestiture. For additional information on the separation from ING Group, see Risk Factors Risks Related to Our Separation from, and Continuing Relationship with, ING Group .

## **Our Organizational Structure**

We are a holding company incorporated in Delaware in April 1999. We operate our businesses through a number of direct and indirect subsidiaries. The following organizational chart presents the ownership and jurisdiction of incorporation of our principal subsidiaries:

The chart above presents:

ING U.S., Inc.

Our principal intermediate holding company, Lion Holdings, which is the direct parent of a number of our insurance and non-insurance operating entities.

Our principal operating entities that will be the primary sources of cash distributions to ING U.S., Inc. Specifically, these entities are our principal insurance operating companies (ILIAC, ING USA, SLD and RLI) and ING Investment Management LLC, the holding company for entities that operate our Investment Management business.

SLDI, our insurance subsidiary domiciled in the Cayman Islands.

## **Other ING Operations in the United States**

ING Group has certain operations in the United States that do not form part of the Company, including ING Corporate and Institutional Clients (ING Group's wholesale banking operations in the U.S.) and certain limited operations of its European and Asian investment management business.

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**BUSINESS**

We are a premier retirement, investment and insurance company serving the financial needs of approximately 13 million individual and institutional customers in the United States as of December 31, 2012. Our vision is to be America's Retirement Company. Our approximately 7,000 employees (as of December 31, 2012) are focused on executing our mission to make a secure financial future possible—one person, one family and one institution at a time. Through our retirement, investment management and insurance businesses, we help our customers save, grow, protect and enjoy their wealth to and through retirement. We offer our products and services through a broad group of financial intermediaries, independent producers, affiliated advisors and dedicated sales specialists throughout the United States.

Our extensive scale and breadth of product offerings are designed to help Americans achieve their retirement savings, investment income and protection goals. Our strategy is centered on preparing customers for Retirement Readiness—being emotionally and economically secure and ready for their retirement. We believe that the rapid aging of the U.S. population, weakening of traditional social safety nets, shifting of responsibility for retirement planning from institutions to individuals and growth in total retirement account assets will drive significant demand for our products and services going forward. We believe that we are well positioned to deliver on this Retirement Readiness need.

We believe that we help our customers achieve four essential financial goals, as they prepare for, enter and enjoy their retirement years.

**Save.** Our products enable our customers to save for retirement by establishing investment accounts through their employers or individually.

**Grow.** We provide advisory programs, IRAs, fixed annuities, brokerage accounts, mutual funds and accumulation insurance products to help our customers achieve their financial objectives.

**Protect.** Our specialized retirement and insurance products, such as UL, IUL, term life and stable value products, allow our customers to protect against unforeseen life events and mitigate market risk.

**Enjoy.** Our income products such as target date funds, guaranteed income funds, fixed annuities, IRAs, mutual funds and accumulation insurance products enable our customers to meet income needs through retirement and achieve wealth transfer objectives.

We tailor our products to meet the unique needs of our individual and institutional customers. Our individual businesses are primarily focused on the middle and mass affluent markets; however we serve customers across the full income spectrum, especially in our Institutional Retirement Plans business, Retail and Alternative Fund businesses, and Employee Benefits segment. Similarly, our institutional businesses serve a broad range of customers, with customized offerings to the small-mid, large and mega market segments.

We believe that with our leading market positions, investment expertise, and distribution reach we are well positioned to generate attractive risk-adjusted returns and earnings growth for our shareholders over time.

We operate our principal businesses through three business lines: Retirement Solutions, Investment Management and Insurance Solutions. We refer to these business lines as our ongoing business. In addition, we also have Closed Blocks and Corporate reporting segments. Closed Blocks consists of three businesses where we have placed our portfolios in run-off—Closed Block Variable Annuity, Closed Block Institutional Spread Products and Closed Block Other. Our Corporate segment includes our corporate activities and corporate-level assets and financial obligations.

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The following table presents a summary of our key individual and institutional markets, how we define those markets, and the key products sold in such markets.

***Individual Markets***

<b>Market</b>	<b>Household Income Range</b>	<b>Investable Asset Range</b>	<b>Customer Products</b>
Mass Market	\$50,000-\$100,000	<\$100,000	Term Life Insurance Mutual Funds Rollover IRAs Annuities
Middle Market & Mass Affluent	\$100,000-\$250,000	\$100,000-\$1,000,000	Term Life Insurance Universal Life Insurance Mutual Funds Rollover IRAs Financial Advisory Annuities
Affluent & Wealth Management Market	\$250,000-\$500,000	\$1,000,000-\$10,000,000	Term Life Insurance Universal Life Insurance Mutual Funds Separately Managed Accounts Alternatives Funds Rollover IRAs Financial Advisory Annuities

***Institutional Markets***

<b>Market</b>	<b>Employee Size</b>	<b>Asset Range</b>	<b>Customer Products</b>
Small-Mid	26-3,000	\$5 million-\$150 million	Full Service Retirement Plans Retirement Recordkeeping Employee Benefits

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			Investment Management
			Stable Value
Large	3,000-5,000	\$150 million-	Full Service Retirement Plans
		\$500 million	Retirement Recordkeeping
			Employee Benefits
			Investment Management
			Stable Value
Mega	>5,000	>\$500 million	Retirement Recordkeeping
			Employee Benefits
			Investment Management
			Stable Value



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We operate our ongoing business through three business lines which encompass five reporting segments:

**Retirement Solutions.** We are a leading provider of retirement services and products in the United States, with approximately \$116.6 billion in AUM and \$213.7 billion of AUA as of December 31, 2012. We provide an extensive product range addressing both the accumulation and income distribution needs of customers, through a broad distribution footprint of nearly 2,400 affiliated representatives and thousands of non-affiliated agents and TPAs as of December 31, 2012. Our Retirement Solutions business comprises two financial reporting segments: Retirement and Annuities.

*Retirement* provides tax-deferred, employer-sponsored retirement savings plans and administrative services to nearly 48,000 plan sponsors covering more than 5 million plan participants in corporate, education, healthcare and government markets as of December 31, 2012. Retirement also provides rollover IRAs, and other retail financial products as well as comprehensive financial advisory services to individual customers. We serve a broad spectrum of employers ranging from small companies to the very largest of corporations and government entities. As of the latest Pensions and Investments survey published in March 2013, we rank second in the U.S. defined contribution plan market by number of record kept plan sponsors, third by number of plan participants served, and fifth by assets under management and administration at September 30, 2012. Retirement had \$304.1 billion of AUM and AUA at December 31, 2012, of which \$80.2 billion was full service business, \$221.5 billion was recordkeeping and stable value business and \$2.4 billion was Individual Markets business.

*Annuities* provides fixed and indexed annuities, tax-qualified mutual fund custodial products and payout annuities for pre-retirement wealth accumulation and post-retirement income management sold through multiple channels, and had \$26.1 billion of AUM at December 31, 2012.

**Investment Management.** We are a prominent full-service asset manager with \$181.8 billion of AUM and \$54.7 billion of AUA as of December 31, 2012, delivering client-oriented investment solutions and advisory services. We serve both individual and institutional customers, offering them domestic and international fixed income, equity, multi-asset and alternative investment products and solutions across a range of geographies, investment styles and capitalization spectrums.

As of December 31, 2012, we managed \$101.3 billion in our commercial business (comprised of \$60.7 billion for third-party institutions and individual investors, and \$40.6 billion in separate account assets for our Retirement Solutions, Insurance Solutions and Closed Block businesses) and \$80.4 billion in general account assets. We are particularly focused on growing our commercial business, in which we achieved 11.3% organic AUM growth in 2012.

We have a highly scalable business model and are among the twenty largest managers of institutional tax-exempt assets in the U.S. and ranked number one among defined contribution investment managers in client loyalty and favorability as of 2011.

As of December 31, 2012, our retail mutual fund portfolio assets totaled \$22.0 billion. On a five-year asset-weighted basis, 77% of our mutual funds beat their Morningstar category average and 85% had lower volatility than their Morningstar competitor average as of December 31, 2012.

**Insurance Solutions.** We are one of the top providers of life insurance in the United States. In our focus individual products, term and universal life, we currently rank fifth and seventeenth, respectively, based on premiums sold as of December 31, 2012. We are also the fifth ranked provider of medical stop loss coverage in the United States based on in-force premiums as of September 30, 2012. Our Insurance Solutions business comprises two financial reporting segments: Individual Life and Employee Benefits.

*Individual Life* provides wealth protection and transfer opportunities through universal, variable, and term products, distributed through independent channels to meet the needs of a broad range of customers from the middle-market through affluent market segments. As of December 31, 2012, the Individual Life distribution model is supported by independent life sales agents (over 2,200



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independent general agents with access to over 93,000 producers), strategic distribution (over 30 independent managing directors supporting approximately 6,900 additional producers) and specialty markets (approximately 75 general agents with access to over 7,400 producers).

*Employee Benefits* provides stop loss, group life, voluntary employee-paid and disability products to mid-sized and large businesses. As of December 31, 2012, the Company has 58 employee benefits sales representatives, across 19 sales offices, with average industry experience of 16 years. Approximately 59.4%, 18.8% and 9.6% of 2012 Employee Benefit sales were attributed to stop loss, life and voluntary products, respectively.

**Closed Blocks.** We separated our Closed Block Variable Annuity and Closed Block Institutional Spread Products segments from our other operations and made a strategic decision to stop actively writing new retail variable annuity products with substantial guarantee features and to run-off the institutional spread products portfolio over time. Accordingly, these segments have been classified as closed blocks and are managed separately from our ongoing business.

*Closed Block Variable Annuity.* In 2009, we decided to cease sales of retail variable annuity products with substantial guarantee features (the last policies were issued in early 2010) and placed this portfolio in run-off. Subsequently, we refined our hedging program to dynamically protect regulatory and rating agency capital of the variable annuities block for adverse equity market movements. In addition, since 2010, we have increased statutory reserves considerably, added significant interest rate risk protection and have more closely aligned our policyholder behavior assumptions with experience. Our focus in managing our Closed Block Variable Annuity segment is on protecting regulatory and rating agency capital from equity market movements via hedging and judiciously looking for opportunities to accelerate the run-off of the block, where possible. We believe that our hedging program combined with our statutory reserves of \$7.6 billion at December 31, 2012, related to the variable annuity block, provides adequate resources to fund a wide range of, but not all, possible market scenarios as well as a margin for adverse policyholder behavior.

*Closed Block Institutional Spread Products.* In 2009, we also placed the institutional spread products portfolio in run-off. As of December 31, 2012, remaining assets in the institutional spread products portfolio had an amortized cost of \$3.8 billion, down from a peak of \$14.3 billion in 2008.

As of December 31, 2012, we had \$461.0 billion in total AUM and AUA and total shareholder's equity, excluding AOCI and noncontrolling interests, of \$10.2 billion. In 2012, we generated \$606.0 million of income before income taxes, \$473.0 million of net income available to ING U.S., Inc.'s common shareholder and \$918.3 million of operating earnings before income taxes. Operating earnings before income taxes is a non-GAAP financial measure. For a reconciliation of operating earnings before income taxes to income (loss) before income taxes, see Management's Discussion and Analysis of Results of Operations and Financial Condition Results of Operations Company Consolidated.

## **Market Environment and Opportunities**

The current macroeconomic backdrop and financial market uncertainty, as well as the weakening of historical safety nets provided by governments and employers, such as Social Security and defined benefit plans, are increasing the need for Americans to plan for their own long-term financial security. Our products and services are designed to help individuals achieve their retirement savings, investment income and protection goals. We believe that we are uniquely positioned to benefit from a number of significant demographic and market trends, including the following:

**Rapid growth in aging U.S. population.** In a 2010 study, the U.S. Census Bureau estimated that the number of Americans aged 65 and older will more than double over the next 40 years, increasing from 40.2 million in 2010 to 88.5 million in 2050. By 2050, it is estimated that over 20% of the U.S. population will be aged 65 or older, as compared to 13.0% in 2010.

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***Fraying of traditional social safety nets.*** The U.S. Government Accountability Office has indicated that increasing life expectancy has created a risk that many retirees will outlive their retirement assets. Additionally, employer-sponsored private sector pension plans face severe funding deficits. According to a report by Mercer Consulting, a consulting and research firm, the aggregate funding deficit for pension plans sponsored by companies included on the S&P 1500 was \$484 billion as of December 31, 2011. Americans realize that funding deficits in government and employer-sponsored pension plans leave them exposed to retirement income shortfalls. According to a 2006 LIMRA study, more than 62% of individuals aged 55 to 70 do not expect to receive enough income from Social Security and employer pensions to cover their basic living expenses through their retirement years.

***Growth in the retirement savings market.*** The U.S. Bureau of Labor Statistics estimates that private sector participation in defined benefit plans declined from 80% of full time employees in 1985 to 22% in 2011, while employee participation in defined contribution plans increased from 41% to 50% over the same period. Between 2000 and 2011, total assets held in defined contribution plans grew from \$3.1 trillion to \$5.0 trillion and total assets held in IRAs grew from \$2.6 trillion in 2000 to \$4.8 trillion in 2011, while total private sector defined benefit plan assets only grew from \$2.0 trillion to \$2.3 trillion. According to Cerulli Associates, a financial services research firm, total U.S. retirement account assets are expected to grow 38% from \$16 trillion in 2011 to \$22 trillion by 2016. The paradigm shift in savings responsibilities from institutions to individuals will drive much of this growth into the defined contribution and IRA markets, with defined contribution plan assets expected to grow from \$4.8 trillion to \$5.8 trillion and IRA assets expected to grow from \$5.2 trillion to \$7.6 trillion between 2011 and 2016. In addition, the anticipated growth of the rollover market presents a considerable long-term opportunity: according to LIMRA, assets rolled into IRAs exceeded \$400 billion per year in 2011 (up 118% from 10 years ago) and are expected to reach approximately \$600 billion per year by 2015.

***Insufficient life insurance coverage.*** According to the most recent study published by LIMRA in September 2011, 58 million or approximately half of all U.S. households do not believe they have sufficient life insurance coverage. The average U.S. household with life insurance coverage only owns enough to replace 3.6 years of income, as compared to the 7- to 12- year average recommended range as sourced by LIMRA.

We believe these market trends will drive increasing demand for our Retirement Solutions, Investment Management and Insurance Solutions businesses, and highlight the value of our holistic investment advisory approach as a means to help customers realize their retirement savings and income goals.

**Our Competitive Strengths**

We believe that we have a number of competitive strengths which will allow us to capitalize on attractive market opportunities as we develop and grow our business in a consistent and prudent manner.

***Leadership positions in our ongoing business with a broad range of product offerings capable of meeting the evolving financial needs of customers throughout their lives.*** We have leading positions in our Retirement Solutions and Insurance Solutions businesses and a prominent Investment Management business with top-tier investment performance across an array of asset classes. Few of our competitors have the breadth and scale across savings and financial protection products that customers will need throughout their lives.

Our Retirement Solutions business ranks as the number two provider of defined contribution retirement plans in the U.S. as measured by the number of plan sponsors, and number three provider of plan participants for which we provide recordkeeping services as of September 30, 2012. We are one of the few retirement services providers in the U.S. capable of using our industry presence and scale to efficiently support small, mid, large and mega-sized employers in the 401(k), 403(b) and 457 market segments.

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Our Investment Management business is a leading U.S. based asset manager, with 77% of our mutual funds beating their Morningstar category average and 85% having lower volatility than their Morningstar competitor average on a five-year asset-weighted basis as of December 31, 2012.

Our Insurance Solutions business provides a full range of product capabilities and is the fifth largest writer of term life, and the seventeenth largest writer of universal life based on premiums sold in the United States as of December 31, 2012. We are also the fifth largest provider of medical stop loss coverage based on premiums in force as of September 30, 2012.

***Relationships with approximately 13 million customers as of December 31, 2012.*** We believe the size, scope and long-standing market presence of our businesses provide us with access to millions of individual customers, relationships with and relevance to distributors across the financial services landscape, economies of scale, and an understanding of and ability to leverage best practices across our organization. We can offer customers with whom we have built a relationship, either through their employer or directly, a suite of products that can meet most of their lifetime protection and accumulation needs.

Our institutional businesses provide us with the ability to access millions of individual customers in a cost-effective manner, and our comprehensive product suite gives us the opportunity to convert these touch points into long-term customer relationships.

Our access to individuals at critical points in their lives and our ability to offer tailored protection, retirement, investment and savings products enables us to cultivate deep, long-lasting and profitable customer relationships. Our product suite includes roll-over IRAs, mutual funds and annuities which enables us to maintain a relationship with individuals entering retirement or exiting their current plan for any other reason. According to a 2011 report by LIMRA, approximately 75% of roll-over assets are captured by an institution with which the customer had a prior relationship.

***Extensive, multi-channel distribution network with strong producer relationships.*** We offer customers access to our products and services through a national, multi-channel distribution network that includes approximately 200,000 individual points of contact associated with both affiliated and unaffiliated distributors as of December 31, 2012.

We cultivate long-standing, loyal relationships with our distributors by providing innovative products, highly responsive service and efficient technology solutions.

Each of our businesses maintains its own distribution base, tailored by the nature of its products and preferences of its customers.

We have established extensive, multi-channel distribution networks in each of our ongoing businesses and believe these strong relationships are a key aspect of achieving our long term goals.

***Scalable operating platform.*** We have developed a highly scalable business model which positions us well for future growth opportunities. Our operating platform supports both current and significantly higher volumes of business, positioning us favorably for margin expansion in the future.

Our Retirement Solutions business has operational centers of excellence that are leveraged across the Institutional Retirement Plans (full service and recordkeeping) and Individual Markets businesses to efficiently and cost effectively provide high quality services to all clients.

Our Investment Management business has developed product manufacturing capabilities that would enable the business to manage a significant amount of additional assets with limited increase in costs.

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Our Insurance Solutions business has scalable operational models that provide us the capability to add new business at attractive marginal costs and to quickly increase capacity to take advantage of attractive market conditions.

***Renewed financial strength.*** We have taken decisive actions to strengthen our balance sheet over the last four years by repositioning and reducing the risk of our investment portfolio, hedging our closed block against market-related volatility, deleveraging our capital structure and bolstering our holding company liquidity position.

Our U.S. insurance subsidiaries have maintained an estimated combined RBC ratio at or above 425% as of the end of each quarter during 2011 and 2012.

Our investment portfolio of \$95.5 billion as of December 31, 2012, is comprised of approximately 78.8% fixed maturity securities, of which 95.0% have been assigned credit quality ratings of 1 or 2 by the NAIC.

Between December 31, 2008 and December 31, 2012, we reduced our Alt-A exposure 91.4% from \$4.5 billion to \$389.2 million, our subprime holdings 72.3% from \$3.6 billion to \$998.0 million and our CMBS exposure 53.2% from \$9.4 billion to \$4.4 billion based on amortized cost. As of December 31, 2012, we had no direct sovereign exposure to Greece, Ireland, Portugal, Spain or Italy and no direct exposure to financial institutions based in those countries.

We decided to cease sales of retail variable annuity products with substantial guarantee features (last policies were issued in 2010) and placed this portfolio and the institutional spread products portfolio in run-off. Subsequently, we refined our hedging program to dynamically protect regulatory and rating agency capital of the variable annuities block for adverse equity market movements. In addition, since 2010, we have increased statutory reserves considerably, added significant interest rate risk protection and have more closely aligned our policyholder behavior assumptions with experience.

We enhanced our capital structure and significantly reduced financial leverage.

***Stringent risk management approach.*** Over the past few years, we have become increasingly focused on risk management and risk control. We have established an independent risk management function with responsibility for all risk management across the organization enabling clear separation of duties between risk, finance and investment functions.

We have comprehensive risk management and control procedures at all levels of our organization that support business strategies, formulate risk appetite, implement risk related policies and monitor limits.

We adhere to a strong policy and reporting framework that guides a multi-tiered risk governance structure in the assessment and management of risk and includes a daily feedback mechanism.

We follow disciplined processes to assess, measure, report and manage risks, including product development and pricing, ALM, capital management and risk mitigating activities such as hedging and reinsurance.

We maintain a dynamic hedging program that protects against select equity market and interest rate risks as illustrated by the recent extension of our Retirement stable value hedge to 80% coverage.

***Highly experienced management team, supported by deep bench of talent.*** Our senior management team has extensive experience in the retirement, investment management and insurance sectors and is supported by a diverse group of talented executives throughout the Company.

Our 9 executive officers average over 25 years of financial services experience and are actively instilling a performance-driven, execution-oriented culture across our organization.

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6 of our 9 executive officers have joined the Company since the financial crisis of 2008-2009, and have successfully put in place a set of strategies that are helping to define our Company today, including risk management initiatives, balance sheet discipline, and product portfolio improvements.

### **Our Business Strategy**

Building on our core strengths, we intend to pursue strategies to deliver consistent earnings growth with attractive risk-adjusted returns while maintaining a strong balance sheet. The immediate focus of our strategy is to improve our ongoing business operating ROE. We have identified more than thirty ROE-enhancing projects across our businesses and functions intended to improve our ongoing business operating ROE to a goal in the range of 12% to 13% by 2016. The ongoing business operating ROC increased from 6.6% in 2011 to 7.2% in 2012, and is expected to increase to a goal in the range of 10% to 11% by 2016. Operating ROE and operating ROC are non-GAAP financial measures. For additional detail on our ROC expansion goal and the calculation of operating ROE and operating ROC and reconciliations, see Operating Return on Capital Goal. The cornerstones of our prudent ROE and ROC expansion strategy are the following:

***Improve the profitability of our existing franchises.*** We have identified and are actively pursuing several initiatives to improve profitability across our businesses. These initiatives include maintaining strict pricing discipline for new sales, re-pricing existing blocks of business that do not meet our return hurdles, allowing the run-off of unprofitable books that cannot be re-priced and adjusting policyholder crediting rates. For instance, we recently instituted price increases across certain term and universal life products, positioning them to earn double-digit returns. We are working to reduce our operating and information technology overhead by leveraging our procurement capabilities to reduce expenses, increasing our use of business process outsourcing services and employing Six Sigma statistical management techniques. We believe these initiatives will enhance our margins and support improved earnings and increased cash flow distributions from our operating subsidiaries to ING U.S., Inc. going forward.

***Focus on capital management across all businesses.*** We are highly focused on effectively managing the demands for capital across our businesses. We have prioritized growth in our higher return, less capital intensive Retirement Solutions and Investment Management businesses. Our Insurance Solutions business is focused on selling capital-efficient products such as indexed products in Individual Life and Employee Benefits products. The overall objective of these policies is to realign our businesses in a manner that will maximize free cash flow generation.

***Leverage leading market positions, investment performance, and distribution strength to drive profitable growth in select markets.*** Within Retirement Solutions, we are targeting the small-mid corporate and education retirement plan markets. We will target growth in the healthcare and government markets selectively based on opportunities for economically sustainable value delivery with acceptable returns. We are also seeking to expand relationships with our large recordkeeping-only clients by offering the full breadth of ING U.S.'s capabilities, including Retirement Readiness solutions, for their plan participants. Within Investment Management, we are focused on leveraging our strong investment track record and historical performance to attract new institutional and individual customers in our third party business and to increase the share of proprietary assets under the management of Retirement Solutions. Given our scalable operating platform we believe our growth will produce margin expansion in these segments. Also, although we are deemphasizing parts of our Insurance Solutions business, it provides key capabilities, broad distribution and seasoned underwriting that complement Retirement Solutions and Investment Management in helping customers attain their financial goals.

***Transcend boundaries between workplace benefits and personal financial products.*** We aim to deliver comprehensive solutions across our customer base by combining the capabilities of our three ongoing businesses. This combination of capabilities differentiates us from other financial services

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firms and allows us to capitalize on favorable demographic and social trends. For individuals, we intend to provide value-added services and increase the number of our products they consume. In Retirement Solutions, we have been seeking greater access to employees in employer-sponsored plans. We believe that such direct access will allow us to convert institutional relationships into individual ones and enable us to offer individuals entering retirement or exiting their current employer-sponsored plan for any other reason suitable products in which they can invest their retirement plan assets. In Insurance Solutions, we have been working with employer clients to offer a broader array of voluntary products to address the needs of their employees. Ultimately, we aspire to bridge the gap between workplace benefits and personal financial products in order to benefit our customers.

***Protect our balance sheet by prudently managing risks.*** Risk management is pervasive in everything we do as a Company. The coordination of our strategic, financial and risk functions have been critical to helping us focus on risk reduction initiatives as well as determining where to invest for the future. We have substantially reduced the risk of our investment portfolio since 2008 and intend to continue managing it conservatively. On the liability side, we have significantly deleveraged our capital structure, are keenly focused on managing tail risks and have implemented a hedging program designed to substantially mitigate the effect of market shocks on our regulatory and rating agency capital adequacy, especially as it relates to the Closed Block Variable Annuity segment. Our hedging program is constantly evaluated and revised in light of changing market conditions and to manage the trade-offs between capital preservation, cash flow, earnings and underlying economics.

### **Our Brand**

Our company's leadership and reputation in the financial services industry is built from the strong heritage of our brand. Through a history of acquisitions, including the Aetna, ReliaStar, Equitable of Iowa, Security Life of Denver brands, we have consistently integrated and branded our operations to achieve outstanding customer awareness, brand attributes, and brand affiliation. Since 2001, we largely consolidated our operations under the globally recognized ING brand. According to industry branding surveys, brand awareness for ING in the U.S. has grown dramatically, increasing from 11% in 2001 to 76% in 2012.

The ING U.S. brand is associated with retirement, investment and insurance products and solutions that deliver financial security, and as we become a standalone company, we plan to leverage our high brand awareness and brand strength to create a new brand that supports our mission of making a secure financial future possible for all of our customers.

We plan to invest substantial resources to develop and build awareness of our new brand, based on our vision to be America's Retirement Company. We believe that strong brand recognition is the first step in reestablishing ourselves with all of our stakeholders as a standalone company.

We have developed detailed plans for executing both the operational and legal entity rebranding efforts. After the consummation of this offering, we intend to begin operational and legal work to rebrand to Voya Financial. This work is not expected to commence before early 2014 and we do not expect to formally shift the majority of our advertising and marketing to our new brand name until late 2014 at the earliest. We anticipate that the process of changing all marketing materials, operating materials and legal entity names containing the word ING or Lion to our new brand name will take approximately 24 months and will cost between \$40 million and \$50 million, excluding incremental advertising expenses.

### **Operating Return on Equity**

We measure our performance using various financial and operational metrics such as new business internal rate of return, customer satisfaction and employee engagement. We focus in particular on operating ROE and operating ROC as key financial metrics for our stakeholders because these metrics indicate how effectively we use our capital resources.

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We have described below our operating ROC, which measures how effectively we use both debt and equity capital resources, for the years ended December 31, 2011 and 2012, as well as our goal to increase our ongoing business operating ROC from a baseline of 7.2% in 2012 to a range of 10% to 11% by 2016. We believe that operating ROE, which measures how effectively we use equity capital resources, is a useful measure for equity investors and we currently intend to disclose our operating ROE on a periodic basis following completion of this offering. We have not set forth our operating ROE for any historical period in this registration statement, as we believe our recapitalization activities through the year ended December 31, 2011, as described in *Recapitalization*, limit the comparability of actual historical operating ROE with the operating ROE we anticipate achieving after completion of our recapitalization activities.

Nevertheless, in order to assist investors with understanding how our future operating ROC goals would translate into operating ROE, we calculate that, if we achieve our goal of increasing our ongoing business operating ROC to a range of 10% to 11% by 2016, our ongoing business operating ROE in 2016 would be in the range of 12% to 13%. In order to translate anticipated ongoing business operating ROC into ongoing business operating ROE for this period, we divided projected operating earnings after income taxes of our ongoing business by the projected average capital of our ongoing business, after adjusting for projected interest expense and projected financial leverage of the ongoing business, respectively, in amounts proportional to the ratio of total capital in the ongoing business to total capital in the total Company. Given that we do not classify any of the results of the Closed Block Variable Annuity segment as operating earnings, we do not focus on total Company operating ROE as a performance indicator.

In calculating our ongoing business operating ROE projections:

We assume we will have a financial leverage-to-capital ratio of approximately 25% in each year;

We assume that we will return to shareholders capital in excess of our target statutory capital levels. We expect to generate between \$1.2 billion and \$1.4 billion, after funding new business strain and holding company expenses, during the period of 2013 through 2016 that is expected to be available for redeployment, including for return to shareholders, primarily in 2015 and 2016;

We assume a weighted average pre-tax interest rate of approximately 5.5% on financial leverage;

We assume an effective tax rate of 35%; and

We assume no gain or loss from unlocking of DAC/VOBA and other intangibles.

Operating ROE is a non-GAAP financial measure. Other companies may use a similar non-GAAP financial measure that is calculated differently from the way we calculate it. Accordingly, our operating ROE may not be comparable to a similar measure used by other companies.

### **Operating Return on Capital Goal**

For our ongoing business segments we focus on operating ROC, which is a measure of our operating results relative to the capital we have deployed in each segment. We have established specific operating ROC goals for each business segment within our ongoing business and for the ongoing business as a whole, which we intend to meet within the next four years. We do not allocate debt at the segment level and, as such, do not have ROE goals for each segment.

Our goal is to operate our ongoing business to deliver an attractive operating ROC. We believe that the presentation of our ongoing business operating ROC enhances the understanding of our results of operations by highlighting our underlying profitability relative to capital. We believe that delivering an attractive operating ROC should increase our enterprise valuation, improve our access to the capital markets, lower our cost of capital and help attract and retain talent.

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Operating ROC is a non-GAAP financial measure. Other companies may use a similar non-GAAP financial measure that is calculated differently from the way we calculate it. Accordingly, our operating ROC may not be comparable to a similar measure used by other companies. We calculate operating ROC by dividing operating earnings before interest and after income taxes, by average capital. When we calculate our ongoing business operating ROC, we use the following methodology:

Operating earnings before interest and after income taxes for our ongoing business is calculated by aggregating the operating earnings before income taxes for each segment included within our ongoing business, in each case assuming an effective tax rate of 35%. Because interest expense related to financial leverage is recorded in our Corporate segment, no adjustment for interest expense is required with respect to operating earnings before income taxes for our ongoing business.

We assume no gain or loss from unlocking of DAC/VOBA and other intangibles.

Average capital for our ongoing business is calculated by determining total Company average capital, allocating that average capital to each of our segments, and then aggregating segment average capital for each of the segments included within our ongoing business.

Total Company average capital is equal to the average ING U.S., Inc. shareholder's equity, excluding AOCI, plus total Company average financial leverage (with the average in each case calculated as the simple average of such amounts as of the beginning and end of the relevant period).

Total Company financial leverage is calculated as the sum of consolidated short-term debt and long-term debt, plus loans from certain subsidiaries, and excluding operating leverage. We define operating leverage as self-liquidating forms of financing, such as securities lending, reverse repurchase and captive reinsurance reserve financing arrangements. For a reconciliation of financial leverage to total long-term and short-term debt, see [Calculations and Reconciliations](#).

Total Company average capital is allocated to each of our segments in proportion to each segment's target statutory capital, plus an allocation of the differences between statutory capital and total ING U.S., Inc. shareholder's equity on a GAAP basis (excluding AOCI), based on each segment's portion of these differences. Statutory surplus in excess of target statutory capital and certain corporate assets and liabilities, such as certain deferred tax assets and liabilities for unfunded pension plans, are allocated to the Corporate segment.

Certain recapitalization steps we have completed to date, as well as the further steps we anticipate completing prior to, concurrently with or within a reasonable period of time following this offering are expected to have the net effect of reducing the capital for the ongoing business by \$700 million to \$800 million in 2013 and increasing the Closed Block Variable Annuity capital by approximately \$1.8 billion. We have not adjusted our baseline operating ROC for 2012 to make any pro forma adjustment for this anticipated reduction in average capital for our ongoing business, which we anticipate will increase operating ROC in future periods.

With respect to calculating total Company operating ROC, we assume that we will return to shareholders capital in excess of our target statutory capital levels. Maintaining a financial leverage-to-capital ratio in line with our targeted level of approximately 25%, we expect to generate between \$1.2 billion and \$1.4 billion, after funding new business strain and holding company expenses, during the period of 2013 through 2016 that is expected to be available for redeployment, including for return to shareholders, primarily in 2015 and 2016.

For purposes of measuring our progress towards our operating ROC goal, when calculating our ongoing business operating ROC for 2012 and 2011, we adjusted our operating earnings before interest and after income taxes for those periods to exclude net earnings effects associated with investment portfolio restructurings implemented in 2012, because we believe that such effects are not reflective of the performance of our ongoing business.



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We believe that excluding these items provides the most meaningful baseline for assessing our business performance against our long-term operating ROC goal for our ongoing business. We refer to our operating earnings before interest and after income taxes for 2012 and 2011, as adjusted for these items, as baseline operating earnings before interest and after income taxes. For a reconciliation of baseline operating earnings before interest and after income taxes to operating earnings before income taxes, see Calculations and Reconciliations. Other significant items and DAC/VOBA and other intangibles unlocking may occur in the future which could impact the comparability of our reported operating ROC for future periods to our long term objectives described below.

Our goal is to increase our ongoing business operating ROC from a baseline of 7.2% in 2012 to a range of 10% to 11% by 2016. During this period, our plan is to improve operating ROC by between 70 basis points and 100 basis points each year. These long-term goals are premised on a number of significant assumptions and are, by their nature, subject to significant uncertainties and contingencies, many of which are outside of our control and further described below.

As part of our efforts to reach our ongoing business operating ROC goal, for four of the segments included in our ongoing business we have set segment-level operating ROC goals that we seek to achieve by 2016. For our Investment Management segment, which is also included in our ongoing business, we have set an operating margin goal that we seek to achieve by 2016. We calculate operating margin in our Investment Management segment by dividing operating earnings before interest and income taxes by total operating revenues. These goals are:

Retirement: operating ROC goal in the range of 10% to 11%;

Annuities: operating ROC goal in the range of 7% to 9%;

Investment Management: operating margin goal in the range of 30% to 34%;

Individual Life: operating ROC goal in the range of 6% to 8%; and

Employee Benefits: operating ROC goal in the range of 18% to 22%.<sup>(1)</sup>

- (1) Without the annually renewable reinsurance transaction in our Employee Benefits segment, which lowers the required capital for the segment, the operating ROC goal is in the range of 11% to 13%.

In late 2011, we established a process to identify and track over thirty strategic initiatives across all our businesses and functions to help us reach our ongoing business operating ROC. For management purposes, we categorize each such initiative as a margin, growth or capital initiative. Within margin initiatives, we further specify the planned attributions from cost savings, re-pricing actions and the run-off of unprofitable blocks of business. Concurrently with our cost rationalization efforts, we plan to continue to make necessary investments in our businesses to help facilitate our ability to best serve our customers, including our planned efforts to rebrand our company following the consummation of this offering, the anticipated cost of which is not included in the calculation of our operating ROC goal. See Our Brand. We detail each of these initiative categories below and their target attribution range to the overall ongoing business operating ROC goal.

**Margin Initiatives.** Our plan calls for margin initiatives to be the greatest contributor to our ongoing business operating ROC goal, generating 230 basis points to 270 basis points improvement over the period from 2013 to 2016. The largest initiatives include: (a) enterprise-wide cost rationalization efforts where our goal is to reduce annual operating expenses by a minimum of \$100 million pre-tax by 2016 as compared to 2012; (b) reducing expense and commission structures in Individual Life given anticipated lower future sales volumes; (c) crediting rate reductions in our Retirement and Individual Life segments; (d) run-off of the MYGA business in our Annuities segment; (e) cost rationalization efforts in our Retirement segment (in addition to the enterprise-wide efforts described above) which include cost reductions in discretionary expenditures and measures to increase efficiencies in staffing; (f) margin and pricing improvement efforts in



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our Retirement segment, through improved assumption setting and risk management and growth of the return on capital of its large/mega recordkeeping and full service plans; and (g) loss ratio improvement efforts for stop loss policies written by our Employee Benefits segment, driven by improving underwriting, claims processing and product features.

***Growth Initiatives.*** Our plan calls for growth initiatives to generate 170 basis points to 200 basis points improvement to our ongoing business operating ROC over the period from 2013 to 2016. The largest initiatives include: (a) the strategy of our Retirement segment to capitalize on our deep institutional relationships to enhance the presence of our Individual Markets business (particularly in the rollover market); (b) efforts by our Investment Management business to actively grow our third party institutional and retail business given our competitive investment performance in attractive asset classes; (c) within Investment Management, continued earnings growth in our alternatives asset class; and (d) efforts by our Annuities segment to increase sales of our Select Advantage mutual fund given its low capital requirements.

***Capital Initiatives.*** Capital initiatives are anticipated to make additional incremental contributions to our ongoing business operating ROC over the period from 2013 to 2016. Capital optimization efforts are being implemented across our ongoing business that we believe will add incremental improvement to the ongoing business operating ROC. Many of our margin initiatives are intended to enhance both margin and capital efficiencies, such as the focused run-off of our unprofitable businesses and emphasis on less capital-intensive product categories, and have been described above. Capital-specific initiatives include various reinsurance transactions and a shift in our product mix towards less capital intensive, fee-based products. Our operating ROC goal for our ongoing business assumes we operate at our target capitalization level, which is currently a 425% RBC ratio for our U.S. insurance company subsidiaries on a combined basis.

***Impact of continued low interest rate environment.*** We estimated the contribution of each initiative category described above without reflecting the impact of a continued low interest rate environment. However, our ROE goal of 12% to 13%, our ROC goal of 10% to 11%, and our segment ROC and margin targets do reflect the negative effect of the current low interest rate environment, which we expect will negatively impact our ongoing business operating ROC by 110 basis points to 130 basis points over the period from 2013 to 2016. This negative effect reflects expected lower investment income due to lower portfolio yields compared to 2012 levels in Retirement and Insurance Solutions, and expected lower net margin (investment income less credited interest) compared to 2012 levels in Annuities. In calculating the impact of a continued lower interest rate environment, we utilized the forward interest curve as of July 31, 2012, which reflected modestly increasing rates over time, and included the impact of DAC/VOBA and other intangibles and taxes. If interest rates observed over the second half of 2012 were to persist over the entire period of 2013 through 2016, our results would experience a more negative impact. See **Risk Factors** The level of interest rates may adversely affect our profitability, particularly in the event of a continuation of the current low interest rate environment.

In setting the operating ROC goal described above, we have made significant assumptions with respect to, among other things:

general conditions of the markets in which our businesses operate;

movements of interest rates, particularly given the current sustained low interest rate environment;

movements of equity markets;

investment yields;

the effectiveness of our enterprise-wide and segment-specific cost rationalization efforts;

mortality rates, morbidity rates, persistency rates and other underwriting assumptions;



our ability to maintain financial leverage commensurate with our current credit ratings and a long-term financial leverage to capital ratio of 25%;

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the absence of any change in our credit ratings due to our proposed strategic actions;

benefit costs, particularly in healthcare; and

the continuation of current compensation practices.

While these long-term goals are presented with numerical specificity and we believe such goals to be reasonable as of the date of this prospectus, given the uncertainties surrounding such assumptions, there are significant risks that these assumptions may not be realized and thus the goals may not be achieved. Accordingly, our actual results are likely to differ from these goals and the differences may be material and adverse, particularly if actual events adversely differ from one or more of our key assumptions. The goals and their underlying assumptions are forward-looking statements. We strongly caution investors not to place undue reliance on any of these assumptions or goals. Except as may be required by applicable securities laws, we are not under any obligation (and expressly disclaim any obligation) to update or alter any assumptions, goals, projections or other related statements that we may make. See Note Regarding Forward-Looking Statements and Risk Factors for additional information regarding these forward-looking statements.

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*Calculations and Reconciliations*

The table below presents operating ROC for each of our segments, for our ongoing business and for the total Company, for the periods indicated.

Year Ended December 31, 2012									
(\$ in millions, unless otherwise indicated)	Retirement Solutions		Insurance Solutions			Total Ongoing Business	Closed Block Variable Annuity	Corporate & Other Closed Blocks	Total Company
	Retirement	Annuities	Investment Management	Individual Life	Employee Benefits				
Average Capital <sup>(1)</sup>	\$ 4,308	\$ 2,210	\$ 289	\$ 2,702	\$ 421	\$ 9,930	\$ 3,357	\$ 599	\$ 13,886
Baseline operating earnings before interest and after income taxes <sup>(2)</sup>	308.1	129.7	86.0	115.7	71.0	710.5		39.6	750.1
<b>Operating Return on Capital</b>	7.2%	5.9%	29.8%	4.3%	16.9%	7.2%	0.0%	6.6%	5.4%

Year Ended December 31, 2011									
(\$ in millions, unless otherwise indicated)	Retirement Solutions		Insurance Solutions			Total Ongoing Business	Closed Block Variable Annuity	Corporate & Other Closed Blocks	Total Company
	Retirement	Annuities	Investment Management	Individual Life	Employee Benefits				
Average Capital <sup>(1)</sup>	\$ 4,210	\$ 2,380	\$ 306	\$ 2,359	\$ 410	\$ 9,665	\$ 3,231	\$ 693	\$ 13,589
Baseline operating earnings before interest and after income taxes <sup>(2)</sup>	258.5	79.0	56.9	185.7	54.1	634.3		61.5	695.8
<b>Operating Return on Capital</b>	6.1%	3.3%	18.6%	7.9%	13.2%	6.6%	0.0%	8.9%	5.1%

(1) For segment average capital amounts, we allocate total Company average capital to each of our segments in proportion to each segment's target statutory capital, plus an allocation of the differences between statutory capital and Total ING U.S., Inc. shareholder's equity on a GAAP basis (excluding AOCI), based on each segment's portion of these differences. Total Company average capital is calculated as follows:

(\$ in millions, unless otherwise indicated)	As of December 31,	
	2012	2011
ING U.S., Inc. Shareholder's Equity	\$ 13,874.9	\$ 12,353.9
AOCI	3,710.7	2,595.0
ING U.S., Inc. Shareholder's Equity, excluding AOCI	10,164.2	9,758.9
Financial Leverage <sup>(a)</sup>	3,808.3	4,041.3
<b>Total Capital</b>	<b>\$ 13,972.5</b>	<b>\$ 13,800.2</b>
Financial Leverage to Total Capital	27.3%	29.3%
<b>Average Capital (average for period)</b>	<b>\$ 13,886.4</b>	<b>\$ 13,588.7</b>

(a) Financial leverage is defined as short-term debt, long-term debt and loans from certain subsidiaries, excluding operating leverage. We define operating leverage as self-liquidating forms of financing, including securities lending, reverse repurchase and captive reinsurance reserve financing arrangements. The following table presents a reconciliation of financial leverage to total debt:

(\$ in millions, unless otherwise indicated)	As of December 31,	
	2012	2011
Short-term Debt	\$ 1,064.6	\$ 1,054.6

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Long-term Debt	3,171.1	1,343.1
<b>Total Debt</b>	<b>4,235.7</b>	<b>2,397.7</b>
Less: operating leverage	(688.4)	(688.4)
Plus: loans from subsidiaries	261.0	2,332.0
<b>Financial Leverage</b>	<b>\$ 3,808.3</b>	<b>\$ 4,041.3</b>

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(2) Baseline operating earnings before interest and after income taxes is calculated as follows:

(\$ in millions)	Year Ended December 31, 2012							Closed Block Variable Annuity	Corporate & Other Closed Blocks	Total Company
	Retirement Solutions		Investment Management	Insurance Solutions		Total Ongoing Business				
	Retirement	Annuities		Individual Life	Employee Benefits					
<b>Operating earnings before income taxes</b>	\$ 448.6	\$ 102.2	\$ 134.5	\$ 196.2	\$ 109.4	\$ 990.9		\$ (72.6)	\$ 918.3	
Less:										
Interest Expense								(127.8)	(127.8)	
DAC/VOBA and other intangibles unlocking	5.8	(86.2)		3.4		(77.0)			(77.0)	
Impact of investment portfolio restructuring <sup>(a)</sup>	(31.2)	(11.2)	2.2	14.8	0.1	(25.3)		(5.8)	(31.1)	
<b>Baseline operating earnings before interest</b>	<b>474.0</b>	<b>199.6</b>	<b>132.3</b>	<b>178.0</b>	<b>109.3</b>	<b>1,093.2</b>		<b>61.0</b>	<b>1,154.2</b>	
Income tax expense <sup>(b)</sup>	165.9	69.9	46.3	62.3	38.3	382.7		21.4	404.1	
<b>Baseline operating earnings before interest and after income taxes</b>	<b>\$ 308.1</b>	<b>\$ 129.7</b>	<b>\$ 86.0</b>	<b>\$ 115.7</b>	<b>\$ 71.0</b>	<b>\$ 710.5</b>		<b>\$ 39.6</b>	<b>\$ 750.1</b>	

(\$ in millions)	Year Ended December 31, 2011							Closed Block Variable Annuity	Corporate & Other Closed Blocks	Total Company
	Retirement Solutions		Investment Management	Insurance Solutions		Total Ongoing Business				
	Retirement	Annuities		Individual Life	Employee Benefits					
<b>Operating earnings before income taxes</b>	\$ 441.9	\$ 387.6	\$ 87.5	\$ 279.3	\$ 83.3	\$ 1,279.6		\$ (160.0)	\$ 1,119.6	
Less:										
Interest Expense								(185.7)	(185.7)	
DAC/VOBA and other intangibles unlocking	44.2	266.0		(6.4)		303.8			303.8	
Reserve increase related to use of SSDMF <sup>(c)</sup>								(68.9)	(68.9)	
<b>Baseline operating earnings before interest</b>	<b>397.7</b>	<b>121.6</b>	<b>87.5</b>	<b>285.7</b>	<b>83.3</b>	<b>975.8</b>		<b>94.6</b>	<b>1,070.4</b>	
Income tax expense <sup>(b)</sup>	139.2	42.5	30.6	100.0	29.2	341.5		33.1	374.6	
<b>Baseline operating earnings before interest and after income taxes</b>	<b>\$ 258.5</b>	<b>\$ 79.1</b>	<b>\$ 56.9</b>	<b>\$ 185.7</b>	<b>\$ 54.1</b>	<b>\$ 634.3</b>		<b>\$ 61.5</b>	<b>\$ 695.8</b>	

(a) Includes the net loss included in operating earnings from the sale of certain alternative investments and investment income associated with assets disposed of during the portfolio restructuring effected during 2012.

(b) Based on an assumed effective tax rate of 35%.

(c) Adjustment to exclude an item that we believe is not reflective of performance in the period. See the Note for *Commitments and Contingencies* in our Consolidated Financial Statements.

**Retirement Solutions**

Our Retirement Solutions business provides its products and services through two financial reporting segments: Retirement and Annuities. Retirement is focused on meeting the needs of individuals in preparing for and sustaining a secure retirement through employer-sponsored plans and services, as well as through individual account rollover plans and comprehensive financial product offerings and advisory services. Our Annuities segment provides fixed, indexed and payout annuities and mutual fund custodial accounts for pre-retirement wealth accumulation and post-retirement income management, sold through multiple channels.

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### **Retirement**

Our Retirement segment is well positioned in the marketplace, with our industry-leading Institutional Retirement Plans business and our growing Individual Markets business. The two businesses combined had \$304.1 billion of AUM and AUA as of December 31, 2012, of which \$55.1 billion were in proprietary assets.

Our Institutional Retirement Plans business offers tax-deferred employer-sponsored retirement savings plan and administrative services to small-mid corporations, large corporations, public and private school systems, higher education institutions, state and local governments, hospitals and healthcare facilities and not-for-profit organizations. This broad-based institutional business crosses many sectors of the economy, which provides diversification that helps insulate us from downturns in particular industries. In the defined contribution market, we provide services to nearly 48,000 plan sponsors covering more than 5 million plan participants in corporate, education, healthcare and government markets as of December 31, 2012. As of the latest Pensions and Investments survey published in March 2013, we rank second in the U.S. defined contribution plan market by number of record kept plan sponsors, third by number of plan participants served, and fifth by assets under management and administration at September 30, 2012.

Our Individual Markets business, which focuses on the rapidly expanding retiree market as well as on individuals and plan participants, offers retail financial products and comprehensive advice services to help individuals manage their retirement savings and income needs. While AUM and AUA for our Individual Markets business were \$2.4 billion at December 31, 2012, it is a key area of future growth for our Retirement segment.

Our Retirement segment earns revenue principally from asset and participant-based advisory and record-keeping fees. Retirement generated operating earnings before income taxes of \$448.6 million for the year ended December 31, 2012. Our Investment Management business also earns arm s-length market-based fees from the management of the general account and mutual fund assets supporting Institutional Retirement Plans and Individual Markets rollover products. Distribution of Investment Management products and services using the Retirement segment continues to present a growth opportunity for our Retirement and Investment Management segments that we are actively pursuing.

We will continue to focus on growing our retirement platform by driving increases in our full-service Institutional Retirement Plans business, particularly in the small-mid corporate and education markets, and by further developing our Individual Markets business with a particular focus on aggressively cross-selling products and services to our Institutional Retirement Plan participants. We will also continue to place a strong emphasis on capital and cost management, with a focus on optimizing our distribution platform and achieving a diversified retirement product mix. In addition, we continue to promote targeted plan monitoring and relationship building to further improve client retention. We believe these initiatives will increase segment revenues and profitability.

An important element of our Retirement strategy is to leverage the extensive customer base to which we have access through our Institutional Retirement Plans business in order to grow our Individual Markets and Investment Management businesses. This opportunity is especially attractive in light of the significant portion of our Institutional Retirement Plans business for which we provide recordkeeping-only services, with such plans encompassing nearly 3 million plan participants as of December 31, 2012. We are therefore focused on building long-term relationships with our plan participants, especially when initiated through service touch points such as plan enrollments and rollovers, which will go beyond their participation in our Institutional Retirement Plans and enable us to offer them individual retirement and investment management solutions both during and after the term of their plan participation.

#### ***Institutional Retirement Plans***

*Products and Services.* We offer tax-deferred Institutional Retirement Plans (across all U.S. tax sectors for tax-advantaged retirement savings) to employers of all sizes, principally focusing on for-profit businesses, public and private K-12 education entities and higher education institutions. Within these markets, we offer two distinct product sets: full service and recordkeeping only.

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Full-service retirement products provide recordkeeping, plan administration, tailored participant education and communication services, trustee services and institutional and retail investments. These include a wide variety of investment and administrative products for defined contribution plans across all U.S. tax sectors for tax-advantaged retirement savings, as well as defined benefit pension plans, nonqualified executive benefit plans and employer stock option plans. Plan sponsors may select from a variety of investment structures and products, such as general account, separate account, mutual funds, stable value or collective investment trusts and a variety of underlying asset types (including their own employer stock) to best meet the needs of their employees. A broad selection of funds is available for our products in all asset categories from over 100 fund companies, including the ING family of mutual funds managed by our Investment Management business. Our full-service retirement plan offerings are also supported by award-winning participant communications and education programs, as well as investment advisory services offered through our Individual Markets business or through third parties (e.g., Morningstar) to help prepare individuals for retirement through customer-focused personalized and objective investment advice.

Recordkeeping service products provide administration support for plan sponsors seeking integrated record-keeping services for defined contribution, defined benefit and non-qualified plans. Our plan sponsor base spans the entire range of corporate plan sponsors as well as state and local governments. Our recordkeeping retirement plan offerings are also supported by award-winning participant communications and education programs, as well as investment advisory services offered through our Individual Markets business.

Our stable value products are offered with a particular focus on cross-selling products utilizing proprietary investment management to our largest institutional recordkeeping plans. Our product offering includes both separate account GICs and synthetic GICs managed by either proprietary or outside investment managers.

As a top five provider by assets under management and administration in the United States, our defined contribution leadership position comes from decades of experience, organic growth and strategic acquisitions that have allowed us to increase our size, scale and reputation. We are one of only a few defined contribution providers that offer products, services and support to the full spectrum of businesses, ranging from small to mega-sized plans.

The following chart presents our Institutional Retirement Plans product/service models and corresponding AUM and AUA, key markets in which we compete, primary defined contribution plan tax codes and core products offered for each market segment.

Product/Service	AUM/AUA (as of December 31, 2012)	Key Market Segments/Product	Primary Defined Contribution Plan Tax Code	Core Products*
Full Service Plans	\$80.2 Billion	Small-Mid Corporate	401(k)	ING MAP Select, INGFramework(k)
		K-12 Education	403(b)	ING Custom Choice II
		Higher Education	403(b)	Retirement Choice II
		Healthcare	403(b)	Retirement Plus II
		Non-Profits	403(b)	Retirement Master II
		Government (local and state)	457	Custom Choice II, Custom Choice Blend
Recordkeeping	\$221.5 Billion	Small-Mid Corporate	401(k)	**
and Stable Value Plans		Large Corporate	401(k)	**
		Government (local and state)	457	**
		Stable Value	401(k)	Separate Account and
		(Sold across all market segments with a strong focus on Large Corporate)	403(b)	Synthetic GICs



\* Core products actively being sold today.

\*\* Offerings include administration services and investment options such as mutual funds, commingled trusts and separate accounts.

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For plans in the full service small-mid corporate segment, our core products are:

*ING MAP Select*, a group funding agreement/group annuity contract offered to fund qualified retirement plans. The product contains over 300 funds from well known fund families (larger plans are offered the ability to offer most funds whose trades are cleared through the National Securities Clearing Corporation) as well as our general account and various stable value options.

*ING Framewor(k)*, a mutual fund program offered to fund qualified retirement plans. The product contains over 300 funds from well-known fund families (larger plans are offered the ability to offer most funds whose trades are cleared through the National Securities Clearing Corporation) as well as our general account and various stable value options.

For plans in the full service education, healthcare, non-profits and government segments, we offer a variety of customized products, including the following:

*Retirement Choice II*, a retail mutual fund product which provides flexible funding vehicles and is designed to provide a diversified menu of mutual funds in addition to a guaranteed option (available through a group fixed annuity contract or stable value product).

*Retirement Plus II, Retirement Master II and Custom Choice II*, registered group annuity products featuring variable investment options held in a variable annuity separate account and a fixed investment option held in the general account.

*Custom Choice Blend*, a combination product that can be used to support retail mutual funds through our subsidiary, ING National Trust, and/or an unregistered group annuity product featuring variable investment options held in a variable annuity separate account and a fixed investment option held in a general account.

### ***Markets and Distribution***

Our Institutional Retirement Plans business can be categorized into two markets: Corporate and Tax Exempt. A brief description of each, including sub segments and strengths are as follows:

#### ***Corporate Markets:***

*Small-Mid Corporate Market.* In this growth market we offer both full service and recordkeeping only solutions to defined contribution plans of small-mid corporate segment (e.g., typically less than 3,000 employees). Our comprehensive product offering (including flexible investment choices), highly competitive fiduciary solutions, dedicated and proactive service teams and product and service innovations leveraged from our expertise in the Large Corporate market make us one of a small group of providers who can service small-mid corporate plans as they continue to grow. Our industry leadership in this market is evidenced by our sales results in the year ended December 31, 2012 for plans with less than 500 participants, which places us as the number three provider among other leading life insurance company competitors in the United States.

*Large Corporate Market.* In this market we offer recordkeeping services to defined contribution plans of large to mega-sized corporations. Our solutions and capabilities support the most complex retirement plans with a special focus on strategic relationship management and participant retirement readiness. We are dedicated to providing engaging education, technology-based tools and award winning print materials to help plan participants achieve a secure and dignified retirement.

#### ***Tax Exempt Markets:***

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*Education Market.* We offer comprehensive full service offerings to both public and private K-12 educational entities as well as public and private higher education institutions, which we believe are

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attractive growth segments. In the United States, we rank third in the K-12 education market and fourth in higher education by assets as of December 31, 2012. Our innovative solutions to reduce administrative burden, deep technical and regulatory expertise and strong on-site service teams continue to support our position as one of the top providers in this market.

*Healthcare Market.* In this market we service hospitals and healthcare organizations by offering full service solutions for a variety of plan tax codes. Like the education market, we have strong administrative solutions for healthcare plan sponsors as well as award-winning participant communications and retirement tools in order to better prepare plan participants for retirement.

*Government Market.* We provide both full service and recordkeeping only offerings to small and large governmental entities (e.g., state and local government). For large governmental sponsors, we offer highly complex recordkeeping solutions that are tailored for each client. We also offer a broad range of proprietary, non-proprietary and stable value investments with open architecture. Our flexibility and expertise help make us the third ranked provider in this market in the United States based on assets under management and administration as of December 31, 2012.

Products for Institutional Retirement Plans are distributed nationally through multiple unaffiliated channels or via affiliated distribution including direct sales teams. We offer localized support to these groups and their clients during and after the sales process, a broad selection of investment options and flexibility of choice and top-tier fiduciary solutions to help their clients meet or exceed plan guidelines and responsibilities.

### ***Unaffiliated Distribution:***

*Independent Representatives.* We are working with over 6,900 sales agents who primarily sell fixed annuity products from multiple vendors in the education market. Activities by these representatives are centered on increasing participant enrollments and deferral amounts in our existing plans.

*Independent Producers.* Over 12,000 wirehouse and independent producers (as of December 31, 2012) are the primary distributors of our small-mid corporate market products (full service and recordkeeping only), but they also distribute products to the education, healthcare and government markets. These producers typically present their clients (i.e., employers seeking a defined contribution plan for their employees) with plan options from multiple vendors for comparison.

*Third-party Administrators (TPAs).* As of December 31, 2012, approximately 1,300 TPAs are selling and/or service partners for our small-mid corporate markets business (full service only), working with a variety of vendors. While TPAs typically focus on providing plan services only (such as administration and compliance testing), some also initiate and complete the sales process. TPAs also play a vital role as the connecting point between our wholesale team and unaffiliated producers who seek references for determining which providers they should recommend to their clients.

### ***Affiliated Distribution:***

*Affiliated Representatives.* ING Financial Partners, our retail broker-dealer, is one of the top ten broker-dealers in the United States as determined by total number of licensed representatives. As of December 31, 2012, we had nearly 2,400 affiliated representatives. These representatives support sales of products for the Retirement segment as well as other segments, with a subset that are primarily focused on driving new and existing sales in education, healthcare and government market plans (full service) through increasing enrollments for existing plans, educating existing participants and selling new plans.

*Direct Sold by Field Force.* While we typically rely on third-party distribution partners for the majority of sales for our Institutional Retirement Plans business, our wholesale team also interacts directly with plan sponsors in the education, healthcare and government markets. Typically, our field force interacts with a consultant hired by the plan sponsor. In order to present our offerings to these large clients, we work with numerous consultants at over 50 different consulting firms as of December 31, 2012.



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*Direct Sold by Large Corporate Market or Stable Value Sales Teams.* We have dedicated sales teams that work directly with large plan corporate market and stable value clients. The stable value investment only business can occur in either recordkeeping only plans or within other vendors' plans. In the large corporate market and for our stable value products, our direct interaction typically occurs with numerous consultants among 23 different consulting firms as of December 31, 2012, some of which are also utilized in the Tax Exempt Market.

*Competition.* Our Institutional Retirement Plans business competes with other large, well-established insurance companies, asset managers, record keepers and diversified financial institutions. Competition varies in all market segments as very few institutions are able to compete across all markets as we do. The following chart presents the current competitive landscape in the markets where we offer our Institutional Retirement Plans and stable value products:

<b>Market Segment</b>	<b>Competitive Landscape</b>	<b>Select Competitors</b>
Small-Mid Corporate	Dominated by insurance based providers, primarily with third-party administration relationships	John Hancock  Principal
K-12 Education	Dominated by a small number of insurance based providers	AXA  VALIC
Higher Education	403(b) providers, asset managers and some insurance-based providers	TIAA-CREF  Fidelity
Healthcare /Other Non-Profits	403(b) providers, asset managers and some insurance-based providers	TIAA-CREF  Fidelity
Government	Primarily insurance-based providers but also asset managers and 457 providers	Nationwide  Great West
Recordkeeping	Asset managers, business consulting services, payroll firms and insurance based providers	Fidelity  AON Hewitt
<b>Product Offering</b>	<b>Competitive Landscape</b>	<b>Select Competitors</b>
Stable Value	Insurance companies and banks	Prudential  MetLife

Our full-service Institutional Retirement Plans business competes primarily based on pricing, the breadth of our service and investment offerings, technical/regulatory expertise, industry experience, local enrollment and financial planning support, investment performance and our ability to offer industry tailored product features to meet the retirement income needs of our clients. Regarding the large plan recordkeeping only business, we have seen consolidation among industry providers in recent years seeking to increase scale, improve cost efficiencies and enter new market segments. However, the market remains competitive with few dominant players. As a result, we emphasize our strong sponsor relationships, flexible value-added services, technical and regulatory expertise, and participant retirement readiness suite of products and services to compete in this segment of the institutional market. Finally, we have seen new insurance company competitors enter the stable value space because demand from participant and plan sponsors remains strong for these products. Our long standing experience in the retirement market underscored by strong stable value expertise allows us to effectively compete against existing and new providers.

*Seasonality.* We typically experience seasonality in our Retirement segment results.

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The first quarters tend to have the highest level of recurring deposits, particularly in the Corporate Market, as participant contributions increase from the receipt of annual bonus award payments or annual lump sum matches and profit sharing contributions made by many employers. However, Corporate Market withdrawals also tend to increase in the first quarters as departing sponsors change providers at the start of a new year.

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The third quarters tend to have lower recurring deposits in the Tax Exempt Markets due to Education Market employees not contributing to their retirement plans through payroll deductions while on hiatus during the summer months. However, single/transfer deposits for the Education business tend to increase due to deposits into Deferred Retirement Option Plans.

The fourth quarters tend to have the highest level of single/transfer deposits due to new Corporate Market plan sales as sponsors transfer from other providers when contracts expire at the fiscal or calendar year-end. However, recurring deposits in the Corporate Market may be lower as higher paid participants scale back or halt their contributions upon reaching the annual maximums allowed for the year. Finally, Corporate Market withdrawals tend to increase in the fourth quarter, like the first quarter, due to departing sponsors.

## **Individual Markets**

### *Products and Services*

Our Individual Markets business offers simple, easy-to-understand products, along with holistic advice and guidance delivered through affiliated brokers and by online capabilities. Our current investment solutions include advisory programs, mutual fund custodial IRAs, fixed annuities and brokerage accounts.

The primary focus of our Retirement segment is to serve over five million defined contribution plan participants (as of December 31, 2012). We also seek to capitalize on our access to these individuals through our Institutional Retirement Plans business by developing long-term relationships and providing individual retail solutions. We believe that our ability to offer a seamless and integrated approach to an individual customer's entire financial picture, while saving for or living in retirement, presents a compelling reason for our Institutional Retirement Plans participants to use us as their principal investment and retirement plan provider. Through our broad range of advisory programs, our financial advisers have access to a wide set of solutions for our customers for building investment portfolios, including stocks, bonds and mutual funds, as well as managed accounts. These experienced advisers work with customers to select a program to meet their financial needs that takes into consideration each individual's time horizon, goals and attitudes towards risk.

### *Markets and Advisory Services*

Individual Markets advisory services and product solutions are primarily sold through our affiliated distribution group of nearly 2,400 representatives as well as online via websites. The affiliated representatives help provide cohesiveness between our Institutional Retirement Plans and Individual Markets businesses and they are grouped into two primary categories: affiliated field-based representatives and home office phone-based representatives. Affiliated field-based representatives are registered sales and investment advisory representatives in our retail broker dealer that drive both fee-based and commissioned sales. They provide face-to-face interaction with individuals who either participate within or are external to our Institutional Retirement Plans business and who seek financial advice and retail investment products (e.g., rollover products) as well as retirement and financial planning solutions. Home office phone-based representatives primarily focus on our unique growth opportunity of assisting participants in our large recordkeeping plans. They offer the same broad suite of products and services as the affiliated field-based representatives, but are highly trained in providing financial advice that helps customers transition through life stage and job-related changes.

In an effort to develop a path for either of these categories of affiliated representatives to offer holistic retirement planning solutions to participants in our Institutional Retirement Plans, we partner with our institutional clients to engage participants and offer retirement and personalized financial planning providing the appropriate solutions to their employees. Our program is designed to engage, educate, advise and motivate employees to take action that will better prepare them for retirement.



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### ***Competition***

Our Individual Markets advisory services and product solutions compete for rollover and other asset consolidation opportunities against asset managers, banks, wirehouses and other broker-dealers who also offer individual retirement products, all of which currently have more market share than insurance based providers in this space. Primary competitors to our Individual Markets business are Fidelity, Vanguard, Morgan Stanley Smith Barney, Bank of America Merrill Lynch, TIAA-CREF and Ameriprise.

Our Individual Markets advisory services and product solutions compete based on our consultative approach, simplicity of design and a fund and investment selection process that includes proprietary and non-proprietary investment options. The advisory services and product solutions are primarily targeted towards existing participants, which allows us to benefit from our extensive relationships with large corporate and tax-exempt plan sponsors, our small and mid corporate market plan sponsors and other qualified plan segments in healthcare, higher education and K-12 education.

### ***Underwriting and Pricing***

We price our institutional and individual retirement products based on long-term assumptions that include investment returns, mortality, persistency and operating costs. We establish target returns for each product based upon these factors and the expected amount of regulatory and rating agency capital that we must hold to support these contracts over their projected lifetime. We monitor and manage pricing and sales mix to achieve target returns. It may take new business several years before it is profitable, depending on the nature and life of the product, and is subject to variability as actual results may differ from pricing assumptions. We seek to mitigate investment risk by actively managing market and credit risks associated with investments and through asset/liability matching portfolio management.

### ***Annuities***

The Annuities segment provides fixed and indexed annuities, tax-qualified mutual fund custodial products and payout annuities for pre-retirement wealth accumulation and post retirement income management, sold through multiple channels. Revenues are generated from fees and from margins based on the difference between income earned on the investments supporting the liability and interest credited to customers. Our Annuities segment generated operating earnings before income taxes of \$102.2 million for the year ended December 31, 2012. We were ranked fifth in AUM of FIAs according to LIMRA as of December 31, 2011.

We intend to achieve our risk-adjusted return objectives in Annuities through a disciplined approach, balancing profitability with growth, with a focus on preserving margins and the avoidance of expansion in low interest rate environments. As a result, we expect to opportunistically grow our FIA business when margins are attractive and to reduce growth but maintain distribution access when margins are less attractive. Our mutual fund custodial products business is not sensitive to interest rate conditions and, as such, is focused on growth. While we still offer traditional fixed annuities, we are prepared to allow the business to decline in volume due to low margins and less attractive returns. We intend to meet our risk management objectives by continuing to hedge market risks associated with the crediting strategies selected by clients on many of our FIA contracts. See Management's Discussion and Analysis of Results of Operations and Financial Condition Qualitative and Quantitative Disclosure About Market Risk Risk Management.

### ***Products and Services***

Our Annuities segment product offerings include immediate and deferred fixed annuities designed to address customer needs for tax-advantaged savings and retirement income and their wealth-protection concerns. New sales comprise primarily FIAs and tax-qualified mutual fund custodial accounts.

*Fixed Indexed Annuities (FIA)*. FIAs are marketed principally based on underlying interest-crediting guarantee features coupled with the potential for increased returns based on the performance of market indices. For an FIA, the principal amount of the annuity is guaranteed to be no less than a minimum value based on non-forfeiture regulations that vary by state. Interest on FIAs is credited based on allocations selected by a customer

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in one or more of the strategies we offer and upon policy parameters that we set. The strategies include a fixed interest rate option, as well as several options based upon performance of various external financial market indices. Such indices may include equity indices, such as the S&P 500, or an interest rate benchmark, such as the change in LIBOR. The parameters (such as caps, participation rates, and spreads) are periodically declared by us for both initial and following periods. Our existing FIAs contain death benefits as required by non-forfeiture regulations. Some FIAs allow the purchase of optional living benefit riders at an additional cost. These living benefits guarantee a minimum annual withdrawal amount for life. The amount of the guaranteed annual withdrawal may vary by age at first withdrawal. We have used multiple designs with varying parameters over time and all form designs and parameters make up the existing block of in-force policies.

*Multi-Year Guarantee Annuities (MYGA).* Our in-force block includes MYGA products, which provide guaranteed minimum rates of up to 4.0% and with terms up to 10 years. A certain block of MYGAs (\$3.0 billion as of December 31, 2011), mostly sold in 2002, reached the end of their current guarantee period in 2012. Most of these MYGAs have high crediting rates and the supporting assets generate returns below the target set when the contracts were issued, negatively impacting returns in our Annuities segment. During the year ended December 31, 2012, approximately \$3.0 billion of the MYGAs reached the end of their current guarantee period, and approximately 66% of those policies up for renewal lapsed. The high lapse rate was expected as renewal crediting rates offered are lower than the crediting rates during the initial term. The run-off of these MYGA contracts is expected to enhance the margin of our Annuities segment in future periods.

Although not currently a significant portion of new sales, we also offer other fixed annuities with a guaranteed interest rate or a periodic annuity payment schedule suitable for clients seeking a stable return.

*Mutual Fund Custodial Products.* Our Annuities segment also offers tax-qualified mutual fund custodial products, which provide flexible investment options across mutual fund families on a no-load basis. We charge a recordkeeping fee based on the amount of assets invested in the account, and we are paid asset-based fees by the managers of the mutual funds within the account. This product is designed to be a streamlined, simple rollover solution providing continued tax deferral on retirement assets. No minimum guarantees are offered for this product.

The following chart presents the key in-force annuity and mutual fund custodial products within this segment, along with data on AUM for each product, excluding payout annuities:

Annuity Product	AUM (as of December 31, 2012)	
	(\$ in billions)	
Fixed Indexed Annuities (FIA)	\$	12.2
Multi-Year Guarantee Annuities (MYGA) & other Fixed Annuities	\$	8.2
Mutual Funds Custodial Products	\$	2.4

**Markets and Distribution**

Our target markets for annuities include individual retirees and pre-retirees seeking to accumulate or receive distributions of assets for retirement. Annuity products are primarily distributed by independent marketing organizations, independent broker-dealers, banks, independent insurance agents, pension professionals and affiliated broker-dealers. The following chart presents our Annuities distribution, by channel.

Channel	Sales	
	(Year Ended)	
	December 31, 2012	% of Sales
	(\$ in millions)	
Independent Insurance Agents /		
Independent Marketing Organizations	\$ 777.8	37%
Independent Broker-Dealers	\$ 669.5	32%
Affiliated Broker-Dealers	\$ 356.5	17%
Banks and Other Financial Institutions	\$ 293.3	14%

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Our mutual fund custodial products are distributed nationally, primarily through relationships with independent brokers, financial planners and agents. New sales are obtained from a rollover from an existing retirement account. The resulting custodial account is established as an IRA to maintain tax-deferred status for our customer.

### ***Competition***

Our Annuities segment faces competition from traditional insurance carriers, as well as banks, mutual fund companies and other investment managers such as Allianz, Aviva, American Equity, AXA, Lincoln and Great American. Principal competitive factors for fixed annuities are initial crediting rates, reputation for renewal crediting action, product features, brand recognition, customer service, cost, distribution capabilities and financial strength ratings of the provider. Competition may affect, among other matters, both business growth and the pricing of our products and services.

Mutual fund custodial products compete with brokerage accounts and other financial service and asset allocation offerings.

### ***Underwriting and Pricing***

We generally do not underwrite individual lives in our Annuities segment. Instead, we price our products based upon our expected investment returns and our expectations for mortality, longevity and persistency for the group of our contract holders as a whole, taking into account our historical experience. We price annuities by analyzing longevity and persistency risk, volatility of expected earnings on our AUM and the expected time to retirement. Our product pricing models take into account many additional factors as applicable, including, among other things capital requirements, hedging costs and operating expenses.

Our custodial mutual fund account is a fee-based, recordkeeping product, for which the recordkeeping fees, combined with estimated mutual fund revenue sharing, are priced to cover acquisition and operating costs over the life of the account. These custodial mutual fund products do not generate investment margins, do not expose us to significant mortality risk and no hedging is required.

### ***Investment Management***

We offer domestic and international fixed income, equity, multi-asset and alternatives products and solutions across market sectors, investment styles and capitalization spectrums through our actively managed, full-service investment management business. Multiple investment platforms are backed by a fully integrated business support infrastructure that lowers expense and creates operating efficiencies and business leverage and scalability at low marginal cost. As of December 31, 2012, our Investment Management business managed \$60.7 billion for third-party institutions and individual investors, \$40.6 billion in separate account assets for our Retirement Solutions and Insurance Solutions businesses and our Closed Block segments and \$80.4 billion in general account assets.

We are committed to investing responsibly and delivering research-driven, risk-adjusted, client-oriented investment strategies and solutions and advisory services across asset classes, geographies and investment styles. We serve a variety of institutional clients, including public, corporate and Taft-Hartley defined-benefit and defined-contribution retirement plans, endowments and foundations, and insurance companies through our institutional distribution channel and through affiliates. We also serve individual investors by offering our mutual funds and separately managed accounts through an intermediary-focused distribution platform or through affiliate and third-party retirement platforms.

Investment Management's primary source of revenue is management fees collected on the assets we manage. These fees typically are based upon a percentage of AUM. In certain investment management fee arrangements, we may also receive performance-based incentive fees when the return on AUM exceeds certain benchmark returns or other performance targets. In addition, and to a lesser extent, Investment Management

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collects administrative fees on outside managed assets that are administered by our mutual fund platform, and distributed primarily by our Retirement Solutions business. Investment Management also receives fees as the exclusive investment manager of our general account, which is managed on an arm's-length pricing basis. Investment Management generated operating earnings before income taxes of \$134.5 million for the year ended December 31, 2012.

We are driving Investment Management profitability by leveraging continued strong investment performance across all asset classes to accelerate growth in AUM (through both greater sales and lower redemptions) and taking advantage of a rebuilt sales force to increase productivity levels. We are also increasing scale in our primary capabilities and our share of proprietary funds in affiliate products, principally through leveraging our access to nearly 48,000 defined contribution plan sponsors and more than 5 million plan participants through our U.S. Retirement business as of December 31, 2012. Historically our proprietary share of AUM has been materially less than the industry average; in addition, we have lacked access to the majority of our retirement plan customers due to sponsor restrictions. We are focused on improving coordination between our Investment Management and Retirement Solutions businesses to capitalize on Retirement Solutions' leading market position and Investment Management's broad investment capabilities and strong investment track records. To that end we have established dedicated retirement resources within our Investment Management intermediary-focused distribution team to work with Retirement Solutions and have enhanced our Multi-Asset Strategies and Solutions investment platform (described below) to increase focus on retirement products such as our target date and target risk portfolios, which we believe will capture an increased proportion of retirement flows going forward.

We are also growing our third-party affiliated and non-affiliated investment management business through continued strength of investment performance as well as a number of key strategic initiatives, including: improved distribution productivity; increased focus on client solutions and income and outcome oriented products such as target date funds; pursuit of investment only mandates on non-affiliate retirement platforms; takeovers of sub-advised ING Mutual Funds where Investment Management now offers stronger investment performance; sub-advisory mandates for Investment Management investment capabilities on others platforms; leveraging partnerships with financial intermediaries and consultants; long-term expansion of our international investment capabilities, and opportunistic launching of capital markets products such as CLOs and Closed End Mutual Funds.

***Products and Services***

Investment Management delivers products and services that are manufactured by traditional and specialty investment platforms. The traditional platforms are fixed income, equities and multi-asset strategies and solutions ( MASS ). The specialty investment platforms are senior bank loans and alternatives.

*Fixed Income.* Investment Management's fixed income platform manages assets for our general account, as well as for domestic and international institutional and retail investors. As of December 31, 2012, there were \$115.6 billion in AUM on the entire platform, of which \$80.4 billion were general account assets. Through the fixed income platform clients have access to money market funds, investment-grade corporate debt, government bonds, RMBS, CMBS, ABS, high yield bonds, private and syndicated debt instruments, commercial mortgages and preferred securities. Each sector within the platform is managed by seasoned investment professionals supported by significant credit, quantitative and macro research and risk management capabilities.

*Equities.* The equities platform is a multi-cap and multi-style research-driven platform comprising both fundamental and quantitative equity strategies for institutional and retail investors. As of December 31, 2012, there were \$46.8 billion in AUM on the platform covering both domestic and international markets. Our fundamental equity capabilities are bottom-up, research driven and cover growth, value and core strategies in the large, mid and small cap spaces. Our quantitative equity capabilities are used to create quantitative and enhanced indexed strategies, support other fundamental equity analysis and create extension products.

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**MASS.** Investment Management's MASS platform offers a variety of investment products and strategies that combine multiple asset classes with asset allocation techniques. The objective of the MASS platform is to develop customized solutions that meet the specific, and often unique, goals of investors with products that change dynamically over time in response to changing markets and client needs. Utilizing core capabilities in asset allocation, manager selection, asset/liability modeling, risk management and financial engineering, the MASS team has developed a suite of target date and target risk funds that are distributed through our Retirement Solutions business and to institutional and retail investors. These funds can incorporate multi-manager funds. The MASS team also provides pension risk management, strategic and tactical asset allocation, liability-driven investing solutions and investment strategies that hedge out specific market exposures (e.g., portable alpha) for clients.

**Senior Bank Loans.** Investment Management's senior bank loan group is a large experienced manager of below-investment grade floating-rate loans, actively managing diversified portfolios of loans made by major banks around the world to non-investment grade corporate borrowers. Senior in the capital structure, these loans have a first lien on the borrower's assets, typically giving them stronger credit fundamentals than unsecured corporate bonds. The platform offers institutional, retail and structured products (e.g., CLOs), including on-shore and off-shore vehicles with assets of \$12.4 billion as of December 31, 2012.

**Alternatives.** Investment Management's primary alternatives platform is Pomona Capital. Pomona Capital specializes in investing in private equity funds in three ways: by purchasing secondary interests in existing partnerships; by investing in new partnerships; and by co-investing alongside buyout funds in individual companies. As of December 31, 2012, Pomona Capital managed assets totaling \$6.7 billion. See Investments Sale of Certain Alternative Investments. In addition, Investment Management offers select alternative and hedge funds leveraging our core debt and equity investment capabilities.

The following chart presents asset and net flow data as of December 31, 2012, broken out by Investment Management's five investment platforms as well as by major business segment:

	AUM (as of December 31, 2012) (\$ in billions)	Net Flows (Year ended December 31, 2012) (\$ in millions)
<b>Investment Platform</b>		
Fixed Income	\$ 115.6	\$ 5,266.5
Equities	46.8	1,852.0
Senior Bank Loans	12.4	2,148.0
Alternatives	7.0	579.0
<b>Total</b>	<b>\$ 181.8</b>	<b>\$ 9,845.5</b>
<b>MASS<sup>(1)</sup></b>	<b>\$ 22.1</b>	<b>\$ 222.3</b>
<b>Client Segment</b>		
Retail	\$ 57.7	\$ (1,600.8)
Institutional	43.7	4,525.8
General Account	80.4	N/A
Mutual Fund Manager Re-assignments <sup>(2)</sup>	N/A	6,920.5
<b>Total</b>	<b>\$ 181.8</b>	<b>\$ 9,845.5</b>
ING U.S. affiliate sourced <sup>(3)</sup>	\$ 47.3	\$ 5,905.7

<sup>(1)</sup> \$19.3 billion of MASS AUM are included in the fixed income and equity platforms presented above. The balance of MASS, \$2.8 billion, is managed by third parties and we retain only a modest fee and therefore report these as AUA.

<sup>(2)</sup> Represents the re-assignment of mutual fund management contracts to ING Investment Management from external managers. The AUM related to the re-assignments are included in the retail segment above.



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<sup>(3)</sup> Assets sourced from affiliates of ING U.S. include \$19.7 billion for Closed Block Variable Annuity and net outflows from Closed Block Variable Annuity of \$(1,893.2) million.

### ***Markets and Distribution***

We serve our institutional clients through a dedicated sales and service platform consisting of direct- and consultant-focused sales professionals. We serve individual investors through an intermediary-focused distribution platform, consisting of business development and wholesale forces which partner with banks, broker-dealers and independent financial advisers, as well as our affiliate and third-party retirement platforms.

With the exception of Pomona Capital, the different products and strategies associated with our investment platforms are distributed and serviced by these Retail and Institutional client-focused segments as follows:

Retail segment: Open- and closed-end funds through affiliate and third-party distribution platforms, including wirehouses, brokerage firms, and independent and regional broker-dealers. As of December 31, 2012, total AUM from these channels was \$57.6 billion.

Institutional segment: Individual and pooled accounts, targeting defined benefit, defined contribution recordkeeping and retirement plans, Taft Hartley and endowments and foundations. As of December 31, 2012, Investment Management had more than 200 institutional clients, representing \$43.7 billion of AUM primarily in separately managed accounts, collective investment trusts and structured vehicles.

Investment Management manages a variety of variable portfolios and mutual funds which are sold through our Retirement Solutions and Insurance Solutions businesses. As of December 31, 2012, total AUM from these channels was \$47.3 billion with the majority of the assets gathered through our Retirement segment.

### ***Competition***

Investment Management competes with a wide array of asset managers and institutions in the highly fragmented U.S. investment management industry. In our key market segments, Investment Management competes on, among other things, the basis of investment performance, investment philosophy and process, product features and structure and client service. Our principal competitors in the Investment Management business include insurance-owned asset managers such as Principal Global Investors (Principal Financial Group), Prudential and Ameriprise, bank-owned asset managers such as J.P. Morgan Asset Management, as well as pure-play asset managers including PIMCO, Invesco, Wellington, Legg Mason, T. Rowe Price, Franklin Templeton and Fidelity.

### ***Insurance Solutions***

Our Insurance Solutions business comprises two financial reporting segments: Individual Life and Employee Benefits. Our strategy is based on a broad and effective distribution model, fueled by a manufacturing capability that provides a stream of competitive product solutions, all supported by an efficient operations and underwriting model.

### ***Individual Life***

Our Individual Life segment has a broad independent distribution footprint and manufactures a wide range of competitive products, from low-cost term life insurance designed to serve the middle market to fixed, indexed and variable universal life insurance products targeted to more affluent markets. We are re-pricing the core Individual Life products for profitability with a focus on expanding share in Indexed and Accumulation markets in an effort to use capital efficiently. Over the past six to seven years we have grown substantially, and as of December 31, 2012, we were the fifth largest writer of term life in the United States. As of December 31, 2012, we were also the seventeenth largest writer of universal life in the United States based on premiums sold or

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written. Our strong market positions have allowed us to properly scale our business to achieve greater profitability. Our larger term operation is a crucial part of achieving this scale and can be adjusted through pricing changes as necessary. As of December 31, 2012, Individual Life's in-force book comprised over 1.4 million policies and gross premiums of over \$2.3 billion.

The Individual Life segment generates revenue on its products from premiums, investment income, expense load, mortality charges and other policy charges, along with some asset-based fees. Profits are driven by the spread between investment income earned and interest credited to policyholders, plus the difference between premiums and mortality charges collected and benefits and expenses paid. We typically experience seasonality in our Individual Life segment results as the sales of universal life products tend to be higher in the fourth quarters due to year-end estate planning. Our Individual Life segment generated operating earnings before income taxes of \$196.2 million for the year ended December 31, 2012.

We intend to achieve our earnings growth in our Individual Life segment by focusing on growing our earnings drivers. Our earnings drivers include growing our in-force block of business by adding new businesses and entering new markets that meet our profit and capital requirements, combined with effectively managing our in-force block to meet our profitability objectives. This also includes focusing on improving our investment margins, growing our mortality profits and fully exploiting our technological capability in order to continue to reduce the new business unit costs and underwriting expense. In addition, we will further our financial objectives by continuing to utilize reinsurance to actively manage our risk and capital profile with the goal of controlling exposure to losses, reducing volatility and protecting capital. We aim to maximize earnings and capital efficiency in part by relieving the reserve strain for certain of our term and universal life products by means of reinsurance arrangements and other financing transactions. In addition, we are completing the introduction of re-priced offerings for term and universal life products, both of which are high capital consuming products. We expect these actions to slow the sale of the high-capital products while we simultaneously grow sales in the low capital, cash accumulation and current assumption type products.

### ***Products and Services***

Our Individual Life segment currently offers products that include term life, universal life ( UL ), indexed universal life ( IUL ) and variable universal life insurance. These offerings are designed to address customer needs for death benefit protection, tax-advantaged wealth transfer and accumulation, premium financing, business planning, executive benefits and supplemental retirement income. We believe that our combination of product solutions is well-suited for the middle-market through the mass-affluent and makes us a full service provider to our independent distribution partners.

*Term Life.* Term life insurance provides basic, economical life insurance for consumers and we market term life insurance primarily on competitive pricing and service models. Our most basic term product offers coverage for periods spanning ten to thirty years, as well as a return-of-premium term product that provides consumers with the ability to receive back all of their premiums at the end of a policy's term. Our term model provides us with added scale for expense coverage and opportunity for mortality profit. However, due to the low interest rate environment we announced in July 2012 that sales of 25-30 year TermSmart will be suspended and that existing applications need to be completed by the end of 2012.

*UL.* Accumulation-focused universal life products feature the opportunity to build tax-deferred cash value that can be accessed by consumers via loans and withdrawals for future needs. This money grows income tax-deferred, meaning no federal or state income taxes apply while it accumulates. The compounding tax-deferred interest can be an attractive feature to policyholders. These products help policyholders meet longer-range goals like college funding, supplemental retirement income and leaving a legacy for heirs. Other features include flexible premium payments that can change to meet policyholders' evolving financial needs.

*No-Lapse Guarantee UL.* No-lapse guarantee universal life products utilize a secondary guarantee to continue to offer a lifetime death benefit guarantee even if the account value has turned negative. Cash accumulation is minimized in these products. These have been popular in the protection market for individuals



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looking for a lifetime death benefit guarantee at the lowest cost, and has been the most popular UL product line at ING. However, given the capital intensiveness of no-lapse guarantee ULs, in October 2012, we announced our plans to suspend the sales of this product line and to process all existing applications by the end of 2012.

*IUL.* For customers looking for an opportunity for a higher return in a low rate environment, we offer IUL products, which, along with death benefit protection, provide customers the opportunity for growth through potentially stronger surrender values than traditional UL products. These IUL products link to both fixed and indexed crediting strategies and offer protection from downside risk through a minimum interest guarantee, helping customers who seek solutions that would be advantageous for providing supplemental retirement income, payment of college costs or executive benefits. One of the IUL products we offer provides up to a lifetime death benefit guarantee coupled with significant long term surrender value potential through the ability to earn an index credit linked, in part, to any increases in the S&P 500. As discussed above, in October 2012, we announced the suspension of sales of this product for No-Lapse Guarantee UL products. We also have a unique global IUL product that links to multiple international indices, such as the S&P 500, Hang Seng Index or Euro Stoxx 50. Indexed products are the fastest growing new product segment and are a major focus of our product and distribution effort as they are less capital intensive and provide attractive returns.

*Variable Universal Life.* For customers seeking greater growth potential and more control over their investments, we offer an individual variable universal life insurance product designed to provide long-term cash accumulation potential with the ability to add optional riders that provide guarantees and more flexibility. We offer customers the ability to choose from individual variable investment options, which range from conservative to aggressive stock and bond investments managed by respected investment management firms in the industry or from diverse asset allocation solutions designed to match a customer's risk tolerance.

The following chart presents data on our in-force face amount and total gross premiums and deposits received for the key life insurance products that we offer:

<b>Individual Life Product</b>	<b>In-Force Face Amount</b> (as of December 31, 2012) (\$ in millions)	<b>Total gross premiums and deposits</b> (year ended December 31, 2012) (\$ in millions)
Term Life	\$ 497,108	\$ 890.6
Universal Life	\$ 80,685	\$ 1,159.2
Variable Universal Life	\$ 30,182	\$ 274.8

**Markets and Distribution**

Our Individual Life segment has a broad, multi-channel independent distribution reach that is designed to allow us to penetrate markets that range from the middle-market through affluent market. Our distribution organization boasts a comprehensive sales support, sales technology, marketing support and illustration system. We also offer an Internet-based sales solution that is based on educational selling at *INGForLife.com*. We offer service solutions to meet the diverse and changing requirements of our customers and distribution partners. The success of our customer service programs is measured through our employee, customer and distributor satisfaction scores, which rank at the top among our benchmark competitors based on the 2011 Life Producer Net Promoter rankings.

We primarily use three different channels to market and sell our Individual Life products. Our largest channel works through over 2,200 independent general agents and has the breadth to engage with the vast majority of licensed independent life insurance agents in the United States. Through this channel, we have access to over 93,000 independent producers as of December 31, 2012. We also use a strategic distribution channel, with over 30 independent managing directors supporting approximately 6,900 producers (as of December 31, 2012) who engage with our broker-dealer. These producers, while independent, use our brand and sell a wide range of our products, including life, annuity and mutual funds. Finally, we employ a specialty markets channel to focus on alternative distribution. This includes life insurance quote agencies, internet direct marketers, and

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other forms of non-traditional distribution. The specialty markets channel has been a significant growth engine in new markets, especially the middle market, producing an average of almost \$40 million of new sales annually from its inception in 2008.

The following table presents a breakdown of Individual Life sales by distribution channel.

<b>Channel</b>	<b>2012 Sales</b> (\$ in millions)	<b>% of Sales</b>
Independent Life Sales	\$ 192.5	75.8%
Strategic Distribution	\$ 32.1	12.6%
Alternative Markets	\$ 1.7	0.7%
Specialty Markets	\$ 27.8	10.9%

The goal of our Individual Life distribution model is to be a full-service provider of life insurance products with a broad footprint, offering customers multiple ways to purchase products from our diverse portfolio. Achieving this goal has allowed us to penetrate affluent markets with our non-term portfolio, while building scale through policy count with sales of term and lower face non-term products in the middle market.

**Competition**

The Individual Life segment competes with large, well-established life insurance companies in a mature market, where price and service are key drivers. Primary competitors include Lincoln, MetLife, Prudential, American General, Principal Financial Group, John Hancock, Transamerica and Pacific Life. Individual Life primarily competes based on service and distribution channel relationships, price, brand recognition, financial strength ratings of our insurance subsidiaries and financial stability. We have strong capabilities to monitor competition and we utilize advanced models to benchmark our product offerings against others in the industry.

Factors that could influence our ability to competitively price products while achieving targeted returns include the cost and availability of statutory reserve financing required for certain term and universal life insurance policies, internal capital funding requirements and an extended low interest rate environment.

**Underwriting and Pricing**

We set prices for many of our insurance products based upon expected mortality over the life of the product. We base the pricing of our life insurance products in part upon expected persistency of these products, which is the probability that a policy will remain in force from one period to the next. We base premiums and policy charges for individual life insurance on expected death benefits, surrender benefits, expenses and required reserves. We use assumptions for mortality, interest, expenses, policy persistency and premium payment pattern in pricing policies. In addition, certain of our insurance products that include guaranteed returns or crediting rates underwrite equity market or interest rate risks. We seek to maintain a spread between the return on our general account invested assets and the interest we credit on our policyholder accounts. Our underwriting and risk management functions adhere to prescribed underwriting guidelines, while maintaining a competitive suite of products priced consistent with our mortality assessment. We generally manage mortality risks by enforcing strict underwriting standards and maintaining sufficient scale so that the incidence of risk occurrence is likely to match statistical modeling.

With respect to our universal life secondary guarantee business, we seek to mitigate risk by pricing conservatively to recognize the interest rate risk and are willing to forgo sales in order to maintain our profit and risk profile.

**Reinsurance**

In general, our reinsurance strategy is designed to limit our mortality risk and volatility. We partner with highly rated, well regarded reinsurers and set up pools to share our excess mortality risk.

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For term business, we keep the first \$3 million of risk and the excess risk is shared among a pool of reinsurers. For most of our universal life product portfolio, we keep the first \$5 million of risk and then reinsure a portion of the excess over \$5 million into the pool until we reach our limit of \$10 million of risk. 100% of the excess over \$10 million then goes into the pool. Our maximum overall retained risk on any one life is \$10 million. The following table presents our top five exposures as of December 31, 2012:

<b>Reinsurer</b>	<b>Exposure</b> (shown as a percentage of Total Reinsurance) <sup>(1)</sup>
Swiss Re	29%
Reinsurance Group of America	22%
SCOR	13%
Generali	9%
Gen Re	9%

<sup>1)</sup> Total Reinsurance equals net amount at risk ( NAR ) proportions of policies that have been placed with reinsurers (as of December 31, 2012).

Currently, reinsurance for new business is on a monthly renewable term basis, which only transfers mortality risk and limits our counterparty risk exposure. See Management's Discussion and Analysis of Results of Operations and Financial Condition Qualitative and Quantitative Disclosure About Market Risk Risk Management.

**Employee Benefits**

Our Employee Benefits segment provides group insurance products to mid-size and large corporate employers and professional associations. In addition, our Employee Benefits segment serves the voluntary worksite market by providing individual and payroll-deduction products to employees of our clients. Our Employee Benefits segment is among the largest writers of medical stop loss coverage in the United States, currently ranking fifth on a premium basis with over \$500.0 million of in-force premiums. We also hold top-20 positions in the group life and Voluntary Benefits ( VB ) markets on a premium basis. As of December 31, 2012, Employee Benefits total in-force premiums were \$1.3 billion.

The Employee Benefits segment generates revenue from premiums, investment income, mortality and morbidity income and policy and other charges. Profits are driven by the spread between investment income and credited rates to policyholders on voluntary universal life and whole life products, along with the difference between premiums and mortality charges collected and benefits and expenses paid for group life, stop loss and voluntary health benefits. We typically experience seasonality in our Employee Benefits segment results as the sales and/or flows tend to be higher in the first quarters due to coverage beginning on January 1st. Our Employee Benefits segment generated operating earnings before income taxes of \$109.4 million for the year ended December 31, 2012.

The Employee Benefits segment offers attractive growth opportunities with much less capital strain. For example, we believe there are significant opportunities through expansion in the VB market as employers shift benefits costs to their employees. We have a number of new products and initiatives that we believe will help us drive growth in this market. In addition to the VB marketplace, we believe similar growth exists in the affinity marketplace. While expanding these lines, we also intend to continue to focus on profitability in our well established group life and stop loss product lines, by adding profitable new business to our in-force block, improving our persistency by retaining more of our best performing groups, and managing our loss ratios to below 80%, particularly on stop loss policies.

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### ***Products and Services***

Our Employee Benefits segment offers group life, group disability, stop loss insurance and VB products. These offerings are designed to meet the financial needs of both employers and employees by helping employers attract and retain employees and control costs, as well as provide ease of administration and valuable protection for employees.

*Stop Loss.* Our stop loss insurance provides coverage for mid-sized to large employers that self-insure their medical claims. These employers provide a health plan to their employees and generally pay all plan-related claims and administrative expenses. Our stop loss product helps these employers contain their health expenses by reimbursing specified claim amounts above certain deductibles and by reimbursing claims that exceed a specified limit. We offer this product via two types of protection – individual stop loss insurance and aggregate stop loss insurance. The primary difference between these two types is a varying deductible; both coverages are re-priced and renewable annually.

*Group Life.* Group life products span basic and supplemental term life insurance as well as accidental death and dismemberment for mid-sized to large employers and affinity groups. These products offer employees guaranteed issue coverage, convenient payroll deduction, affordable rates and conversion options.

*Voluntary Benefits.* Our voluntary benefits business involves the sale of universal life insurance, whole life insurance, critical illness, accident insurance and short-term disability income through the workplace. This product lineup is 100% employee-paid through payroll deduction. New products to be introduced will focus on group-like structures that address the cost-shifting trend.

*Group Disability.* Group disability includes group long term disability, short term disability, telephonic short term disability, voluntary long term disability and voluntary short term disability products for mid-sized to large employers. This product offering is typically packaged for sale with group life products, especially in the middle-market.

The following chart presents the key employee benefits products we offer, along with data on annual premiums for each product:

<b>Employee Benefits Products</b>	<b>Annualized In-Force Premiums</b>	
	(Year ended December 31, 2012) (\$ in millions)	
Medical Stop Loss	\$	560.7
Group Life	\$	485.6
Voluntary Benefits	\$	155.2
Disability	\$	85.0

### ***Markets and Distribution***

Our Employee Benefits segment works primarily with national and regional benefits consultants, brokers, TPAs, enrollment firms and technology partners. Our tenured distribution organization provides local sales and account management support to offer customized solutions to mid-sized to large employers backed by a national accounts team. We offer innovative and flexible solutions to meet the varying and changing needs of our customers and distribution partners. We have many years of experience providing unique stop loss solutions and products for our customers. In addition, we are an experienced multi-line employee benefits insurance carrier (group life, disability, stop loss and elective benefits).

We primarily use three distribution channels to market and sell our employee benefits products. Our largest channel works through hundreds of brokers and consultant firms nationwide and markets our entire product portfolio. Our Voluntary sales team focuses on marketing elective benefits to complement an employer's overall

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benefit package. Our Affinity sales team specializes in working with TPAs to market to members of association and affinity groups. ING Employee Benefits breadth of distribution gives us access to and the products to meet the needs of employers and their employees.

Our Employee Benefits segment primarily targets mid-sized and large corporate employers and professional associations. In addition, we market medical stop loss coverage to employer sponsors of self-funded employee health benefits plans.

Employee Benefits products are marketed to employers and professional associations through major brokerage operations, benefits consulting firms and direct sales. In the VB market, policies are marketed to employees at the worksite through enrollment firms, technology partners and brokers. When combined with distribution channels used by our Individual Life segment, we are able to provide complete access to our products through worksite-based sales.

The following chart presents our Employee Benefits distribution, by channel.

<b>Channel</b>	<b>2012 Sales</b> (\$ in millions)	<b>% of Sales</b>
Brokerage (Commissions Paid)	\$ 139.8	55%
Benefits Consulting Firms (Fee Based Consulting)	\$ 90.8	35%
Worksite Sales	\$ 24.5	10%

**Competition**

The group insurance market is mature and, due to the large number of participants in this segment, price and service are key competitive drivers. Our principal competitors include MetLife, Prudential and Minnesota Life in Group Life, Houston Casualty, Symetra and Sun Life in Stop Loss, and Unum, Allstate and Transamerica in VB.

For group life insurance products, rate guarantees have become the industry norm, with rate guarantee duration periods trending upward in general. Technology is also a competitive driver, as employers and employees expect technology solutions to streamline their administrative costs.

**Underwriting and Pricing**

Group insurance and disability pricing reflects the employer group's claims experience and the risk characteristics of each employer group. The employer's group claims experience is reviewed at time of policy issuance and periodically thereafter, resulting in ongoing pricing adjustments. The key pricing and underwriting criteria are morbidity and mortality assumptions, the employer group's demographic composition, the industry, geographic location, regional and national economic trends, plan design and prior claims experience.

Medical stop loss insurance pricing reflects the risk characteristics and claims experience for each employer group. The product is annually renewable and the underwriting information is reviewed annually as a result. The key pricing and underwriting criteria are medical cost trends, morbidity assumptions, the employer group's demographic composition, the industry, geographic location, plan design and prior claims experience. Pricing in the medical stop loss insurance market is generally cyclical.

**Reinsurance**

Our Employee Benefits reinsurance strategy seeks to limit our exposure to any one individual which will help limit and control risk.

Group Life, which includes Accidental Death and Dismemberment, cedes the excess over \$750,000 of each coverage to a pool of reinsurers. Group Long Term Disability cedes substantially all of the risk including the

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claims servicing, to a TPA and reinsurer. Excess Medical Stop Loss has a reinsurance program in place that limits our exposure to any one specific claim to \$1.25 million and there is an aggregate stop loss unit that limits our exposure to \$2.0 million over the Policyholders Aggregate Excess Retention. See Management's Discussion and Analysis of Results of Operations and Financial Condition Qualitative and Quantitative Disclosure About Market Risk Risk Management. We also use an annually renewable reinsurance transaction which lowers required capital of the Employee Benefits segment.

### **Closed Blocks**

We separated our Closed Block Variable Annuity and Closed Block Institutional Spread Products segments from our other operations, placing them in run-off, and made a strategic decision to stop actively writing new retail variable annuity products with substantial guarantee features and to run-off the institutional spread products portfolio over time. Accordingly, these segments have been classified as closed blocks and are managed separately from our ongoing business.

Our Closed Blocks unit also includes Closed Block Other, which comprises various other lines of business that have been exited through reinsurance agreements or which have also been placed in run-off and separated from our other operations.

We continue to focus on the controlled run-off of our Closed Block segments and look for opportunities to accelerate this run-off, where possible.

### ***Closed Block Variable Annuity***

Our Closed Block Variable Annuity segment consists of retail variable annuity insurance policies with substantial guarantee features sold primarily from 2001 to early 2010, when the block entered run-off. These policies are long-term savings vehicles in which customers (policyholders) made deposits that are primarily maintained in separate accounts established by the Company and registered with the SEC as unit investment trusts. The deposits were invested, largely at the customer's direction, in a variety of U.S. and international equity, fixed income, real estate and other investment options.

Many of these policies include living benefit riders, including GMWBL, GMIB, GMAB and GMWB. All deferred variable annuity contracts included GMDB.

The recent financial crisis resulted in substantial market volatility, low interest rates and depressed equity market levels. Our variable annuity profitability declined markedly in 2009 and 2010 under these adverse market conditions, as customer account values fell below guaranteed levels and therefore our liabilities with respect to the underlying guarantees increased. Moreover, significant reduction in earnings from reduced mutual fund fees and increased hedging costs exacerbated the decline in profitability.

We have taken numerous actions since the financial crisis to strengthen our balance sheet, increase transparency and improve the risk profile of the block, including the following:

in 2009, we decided to cease sales of retail variable annuity products with substantial guarantee features. The products were fully closed to new sales in early 2010 and the management of the block shifted to run-off;

in 2010, we also refined our CHO strategy to dynamically protect regulatory and rating agency capital levels in down equity market scenarios;

in early 2011, we began hedging the interest rate risk of our GMWBL book of business; and

in late 2011, we refined our policyholder behavior assumptions to more closely align with experience resulting in GAAP and gross U.S. statutory reserve increases of \$741 million and \$2,776 million in the fourth quarter of 2011, respectively.



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GAAP accounting differs from the methods used to determine regulatory and rating agency capital measures. Therefore our hedge programs may create material earnings volatility for GAAP financial statements.

Our risk management program is focused on balancing key factors including regulatory reserves, rating agency capital, RBC, liquidity, earnings, and economic value. There is significant operational scale (over 488,000 variable policy holders and \$43.2 billion in AUM in our Closed Block Variable Annuity Segment as of December 31, 2012) which ensures ongoing hedging, financial reporting and information technology ( IT ) maintenance expense efficiencies.

The block continues to generate revenue from asset-based fees. On a GAAP basis, we continue to amortize capitalized acquisition costs over gross revenues and we incur operating costs and benefit expenses in support of the segment.

Our focus in managing our Closed Block Variable Annuity segment is on protecting regulatory and rating agency capital from equity market movements via hedging and judiciously looking for opportunities to accelerate the run-off of the block, where possible.

### ***Nature of Liabilities***

Substantially all of our Closed Block Variable Annuity segment products were issued by one of our operating subsidiaries, ING USA.

Each of our Closed Block Variable Annuity segment deferred variable annuity products include some combination of the following features which the customer elected when purchasing the product:

#### ***Guaranteed Minimum Death Benefits.***

*Standard.* Guarantees that, upon the death of the individual specified in the policy, the death benefit will be no less than the premiums paid by the customer, net of any withdrawals.

*Ratchet.* Guarantees that, upon the death of the individual specified in the policy, the death benefit will be no less than the greater of (1) Standard or (2) the maximum policy anniversary (or quarterly) value of the variable annuity, adjusted for withdrawals.

*Rollup.* Guarantees that, upon the death of the individual specified in the policy, the death benefit will be no less than the aggregate premiums paid by the contract owner, with interest at the contractual rate per annum, adjusted for withdrawals. The Rollup may be subject to a maximum cap on the total benefit.

*Combo.* Guarantees that, upon the death of the individual specified in the policy, the death benefit will be no less than the greater of (1) Ratchet or (2) Rollup.

#### ***Guaranteed Minimum Living Benefits***

*Guaranteed Minimum Income Benefit (GMIB).* Guarantees a minimum income payout, exercisable only on a contract anniversary on or after a specified date, in most cases 10 years after purchase of the GMIB rider. The income payout is determined based on contractually established annuity factors multiplied by the benefit base. The benefit base equals the premium paid at the time of product issue and may increase over time based on a number of factors, including a rollup percentage (mainly 7% or 6% depending on the version of the benefit) and ratchet frequency subject to maximum caps which vary by product version (200%, 250% or 300% of initial premium).

*Guaranteed Minimum Withdrawal Benefit and Guaranteed Minimum Withdrawal Benefit for Life (GMWB/GMWBL)* Guarantees an annual withdrawal amount for a specified period of time (GMWB) or





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life (GMWBL) that is calculated as a percentage of the benefit base that equals premium paid at the time of product issue and may increase over time based on a number of factors, including a rollup percentage (mainly 7%, 6% or 0%, depending on versions of the benefit) and ratchet frequency (primarily annual or quarterly, depending on versions). The percentage used to determine the guaranteed annual withdrawal amount may vary by age at first withdrawal and depends on versions of the benefit. A joint life-time withdrawal benefit option was available to include coverage for spouses. Most versions of the withdrawal benefit included reset and/or step-up features that may increase the guaranteed withdrawal amount in certain conditions. Earlier versions of the withdrawal benefit guarantee that annual withdrawals of up to 7.0% of eligible premiums may be made until eligible premiums previously paid by the contract owner are returned, regardless of account value performance. Asset allocation requirements apply at all times where withdrawals are guaranteed for life.

*Guaranteed Minimum Accumulation Benefit (GMAB).* Guarantees that the account value will be at least 100% of the eligible premiums paid by the customer after 10 years, net of any withdrawals. We offered an alternative design that guaranteed the account value to be at least 200% of the eligible premiums paid by contract owners after 20 years.

***Reserves for Future Policy Benefits***

We establish and carry actuarially-determined reserves that are calculated to meet our future obligations. The principal assumptions used to establish liabilities for future policy benefits are based on our experience and periodically reviewed against industry standards. These assumptions include mortality, policy lapse, investment returns, inflation, benefit utilization and expenses. Changes in, or deviations from, the assumptions used can significantly affect our reserve levels and related future operations.

The determination of future policy benefit reserves is dependent on actuarial assumptions set by us in determining policyholder behavior, as described above.

Reserves for variable annuity GMDB and GMIB are determined by estimating the value of expected benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments. Expected assessments are based on a range of scenarios. The reserve for the GMIB guarantee incorporates an assumption for the percentage of the contracts that will annuitize. In general, we assume that GMIB annuitization rates will be higher for policies with more valuable (more in the money) guarantees. We periodically evaluate estimates used and adjust the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. Changes in reserves for GMDB and GMIB are reported in Policyholder benefits in the Consolidated Statements of Operations.

Variable annuity GMAB, GMWB, and GMWBL are considered embedded derivatives, which are measured at estimated fair value separately from the host annuity contract, along with attributed fees collected or payments made, reported in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

At inception of the GMAB, GMWB, and GMWBL contracts, we project fees to be attributed to the embedded derivative portion of the guarantee equal to the present value of projected future guaranteed benefits. Any excess or deficient fee is attributed to the host contract and reported in Fee income in the Consolidated Statements of Operations.

The estimated fair value of the GMAB, GMWB, and GMWBL contracts is determined based on the present value of projected future guaranteed benefits, minus the present value of projected attributed fees. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk free rates. The projection of future guaranteed benefits and future attributed fees require the use of assumptions for capital markets (e.g. implied volatilities, correlation among

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indices, risk-free swap curve, etc.) and policyholder behavior (e.g. lapse, benefit utilization, mortality, etc.). The projection also includes adjustments for nonperformance risk and margins for non-capital market risks, or policyholder behavior assumptions. Risk margins are established to capture uncertainties related to policyholder behavior assumptions. The margin represents additional compensation a market participant would require in order to assume these risks.

The table below presents the policy count, account value and GAAP reserve amount by type of deferred variable annuity benefits.

(\$ in millions, unless otherwise specified)

	Policy Count	As of December 31, 2012		GAAP Reserve Amount
		Account Value <sup>(1)</sup>	%	
		\$		\$
<b>Guaranteed Minimum Death Benefits:</b>	482,547	\$ 42,540		\$ 501
Standard	211,591	19,826	47%	7
Ratchet	110,163	8,047	19%	42
Rollup	33,332	2,328	5%	75
Combo	127,461	12,339	29%	377
<b>Guaranteed Living Benefits:</b>	482,547	42,540		3,281
GMIB	176,279	14,904	35%	1,246
GMWBL	130,921	15,612	37%	1,950
GMAB/GMWB	12,776	1,048	2%	85
No Living Benefit	162,571	10,976	26%	N/A

<sup>(1)</sup> Account value excludes \$659 million of Payout, Policy Loan and Life Insurance business which is included in consolidated account values.

**Capital Management Considerations**

The focus of the management of the Closed Block Variable Annuity segment is on regulatory reserve and capital requirements. As of December 31, 2012 we held regulatory reserves, net of third party reinsurance, of \$7.6 billion supporting variable annuity guarantees, of which \$6.5 billion supported living benefit guarantees.

Both market movements and changes in actuarial assumptions (including policyholder behavior and mortality) can result in significant changes to the regulatory reserve and rating agency capital requirements of this segment. The section below on **Variable Annuity Hedge Program and Reinsurance** describes the Variable Annuity CHO program, which is designed to mitigate the effect of adverse equity market movements on our regulatory capital and rating agency capital positions. Additionally, the section on **Variable Annuity Risks and Risk Management** discusses the risk of adverse developments in policyholder behavior and its potential impact on the regulatory reserves and rating agency capital position.

We believe that our hedging program combined with our statutory reserves related to the variable annuity block, provides adequate resources to fund a wide range of, but not all, possible market scenarios as well as a margin for adverse policyholder behavior.

**NAR**

The NAR for the GMDB, GMAB and GMWB benefits is equal to the guaranteed value of these benefits in excess of the account values in each case as of the date indicated. The NAR assumes utilization of benefits by all customers as of the date indicated.

The NAR for the GMIB and GMWBL benefits is equal to the excess of the present value of the minimum guaranteed annuity payments available to the contract owner over the current account value. It assumes that all

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policyholders exercise their benefit immediately, even if they have not yet attained the first exercise date shown in their contracts, and that there are no future lapses. The NAR assumes utilization of benefits by all customers as of the date indicated. This hypothetical immediate exercise of the benefit means that the customers give up any future increase in the guaranteed benefit that might accrue if they were to delay exercise to a later date. The discount rates used in the GMIB NAR methodology grade from current U.S. Treasury rates to long-term best estimates over ten years. The GMWBL NAR methodology uses current swap rates. The discounting for GMWBL and GMIB NAR was developed to be consistent with the methodology for the establishment of GAAP reserves.

The account values and NAR, both gross and net of reinsurance (retained NAR), of contract owners by type of minimum guaranteed benefit for retail variable annuity contracts were presented below as of December 31, 2012:

	As of December 31, 2012				
	Account Value <sup>(1)</sup>	Gross NAR	Retained NAR	% Contracts NAR In-the-Money <sup>(2)</sup>	% NAR In-the-Money <sup>(3)</sup>
GMDB	\$ 42,540	\$ 7,941	\$ 7,029	60%	25%
Living Benefit					
GMIB	14,904	3,576	3,576 <sup>(4)</sup>	86%	22%
GMWBL	15,612	1,703	1,703	57%	17%
GMAB/GMWB	1,048	42	42	27%	16%
Living Benefit Total	31,564	5,321	5,321		

(1) Account value excludes \$659 million of Payout, Policy Loan and Life Insurance business which is included in consolidated account values.

(2) Percentage of contracts that have a NAR greater than zero.

(3) For contracts with a NAR greater than zero, % NAR In-the-Money is defined as NAR/(NAR + Account Value).

(4) An alternate discounting approach using the currently applicable U.S. statutory reserve valuation rate for immediate annuities of 4.25% produces a result with a value of \$2.4 billion.

As of the date indicated above, compared to \$5.3 billion of NAR, we held gross statutory reserves before reinsurance of \$6.5 billion for living benefit guarantees; of this amount, \$6.4 billion was ceded to SLDI, supported by LOC in the amount of \$1.9 billion and by assets in trust of \$4.4 billion. However, NAR and statutory reserves are not directly comparable measures. Our GAAP reserves for living benefit guarantees was \$3.3 billion at December 31, 2012. For a discussion of our GAAP reserves calculation methodology, see the Note for *Business and Basis of Presentation and Significant Accounting Policies - Future Policy Benefits and Contract Owner Accounts* in our Consolidated Financial Statements.

For GMIB products, in general, the policyholder has the right to elect income payment, beginning (for certain products) on the tenth anniversary year of product commencement, receive lump sum payment of the then current cash value, or remain in the variable sub-account. For GMIB products, if the policyholder makes the election to annuitize, the policyholder is entitled to receive the guaranteed benefit amount over an annuitization period. A small percentage of the products were first eligible to elect annuitizations beginning in 2010 and 2011. The remainder of the products will first become eligible to elect annuitization from 2012 to 2020, with the majority of first eligibility dates in 2014-2016. Many of these contracts contain significant incentives to delay annuitization past first eligibility.

Because policyholders have various contractual rights and significant incentives to defer their annuitization election, the period over which annuitization election will take place is subject to policyholder behavior and therefore indeterminate. In addition, upon annuitization the contract holder surrenders access to the account value and the account value is transferred to the Company's general account where it is invested and the additional investment proceeds are used towards payment of the guaranteed benefit payment.

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**Table of Contents*****Variable Annuity Hedge Program and Reinsurance***

*Variable Annuity Guarantee Hedging Program.* We primarily mitigate variable annuity market risk exposures through hedging. Market risk arises primarily from the minimum guarantees within the variable annuity products, whose economic costs are primarily dependent on future equity market returns, interest rate levels, equity volatility levels and policyholder behavior. The variable annuity hedging program is used to mitigate our exposure to equity market and interest rate changes and seeks to ensure that the required assets are available to satisfy future death benefit and living benefit obligations. While the variable annuity guarantee hedging program does not explicitly hedge statutory or GAAP reserves, as markets move up or down, in aggregate the returns generated by the variable annuity hedging program will significantly offset the statutory and GAAP reserve changes due to market movements.

The objective of the guarantee hedging program is to offset changes in equity market returns for most minimum guaranteed death benefits and all guaranteed living benefits, while also providing interest rate protection for certain minimum guaranteed living benefits. We hedge the equity market exposure using a hedge target set using market consistent valuation techniques for all guaranteed living benefits and most death benefits. We also hedge the interest rate risk in our GMWB/GMAB/GMWBL blocks using a market consistent valuation hedge target. We do not hedge interest rate risks for our GMIB or GMDB primarily because doing so would result in volatility in our regulatory reserves and rating agency capital that exceeds our tolerances and, secondarily, because doing so would produce additional volatility in GAAP financial statements.

Equity index futures on various equity indices are used to mitigate the risk of the change in value of the policyholder-directed separate account funds underlying the variable annuity contracts with minimum guarantees. A dynamic trading program is utilized to seek replication of the performance of targeted fund groups (i.e., the fund groups that can be covered by indices where liquid futures markets exist).

Total return swaps are also used to mitigate the risk of the change in value of certain policyholder-directed separate account funds. These include fund classes such as emerging markets and real estate. They may also be used instead of futures of more liquid indices where it may be deemed advantageous. This hedging strategy is employed at our discretion based on current risk exposures and related transaction costs.

Interest rate swaps are used to mitigate the impact of interest rates changes on the economic liabilities associated with certain minimum guaranteed living benefits.

Variance swaps and equity options are used to mitigate the impact of changes in equity volatility on the economic liabilities associated with certain minimum guaranteed living benefits. This program began in the second quarter of 2012.

Foreign exchange forwards are used to mitigate the impact of policyholder-directed investments in international funds with exposure to fluctuations in exchange rates of certain foreign currencies. Rebalancing is performed based on pre-determined notional exposures to the specific currencies.

*Variable Annuity Capital Hedge Overlay Program.* Variable annuity guaranteed benefits are hedged based on their economic or fair value; however, the statutory reserves are not based on a market value. When equity markets decrease, the statutory reserve and rating agency required assets for the variable annuity guaranteed benefits can increase more quickly than the value of the derivatives held under the guarantee hedging program. This causes regulatory reserves to increase and rating agency capital to decrease. To protect the residual risk to regulatory and rating agency capital in a decreasing equity market, we implemented the use of a static capital hedge in 2008. In 2010, we shifted to the dynamic CHO program. The current CHO strategy is intended to actively mitigate equity risk to the regulatory and rating agency capital of the Company. The hedge is executed through the purchase and sale of equity index futures and is designed to limit the uncovered reserve increase in an immediate down equity market scenario to an amount we believe prudent for a company of our size and scale. This amount will change over time with market movements, changes in regulatory and rating agency capital, available collateral and our risk tolerance.

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The following table presents the estimated net impacts to funding our regulatory reserves to our Closed Block Variable Annuity segment, after giving effect to our CHO program and the Variable Annuity guarantee hedge program for various shocks in equity markets and interest rates. This reflects the hedging we had in place as well as any collateral (in the form of LOC) or change in underlying asset values that would be used to achieve credit for reinsurance for the segment of liabilities reinsured to our Cayman Islands subsidiary at the close of business on December 31, 2012 in light of our determination of risk tolerance and available collateral at that time, which, as noted above, may change from time to time.

(\$ in millions)	As of December 31, 2012 Equity Market (S&P 500)						As of December 31, 2012 Interest Rates	
	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
Decrease/(increase) in regulatory reserves	\$ (4,100)	\$ (2,450)	\$ (750)	\$ 750	\$ 2,100	\$ 3,150	\$ (1,900)	\$ 1,250
Hedge gain/(loss), immediate impact	3,500	1,950	600	(550)	(1,400)	(2,050)	1,350	(1,050)
Increase / (decrease) in Market Value of Assets							250	(250)
Increase/(decrease) in LOCs	550	500	200	(250)	(400)	(400)	300	
Net impact	(50)		50	(50)	300	700		(50)

The foregoing sensitivities illustrate the estimated impact of the indicated shocks beginning on the first market trading day following December 31, 2012 and give effect to dynamic rebalancing over the course of the shock event. The estimates of equity market shocks reflect a shock to all equity markets, domestic and global, of the same magnitude. The estimates of interest rate shocks reflect a shock to rates at all durations (a parallel shift in the yield curve). Decrease/(increase) in regulatory reserves includes statutory reserves for policyholder account balances, AG43 reserves and additional cash flow testing reserves related to the Closed Block Variable Annuity segment. Hedge Gain / (Loss) includes both the Variable Annuity guarantee hedge program and the CHO and assumes that hedge positions can be rebalanced during the market shock and that the performance of the derivative contracts closely matches the performance of the contract owner's variable fund returns. Increase / (decrease) in LOCs indicates the change in the amount of LOCs used to provide credit for reinsurance at those times when the assets backing the reinsurance liabilities may be less than the statutory reserve requirement. As of December 31, 2012 the amount of LOCs required for this purpose, excluding the contingent capital facility, was \$423.9 million and the actual amount of the available LOCs outstanding was \$1.0 billion. Increase / (decrease) in Market Value of Assets is the estimated potential change in market value of assets supporting the segment of liabilities reinsured to our Cayman Island subsidiary from 100 basis point upward and downward shifts in interest rates. Results of an actual shock to equity markets or interest rates would likely differ from the above illustration due to issues such as basis risk (differences in the performance of the derivative contracts versus the contract owner variable fund returns), equity shocks not occurring uniformly across all equity markets, variance in market volatility versus what is assumed, combined effects of interest rates and equities, additional impacts from rebalancing of hedges, the effects of time and changes in assumptions or methodology that affect reserves or hedge targets. Additionally, estimated net impact sensitivities vary over time as the market and closed book of business evolve or if assumptions or methodologies that affect reserves or hedge targets are refined.

We have engaged Milliman, Inc. ( Milliman ) to review the effectiveness of our Closed Block Variable Annuity equity and interest rate hedge programs (the Hedge Programs ) at protecting regulatory reserves under various market scenarios as of December 31, 2012. Milliman's review of the above illustration included the regulatory capital requirement, the Variable Annuity Guarantee Hedge Program's gains and losses and the Capital Hedge Overlay. In conducting its review, Milliman:

- (i) created independent models, intended to be close approximations of our actual production models, to validate our statutory reserves and hedging calculations for guarantees in ING USA and SLDI. The review covered calculations from our internally developed systems. Milliman reviewed calculations for a range of policies, product types and capital market scenarios;

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- (ii) validated aggregate sensitivities of the Variable Annuity Guarantee Hedging Program, including capital market sensitivities, underlying greeks (representing rates of change of an underlying liability to movements in market variables such as equity market levels, interest rates, and volatility), and funding capital requirement by legal entity;
- (iii) reviewed our methodology to estimate the hedge gains/losses for the Variable Annuity Guarantee Hedging Program and Capital Hedge Overlay; and
- (iv) reviewed the consistency between our historical hedge rebalancing transactions and the CBVA hedging policies concerning trading rules, triggers, and thresholds, which serve as the underlying assumption for determining the hedging gains and losses displayed in the illustration. The historical review covered daily equity futures and weekly interest rate trading activity during 2012.

Following its December 31, 2012 review, Milliman concluded that the Hedge Programs are effective based on the data and information (including internal assumptions) that we provided them as compared to their stated objectives for the components of calculating the net impact on regulatory reserves. Based on independent calculations, Milliman further concluded that hedge gain/losses comparable to the ones indicated in the table above would be expected to be realized based on the specific market movements that were assumed in the December 31, 2012 review. Milliman's review did not include an audit or assessment of such data, information or assumptions, nor did Milliman perform a complete review of day-to-day operations of the hedge program.

For the three months ended December 31, 2012, our guarantee and overlay equity hedges resulted in a loss of approximately \$100 million for ING USA, which was more than offset by a decrease in AG43 reserves in excess of reserves for cash surrender value of approximately \$200 million for ING USA, due to increases in the equity markets. Change in statutory reserves due to equity and equity hedges for ING USA reflects non-affiliated reinsurance for variable annuity policies, but not the affiliated reinsurance transaction associated with the GMIB and GMWBL riders. ING USA accounts for substantially all of the Closed Block Variable Annuity business. In addition to equity hedge results and change in reserves due to the impact of equity market movements, statutory income includes fee income, investment income and other income offset by benefit payments, operating expenses and other costs as well as impacts to reserves and hedges due to effects of time and other market factors.

With respect to change in interest rates, regulatory reserves generally increase with decreasing rates and decrease with increasing rates, which is significantly offset by the change in value of the Variable Annuity Guarantee Hedging Program interest rate swaps.

As GAAP accounting differs from the methods used to determine regulatory reserves and rating agency capital requirements, our hedge programs may result in immediate impacts that may be lower or higher than the regulatory impacts illustrated above. The following table presents the estimated net impacts to GAAP earnings pre-tax in our Closed Bank Variable Annuity segment, which is the sum of the increase or decrease in U.S. GAAP reserves and the hedge gain or loss from our CHO program and the Variable Annuity Guarantee Hedge program for various shocks in both equity markets and interest rates. This reflects the hedging we had in place at the close of business on December 31, 2012 in light of our determination of risk tolerance at that time, which, as noted above, we adjust from time to time.

(\$ in millions)	As of December 31, 2012 Equity Market (S&P 500)					As of December 31, 2012 Interest Rates		
	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
Total estimated earnings sensitivity	\$ 1,400	\$ 900	\$ 250	\$ (250)	\$ (600)	\$ (900)	\$ 350	\$ (250)

The foregoing sensitivities illustrate the impact of the indicated shocks on the first market trading day following December 31, 2012 and give effect to dynamic rebalancing over the course of the shock events. The estimates of equity market shocks reflect a shock to all equity markets, domestic and global, of the same magnitude. The estimates of interest rate shocks reflect a shock to rates at all durations (a parallel shift in the yield curve).

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Liabilities are based on GAAP reserves and embedded derivatives, with the latter including an adjustment for nonperformance risk. DAC is amortized on gross revenues which will not be volatile, however, volatility could be driven by loss recognition. Hedge Gain / (Loss) impacting the above estimated earnings sensitivity includes both the Variable Annuity Guarantee Hedge Program and the Capital Hedge Overlay Program and assumes that hedge positions can be rebalanced during the market shock and that the performance of the derivative contracts closely matches the performance of the contract owner's variable fund returns. Actual results will differ from the estimates above due to issues such as basis risk (differences in the performance of the derivative contracts versus the contract owner variable fund returns), changes in non-performance spreads, equity shocks not occurring uniformly across all equity markets, variance in market volatility versus what is assumed, combined effects of interest rates and equities, additional impacts from rebalancing of hedges, the effects of time, and changes in assumptions or methodology that affect reserves or hedge targets. Additionally, estimated net impact sensitivities vary over time as the market and closed book of business evolves, or if changes in assumptions or methodologies that affect reserves or hedge targets are refined. As the closed book of business evolves, actual net impacts are realized, or if changes are made to the target of the hedge program, the sensitivities may vary over time. Additionally, actual results will differ from the above due to issues such as basis risk, market volatility, changes in implied volatility, combined effects of interest rates and equities, rebalancing of hedges in the future, or the effects of time and other variations from the assumptions in the above table.

The balance of DAC, VOBA and other intangibles (net of adjustments for unrealized gains and losses) was \$553.4 million as of December 31, 2012.

In addition to equity market and interest rate changes, movements in other market variables that are not explicitly hedged can also cause GAAP earnings volatility. This includes changes in implied equity market volatility (implied from the market prices of equity options) that affects the valuation of our fair value liabilities. We do not fully hedge for equity implied volatility given that such hedging introduces volatility in our regulatory reserves and rating agency capital which are not as sensitive to this market variable. As of December 31, 2012, the GAAP sensitivity (inclusive of our non-performance spread) of the GMAB / GMWB and GMWBL liabilities to a 1 percentage point move in implied volatility was approximately \$52 million.

***Hedging instruments***

*Guarantee Hedge.* In order to mitigate equity risk associated with non-reinsured GMDBs and non-reinsured guaranteed living benefits, we enter into futures positions and total return swaps on various public market equity indices chosen to closely replicate contract owner variable fund returns. We also mitigate most of the foreign currency risk arising from its international fund exposure using forward contracts. We use market consistent valuation techniques to establish our derivative positions and to rebalance the derivative positions in response to market fluctuations. We also administer a hedging program that mitigates not only equity risk, but also the interest rate risk associated with our GMWB, GMWBL and GMAB riders. This component of the hedge primarily involves entering into interest rate swaps. In the second quarter of 2012, we entered into equity variance swaps and equity options to cover the volatility risks associated with the GMWB and GMAB riders.

*Capital Hedge Overlay.* The Variable Annuity CHO program is an overlay to the Variable Annuity Guarantee Hedge Program that mitigates the impact of potential declines in equity markets and their impact on regulatory reserves and rating agency capital. The program's hedge strategy primarily involves using equity futures contracts.



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The following table presents notional and fair value for hedging instruments:

(\$ in millions)	As of December 31, 2012	Notional Amount As of December 31, 2011	As of December 31, 2010	As of December 31, 2012	Fair Value As of December 31, 2011	As of December 31, 2010
<b>Guarantee Hedge Program:</b>						
Equity Futures <sup>(3)(4)</sup>	\$ 8,754.2	\$ 8,526.8	\$ 5,529.8	\$ (179.7)	\$ 17.0	\$ 12.6
Total Return Swaps	841.4	773.6	186.2		(16.9)	(6.3)
Variance Swaps	1.8			(8.4)		
Currency Forwards <sup>(1)</sup>	1,267.6	1,032.3	659.7	8.2	2.4	(4.8)
Interest Rate Swaps <sup>(1)(2)</sup>	19,799.0	19,352.0	9,534.0	936.1	1,154.7	(81.0)
Put Options <sup>(1)</sup>	351.3	63.7	44.1	26.8		
<b>Total</b>	<b>\$ 31,015.3</b>	<b>\$ 29,748.4</b>	<b>\$ 15,953.8</b>	<b>\$ 783.0</b>	<b>\$ 1,157.2</b>	<b>\$ (79.5)</b>
<b>CHO Program:</b>						
Equity Futures <sup>(3)(4)</sup>	\$ 1,221.8	\$ 2,541.6		\$ (36.4)	\$ 9.8	

(1) Offsetting contracts have not been netted, therefore total notional of all outstanding contracts is shown.

(2) Total notional shown is a combination of pay-fix and pay-float contracts.

(3) Fair Value equals last day's cash settlement.

(4) Futures notional is based on the current trade price of each contract.

**Reinsurance.** For contracts issued prior to January 1, 2000, most contracts with enhanced death benefit guarantees were reinsured to third-party reinsurers to mitigate the risk produced by such guaranteed death benefits. For contracts issued on or after January 1, 2000, the Company instituted a variable annuity guarantee hedging program in lieu of reinsurance. We utilized indemnity reinsurance agreements prior to January 1, 2000 to reduce our exposure to large losses from GMDBs in our Closed Block Variable Annuity segment. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge our primary liability as direct insurer of the risks. We evaluate the financial strength of potential reinsurers and continually monitor the financial strength and credit ratings of our reinsurers.

**Variable Annuity Risks and Risk Management**

The amounts ultimately due to policyholders under GMDB and guaranteed minimum living benefits, and the reserves required to support these liabilities, are driven by a variety of factors, including equity market performance, interest rate conditions, policyholder behavior, including exercise of various contract options, and policyholder mortality. We actively monitor each of these factors and implement a variety of risk management and financial management techniques to optimize the value of the block. Such techniques include hedging, use of offshore affiliate reinsurance, external reinsurance, and experience studies. See the Consolidated Financial Statements for more information on the reinsurance arrangements.

**Market Risk Related to Equity Market Price and Interest Rates.** Our variable annuity products are significantly influenced by the United States and other global equity markets. Increases or decreases in equity markets impact certain assets and liabilities related to our variable annuity products and our earnings derived from those products. A decrease in the equity markets may cause a decrease in the account values, thereby increasing the possibility that we may be required to pay amounts to contract owners due to guaranteed death and living benefits. An increase in the value of the equity markets may increase account values for these contracts, thereby decreasing our risk associated with guaranteed death and living benefits.

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We are also subject to interest rate risk in our Closed Block Variable Annuity segment, as a sustained decline in interest rates or a prolonged period of low interest rates may subject us to higher cost of guaranteed benefits and increased hedging costs.

In addition, in scenarios of equity market declines, sustained periods of low interest rates, rapidly rising interest rates or credit spread widening, the amount of additional statutory reserves that an insurance subsidiary is required to hold for variable annuity guarantees may increase. This increase in reserves would decrease the statutory surplus available for use in calculating its RBC ratios. In addition, collateral posting requirements for the hedge program could also pressure liquidity.

Periods of significant and sustained downturns in equity markets, increased equity volatility, reduced interest rates or a prolonged period of low interest rates could result in an increase in the valuation of the future policy benefit or account balance liabilities associated with such products, resulting in a reduction to net income (loss). Although a certain portion of our guaranteed benefits are reinsured or covered under our variable annuity guarantee hedging program, for those guarantees not covered by these programs, we are exposed to the risk of increased costs and/or liabilities for benefits guaranteed in excess of account values during periods of adverse economic market conditions. Our risk management program is constantly re-evaluated to respond to changing market conditions and achieve the optimal balance and trade-offs among several important factors, including regulatory reserves, rating agency capital, RBC, earnings and other factors. A certain portion of these strategies could focus our emphasis on the protection of regulatory and rating agency capital, RBC, liquidity, earnings and other factors and less on the earnings impact of guarantees, resulting in materially lower or more volatile GAAP earnings in periods of changing equity market levels. While we believe that our risk management program is effective in balancing numerous critical metrics, we are subject to the risk that our strategies and other management procedures prove ineffective or that unexpected policyholder behavior, combined with unfavorable market events, produces losses beyond the scope of the risk management strategies employed, which may have a material adverse effect on our results of operations, financial condition and cash flows. We are also subject to the risk that the cost of hedging these guaranteed minimum benefits increases as implied volatilities increase and/or interest rates decrease, resulting in adverse impact to net income (loss).

*Risk Related to Hedging.* Our risk management program attempts to balance a number of important factors including regulatory reserves, rating agency capital, RBC, underlying economics, earnings and other factors. As discussed above, to reduce the risk associated with guaranteed living benefits, non-reinsured GMDB and fees related to these benefits, we enter derivative contracts on various public market indices chosen to closely replicate contract owner variable fund returns.

The Company's risk management program is constantly re-evaluated to respond to changing market conditions and manage trade-offs among capital preservation, earnings and underlying economics.

Hedging instruments we use to manage risks might not perform as intended or expected, which could result in higher realized losses and unanticipated cash needs to collateralize or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralized.

*Risk Related to Policyholder Behavior Assumptions.* Our Closed Block Variable Annuity segment is subject to risks associated with the future behavior of policyholders and future claims payment patterns, using assumptions for mortality experience, lapse rates, GMIB annuitization rates, and GMWB/GMWBL withdrawal rates. We are required to make assumptions about these behaviors and patterns, which may not reflect the actual behaviors and patterns we experience in the future.

In particular, we have only minimal experience on policyholder behavior for our GMIB and GMWBL products, and, as a result, future experience could lead to significant changes in our assumptions. Our GMIB contracts have a ten-year waiting period before annuitization is available, with most of these GMIB contracts

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issued during the period 2004 to 2006. Those contracts first become eligible to annuitize during the period 2014 to 2016, but contain significant incentives to delay annuitization beyond the first eligibility date. As a result, to date we have only a statistically small sample of experience used to set annuitization rates. Therefore, we anticipate that observable experience data will become statistically credible later this decade, when a large volume of GMIB benefits begin to reach their maximum benefit over a four-year period from 2019 to 2022. It is possible, however, that more policyholders than we anticipate will choose to annuitize soon after the first eligibility date, rather than delay annuitization to receive increased guarantee benefits, in which case we may have statistically credible experience as early as in the period from 2014 to 2016.

Similarly, most of our GMWBL contracts are still in the first three to five policy years, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges over the next five to seven years. In addition, like our GMIB contracts, many of our GMWBL contracts contain significant incentives to delay withdrawal. We expect customer decisions on annuitization and withdrawal will be influenced by customers' financial plans and needs as well as by interest rate and market conditions over time and by the availability and features of competing products. If emerging experience deviates from our assumptions on either GMIB annuitization or GMWBL withdrawal, we could experience losses and a significant increase to reserve and capital requirements.

We also make estimates of expected lapse of these products, which is the probability that a policy will not remain in force from one period to the next. Lapse rates of our annuity products may be significantly impacted by the value of guaranteed minimum benefits relative to the value of the underlying separate accounts (account value or account balance). In general, policies with guarantees that are in the money (i.e., where the notional benefit amount is in excess of the account value) are assumed to be less likely to lapse. Conversely, out of the money guarantees are assumed to be more likely to lapse as the policyholder has less incentive to retain the policy. Lapse rates could also be adversely affected generally by developments that affect customer perception of us.

We make estimates of expected election rates of living benefits for these products and of the rate of election of certain optional benefits that may be exercised. The profitability of our deferred annuity products depends upon actual contract owner decisions to elect or delay the utilization of such benefits. The development of a secondary market for third-party investor strategies in the annuities business could also adversely affect the profitability of existing business by reducing lapse rates of in-the-money contracts in excess of current expectations or by causing living benefits to be elected at points in time that are more unfavorable than our current expectations. Actual lapse rates that are lower than our lapse rate assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience may be higher than expected in these later years. If actual lapse rates are significantly different from that assumed in our current reserving assumptions, our reserves for future policy benefits may prove to be inadequate.

Our variable annuity lapse rate experience has varied significantly over the period from 2006 to the present, reflecting among other factors, both pre- and post-financial crisis experience. During the early years of this period, our variable annuity policyholder lapse rate experience was higher than our current best estimate of policyholder lapse behavior would have indicated; in the later part of this period, after mid-2009, it was lower. Management's current best estimate of variable annuity policyholder lapse behavior incorporates actual experience over the entire period, as we believe that over the duration of the Closed Block Variable Annuity policies we will experience the full range of policyholder behavior and market conditions. If our future experience were to approximate our lapse experience from either earlier in the period or later in the period, we would likely need to either reduce reserves (if actual experience were to approximate experience earlier in the period) or increase reserves (if actual experience were to approximate experience later in the period), by an amount that could be material.

We review overall policyholder experience annually (including lapse, annuitization, withdrawal and mortality), or more frequently if necessary. As customer experience continues to materialize, we may adjust our assumptions. The magnitude of any required changes could be material and adverse to the results of operations or

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financial condition of the Company. We increased reserves in the fourth quarter of 2011 after a comprehensive review of our assumptions relating to lapses, mortality, annuitization of income benefits and utilization of withdrawal benefits. The review in 2011 included an analysis of a larger body of actual experience than was previously available, including a longer period with low equity markets and interest rates, which we believe provided greater insight into anticipated policyholder behavior for contracts that are in the money. This resulted in an increase of GAAP reserves of \$741 million and gross U.S. statutory reserves of \$2,776 million in the fourth quarter of 2011. It is possible that future assumption changes could produce reserve changes of this magnitude or even greater. Any such increase to reserves could require us to make material additional capital contributions to one or more of our insurance company subsidiaries or could otherwise be material and adverse to the results of operations or financial condition of the Company.

During the third quarter of 2012 we conducted a periodic review of actuarial assumptions, including policyholder behavior assumptions. As a result of this review, we increased GAAP reserves by \$114.6 million as of September 30, 2012, driven primarily by an update to lapse rates on variable annuity contracts with lifetime living benefit guarantees. The same update to lapse rates, implemented in isolation, would have increased U.S. Statutory reserves by approximately \$150 million. However, the net change for U.S. Statutory reserves was not material due to offsetting revisions to projection model inputs. This change in lapse assumptions, taken together with the update to lapse assumptions we made in late 2011, moved our assumptions to be in line with lapse experience over the study period of 2006 to present. Although we believe it is appropriate to consider actual experience over that entire period in setting our assumptions, this recent change also causes our assumption to move considerably closer to our actual lapse experience for the period from mid-2009 to present. However, as described in the previous paragraph, future reserve increases in connection with experience updates could be material and adverse to the results of operations or financial condition of the Company. Any such increase to reserves could require us to make material additional capital contributions to one or more of our insurance company subsidiaries or could otherwise be material and adverse to the results of operations or financial condition of the Company. We will continue to monitor the emergence of experience. We review our assumptions at least annually, and, if necessary, update our assumptions more frequently as additional information becomes available. If adjustments to assumptions are necessary, which is ordinary course for interest-sensitive long dated liabilities, we anticipate that the financial impact of such a change will likely be in a range, either up or down, that is generally consistent with the impact experienced in the third quarter of 2012.

*Other Risks.* Despite the closure of new product sales, some new policy amounts continue to be deposited as additional premium to existing contracts. Benefit designs do limit the attractiveness of additional premium, but in some cases these additional premiums may increase the guarantee available to the policyholder. The volume of additional premiums has diminished since we ceased new product sales in 2010.

***Closed Block Institutional Spread Products***

Prior to 2009, we operated a spread lending business, which we call Closed Block Institutional Spread Products. However, following the recent financial crisis, investor appetite for uncollateralized liabilities not rated AAA collapsed and collateralized funding was constrained. As a result of these strained market conditions, Closed Block Institutional Spread Products issued \$6.3 billion of new liabilities at widened funding spreads in 2009. In addition, our Closed Block Institutional Spread Products segment wrote super senior CDS contracts of which approximately \$1 billion of notional amount remains outstanding. We shifted the focus of the business strategy from growing assets and earnings to running off the business over time. Total assets have declined from a peak of \$14.3 billion in 2008 to approximately \$3.8 billion as of December 31, 2012. We continue to reduce the block by searching for and finding opportunities to sell assets at prices that reflect the intrinsic value of the assets. Closed Block Institutional Spread Products remains an overhang on returns as it requires high capital relative to its earnings and elevated levels of liquidity in our investment portfolios. As these assets run off, capital invested in the business will be released and our portfolios will be properly adjusted.

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### ***Closed Block Other***

The third financial reporting segment making up our Closed Block business is Closed Block Other, which includes continuing obligations and assets connected with the group reinsurance and individual reinsurance businesses we sold between 2004 and 2009. Effective January 2009, we sold our group reinsurance business, ING Reinsurance U.S., to RGA. The transaction was accounted for as a reinsurance transaction. To effect this sale, we entered into coinsurance agreements with various subsidiaries of RGA. See the Note for *Reinsurance* in our Consolidated Financial Statements for more information on these reinsurance arrangements. Between 2004 and 2009, we entered into several reinsurance transactions with Scottish Re and Hannover Re pursuant to which we ceded all liabilities related to our individual life reinsurance block. The reinsurance arrangements with respect to both the group and life individual reinsurance businesses are described more fully in Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Reinsurance above.

### **Employees**

As of March 31, 2013, we had approximately 7,000 employees, with most working in one of our 10 major sites in 9 states. On June 14, 2012, we announced that we entered into a seven-year agreement with Cognizant pursuant to which Cognizant will provide business processing and operations services related to our retirement, life insurance and annuities businesses (the Cognizant transaction). Under the terms of the agreement with Cognizant, on August 16, 2012, more than 1,000 of our employees became Cognizant employees and Cognizant gave such individuals comparable responsibilities to their former roles with us. Cognizant also purchased and subleased some of our existing facilities to provide business and workplace continuity for our customers and former employees.

### **Properties**

As of March 31, 2013, we owned or leased 84 locations totaling approximately 2.3 million square feet, of which approximately 0.9 million square feet was owned properties and approximately 1.4 million square feet was leased properties throughout the United States. As discussed above, we sold and subleased some of our facilities (including the sale of our Minot, North Dakota facility, representing approximately 123,000 square feet) to Cognizant in the second quarter of 2012.

### **Litigation and Regulatory Matters**

See the Note for *Commitments and Contingencies* in our Consolidated Financial Statements for additional information regarding our assessment of contingencies related to litigation and regulatory matters.

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**REGULATION**

Our operations and businesses are subject to a significant number of Federal and state laws, regulations, administrative determinations and similar legal constraints. Such laws and regulations are generally designed to protect our policyholders and contract owners and not our stockholders or holders of our other securities. Many of the laws and regulations to which we are subject are regularly re-examined and existing or future laws and regulations may become more restrictive or otherwise adversely affect our operations. The recent financial market disruptions have produced, and are likely to continue to produce, extensive changes in existing laws and regulations applicable to our businesses, including the Dodd-Frank Act discussed below.

Following is a description of certain legal and regulatory frameworks to which we or our subsidiaries are or may be subject.

**Legislative and Regulatory Initiatives**

Legislative proposals, which have been or may again be considered by Congress, include changing the taxation of annuity benefits, changing the tax treatment of insurance products relative to other financial products and changing life insurance company taxation. Some of these proposals, if enacted, could have a material adverse effect on life insurance, annuity and other retirement savings product sales, while others could have a material beneficial effect. Administrative budget proposals to disallow insurance companies a portion of the dividends received deduction in connection with variable product separate accounts could increase the cost of such products to policyholders. In addition to the assessments imposed on certain financial companies by the Dodd-Frank Act, it is possible that Congress may adopt a form of financial crisis responsibility fee or tax on banks and other financial firms to mitigate costs to taxpayers of various government programs established to address the recent financial crisis and offset costs of potential future crises.

In the third quarter of 2010, the SEC proposed rescinding Rule 12b-1 under the Investment Company Act and adopting a new Rule 12b-2. If adopted, the proposal would impose new limitations on the levels of distribution-related charges that could be paid by mutual funds, including funds available under the Company's variable annuity products. At this time, it is unclear when or if further action will be taken on this proposal.

**Dutch State Transactions and Restructuring Plan**

In November 2009, the 2009 Restructuring Plan received formal EC approval and the separation of insurance and banking operations and other components of the 2009 Restructuring Plan were approved by ING Group's shareholders. On January 28, 2010, ING announced the filing of its appeal with the General Court of the European Union against specific elements of the EC's decision regarding the 2009 Restructuring Plan.

On March 2, 2012, the General Court handed down its judgment in relation to ING Group's appeal and annulled part of the EC's state aid decision. Subsequently, the EC filed an appeal against the General Court's judgment before the Court of Justice of the European Union. In parallel, the EC adopted a decision on May 11, 2012 that re-approved the state aid granted to ING Group as compatible with the internal market on the basis of ING Group's 2009 Restructuring Plan. On the same date, the EC adopted an interim decision which opened an investigation concerning certain amendments and elements of the 2009 Restructuring Plan (the Investigation). On November 19, 2012, ING Group and the EC announced that the EC approved the 2012 Amended Restructuring Plan. The deadline as agreed with the EC in the 2012 Amended Restructuring Plan requires ING Group to divest at least 25% of the Company by December 31, 2013, more than 50% of the Company by December 31, 2014, and 100% of the Company by December 31, 2016. The divestment of 50% of the Company is measured in terms of a divestment of over 50% of the shares of ING U.S., Inc., the loss of ING Group's majority of directors on ING U.S., Inc.'s board of directors and the accounting deconsolidation of the Company (in line with IFRS accounting rules). The Investigation has been finalized by the EC and ING Group's appeal against the EC's May 11, 2012 decision has been withdrawn. In case ING Group does not satisfy its commitment to divest the Company as agreed with the EC, the Dutch State will renotify the recapitalization measure to the

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EC. In such a case the EC may require additional restructuring measures or take enforcement actions against ING Group, or, at the request of ING Group and the Dutch State, could allow ING Group more time to complete the divestment.

In addition to these divestment requirements, the 2012 Amended Restructuring Plan also places certain conditions and restrictions on ING Group's business and operations, which could also apply to our business and operations. We may be subject to all or a portion of these requirements while we are controlled by ING Group and possibly as long as ING Group has a sufficient interest in our common stock.

The 2012 Amended Restructuring Plan requires ING Group to refrain from acquisitions of financial institutions and, if it would delay ING Group's repayment of state aid, from acquisitions of any other businesses. As a result, we may be prevented from making any such acquisitions for so long as ING Group continues to hold a sufficient interest in our common stock. In certain cases, the EC may grant its approval for an acquisition that would otherwise be prohibited by the 2012 Amended Restructuring Plan, in particular if such acquisition is essential in order to safeguard financial stability or competition in relevant markets. This acquisition ban will apply until the earlier of November 18, 2015, and the date on which ING Group has divested more than 50% of its insurance and investment management operations in each of Asia, the United States and Europe.

The 2012 Amended Restructuring Plan also places limitations on ING Group's ability to call or buy back Tier 2 capital and Tier 1 hybrid debt instruments until the earlier of November 18, 2014 or the date on which ING Group has fully repaid the Core Tier 1 securities to the Dutch State (including the relevant accrued interest on Core Tier 1 coupons and exit premium fees), and contains provisions regarding its exposure to RMBS and CMBS securities. To the extent that these limitations on provisions apply to us, we may be restricted in our ability to acquire RMBS or CMBS, or to redeem any hybrid debt instruments we may issue in the future.

For purposes of the 2012 Amended Restructuring Plan, the manner in which we conduct our Closed Block Variable Annuity and Institutional Spread Products businesses is subject to certain conditions and restrictions, which include a prohibition on underwriting new policies. Pursuant to the 2012 Amended Restructuring Plan, ING Group must also explore the possibility of terminating existing policies and adjusting the terms of policies to make them more favorable to the insurer. Moreover, ING Group must manage such run-off businesses in a manner that minimizes exposure to risk, including through a conservative hedging policy, which may limit ING Group's ability to allocate capital and may require it to further separate businesses or business units. These requirements may place limitations on our ability to operate these businesses in the manner we believe to be the most economically advantageous, and could affect our ability to pursue new business that we believe would be profitable.

In operating our business, we have to abide by these requirements of the EC, including any future decisions, guidance or interpretation of the EC, that may be applicable to ING U.S., Inc. as long as we are controlled by ING Group and possibly as long as ING Group has a sufficient interest in our common stock. These requirements, in turn, may limit our ability to take advantage of market conditions and growth opportunities, and we may be unable to undertake certain acquisitions, engage in particular lines of business or conduct certain financing activities. We may also be required to divest certain assets and be restricted in our ability to operate run-off businesses, and may be adversely affected in our ability to maintain or grow market share.

**Regulation Affecting ING U.S., Inc.**

We are a holding company for all of our business operations, which we conduct through our subsidiaries. We, as an insurance holding company, are not licensed as an insurer, investment advisor, broker-dealer, or other regulated entity. However, because we own regulated insurers, we are subject to regulation as an insurance holding company.

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### **Insurance Regulation**

#### *United States*

Our U.S. insurance subsidiaries are subject to comprehensive regulation and supervision under U.S. state and federal laws. Each U.S. state, the District of Columbia and U.S. territories and possessions have insurance laws that apply to companies licensed to carry on an insurance business in the jurisdiction. The primary regulator of an insurance company, however, is located in its state of domicile. Each of our U.S. insurance subsidiaries is licensed and regulated in each state where it conducts insurance business.

State insurance regulators have broad administrative powers with respect to all aspects of the insurance business including: licensing to transact business, licensing agents, admittance of assets to statutory surplus, regulating premium rates for certain insurance products, approving policy forms, regulating unfair trade and claims practices, establishing reserve requirements and solvency standards, establishing credit for reinsurance requirements, fixing maximum interest rates on life insurance policy loans and minimum accumulation or surrender values and other matters. State insurance laws and regulations include numerous provisions governing the marketplace conduct of insurers, including provisions governing the form and content of disclosures to consumers, product illustrations, advertising, product replacement, suitability, sales and underwriting practices, complaint handling and claims handling. State regulators enforce these provisions through periodic market conduct examinations. State insurance laws and regulations regulating inter-party transactions, the payment of dividends, the types, amounts and valuations of permitted investments and change of control transactions are discussed in greater detail below.

Our principal insurance subsidiaries are domiciled in Colorado, Connecticut, Iowa and Minnesota. Our other U.S. insurance subsidiaries are domiciled in Indiana and New York. Our insurance subsidiaries domiciled in Colorado, Connecticut, Indiana, Iowa, Minnesota and New York are collectively referred to as our insurance subsidiaries in this prospectus for purposes of discussions of U.S. insurance regulatory matters. In addition, we have special purpose financial captive insurance company subsidiaries domiciled in Missouri and South Carolina that provide reinsurance to our U.S. insurance subsidiaries in order to facilitate the financing of excess reserve requirements associated with Regulation XXX or AG38. For more information on our use of captive reinsurance structures, see Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Credit Facilities and Subsidiary Credit Support Arrangements. We also have a subsidiary in the Cayman Islands that primarily provides reinsurance to our insurance subsidiaries.

State insurance laws and regulations require our insurance subsidiaries to file financial statements with state insurance regulators everywhere they are licensed and the operations of our insurance subsidiaries and accounts are subject to examination by those regulators at any time. Our insurance subsidiaries prepare statutory financial statements in accordance with accounting practices and procedures prescribed or permitted by these regulators. The NAIC has approved a series of uniform statutory accounting principles, or SAP, that have been adopted, in some cases with minor modifications, by all state insurance regulators.

As a basis of accounting, SAP was developed to monitor and regulate the solvency of insurance companies. In developing SAP, insurance regulators were primarily concerned with assuring an insurer's ability to pay all its current and future obligations to policyholders. As a result, statutory accounting focuses on conservatively valuing the assets and liabilities of insurers, generally in accordance with standards specified by the insurer's domiciliary state. The values for assets, liabilities and equity reflected in financial statements prepared in accordance with GAAP are usually different from those reflected in financial statements prepared under SAP.

Effective with the annual reporting period ended December 31, 2010, the NAIC adopted revisions to the Annual Financial Reporting Model Regulation, or the Model Audit Rule, related to auditor independence, corporate governance and internal control over financial reporting. The adopted revisions require that we file reports with state insurance regulators regarding our assessment of internal control over financial reporting.



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State insurance laws and regulations governing our special purpose financial captive insurance company subsidiaries domiciled in South Carolina and Missouri require such entities to file financial statements with their respective domiciliary state insurance regulators, including statutory financial statements.

State insurance regulators conduct periodic financial examinations of the books, records, accounts and business practices of insurers domiciled in their states, generally every three to five years. Financial examinations are generally carried out in cooperation with the insurance regulators of other states under guidelines promulgated by the NAIC. State and federal insurance and securities regulatory authorities and other state law enforcement agencies and attorneys general also from time to time make inquiries and conduct examinations or investigations regarding the compliance by our company, as well as other companies in our industry, with, among other things, insurance laws and securities laws.

Our special purpose financial captive insurance company subsidiaries domiciled in South Carolina and Missouri are subject to periodic financial examinations by their respective domiciliary state insurance regulators.

State insurance regulators and the NAIC are also investigating the use of affiliated captive reinsurers or off-shore entities to reinsure insurance risks. Like many life insurance companies, we utilize captive reinsurers to satisfy certain reserve requirements related to certain of our policies. If state insurance regulators determine to restrict our use of captive reinsurers, it could require us to increase statutory reserves, incur higher operating and/or tax costs or reduce sales.

***Insurance Holding Company Regulation***

ING U.S., Inc. and our insurance subsidiaries are subject to the insurance holding companies laws of the states in which such insurance subsidiaries are domiciled. These laws generally require each insurance company directly or indirectly owned by the holding company to register with the insurance regulator in the insurance company's state of domicile and to furnish annually financial and other information about the operations of companies within the holding company system. Generally, all transactions affecting the insurers in the holding company system must be fair and reasonable and, if material, require prior notice and approval or non-disapproval by the state's insurance regulator. Our special purpose financial captive insurance company subsidiaries are not subject to insurance holding company laws.

*Change of Control.* State insurance holding company regulations generally provide that no person, corporation or other entity may acquire control of an insurance company, or a controlling interest in any parent company of an insurance company, without the prior approval of such insurance company's domiciliary state insurance regulator. Under the laws of each of the domiciliary states of our insurance subsidiaries, any person acquiring, directly or indirectly, 10% or more of the voting securities of an insurance company is presumed to have acquired control of the company. This statutory presumption of control may be rebutted by a showing that control does not exist in fact. The state insurance regulators, however, may find that control exists in circumstances in which a person owns or controls less than 10% of voting securities.

To obtain approval of any change in control, the proposed acquirer must file with the applicable insurance regulator an application disclosing, among other information, its background, financial condition, the financial condition of its affiliates, the source and amount of funds by which it will effect the acquisition, the criteria used in determining the nature and amount of consideration to be paid for the acquisition, proposed changes in the management and operations of the insurance company and other related matters. In considering an application to acquire control of an insurer, the insurance commissioner generally will consider such factors as the experience, competence and financial strength of the applicant, the integrity of the applicant's Board of Directors and executive officers, the acquirer's plans for the management and operation of the insurer and any anti-competitive results that may arise from the acquisition.

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In addition, many state insurance laws require prior notification of state insurance regulators of a change in control of a non-domiciliary insurance company doing business in that state. While these pre-notification statutes do not authorize the state insurance regulators to disapprove the change in control, they authorize regulatory action in the affected state if particular conditions exist such as undue market concentration. Any future transactions that would constitute a change in control of our insurance subsidiaries may require prior notification in those states that have adopted pre-acquisition notification laws.

Any purchaser of shares of common stock representing 10% or more of the voting power of our capital stock will be presumed to have acquired control of our insurance subsidiaries unless, following application by that purchaser in each insurance subsidiary's state of domicile, the relevant insurance commissioner determines otherwise.

The licensing orders governing our special purpose financial captive insurance company subsidiaries domiciled in South Carolina and Missouri provide that any change of control requires the approval of such insurance company's domiciliary state insurance regulator. Although our special purpose financial captive insurance company subsidiaries are not subject to insurance holding company laws, such domiciliary state insurance regulator may use all or a part of the holding company law framework described above in determining whether to approve a proposed change of control.

The laws and regulations regarding change of control transactions may discourage potential acquisition proposals and may delay, deter or prevent a change of control involving us, including through unsolicited transactions that some of our stockholders might consider to be desirable.

*Recent Actions by the NAIC.* The NAIC recently adopted significant changes to the insurance holding company act and regulations (the NAIC Amendments). The NAIC Amendments are designed to respond to perceived gaps in the regulation of insurance holding company systems in the United States. One of the major changes is a requirement that an insurance holding company system's ultimate controlling person submit annually to its lead state insurance regulator an enterprise risk report that identifies activities, circumstances or events involving one or more affiliates of an insurer that, if not remedied properly, are likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. Other changes include requiring a controlling person to submit prior notice to its domiciliary insurance regulator of a divestiture of control, detailed minimum requirements for cost sharing and management agreements between an insurer and its affiliates and expansion of the agreements between an insurer and its affiliates to be filed with its domiciliary insurance regulator. The NAIC Amendments must be adopted by the individual state legislatures and insurance regulators in order to be effective. Each of Indiana and Connecticut adopted its version of the NAIC Amendments, which became effective July 1, 2012 and October 1, 2012 respectively. We cannot predict whether the NAIC Amendments will be adopted in whole or in part by other states or the impact, if any, these changes will have on our business, financial condition or results of operations.

In addition, the NAIC has proposed a Solvency Modernization Initiative. The Solvency Modernization Initiative focuses on the entire U.S. financial regulatory system and all aspects of financial regulation affecting insurance companies. Though broad in scope, the NAIC has stated that the Solvency Modernization Initiative will focus on: (1) capital requirements; (2) corporate governance and risk management; (3) group supervision; (4) statutory accounting and financial reporting; and (5) reinsurance. We cannot predict the effect of these initiatives on us at this time.

*Dividend Payment Restrictions.* As a holding company with no significant business operations of our own, we will depend on dividends and other distributions from our subsidiaries as the principal source of cash to meet our obligations, including the payment of interest on, and repayment of principal of, our outstanding debt obligations. The states in which our insurance subsidiaries are domiciled impose certain restrictions on such subsidiaries' ability to pay dividends to us. These restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. Dividends in larger amounts, or extraordinary dividends, are subject to approval by the insurance commissioner of the state of domicile of the insurance subsidiary proposing to pay the dividend.

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Under the insurance laws applicable to our insurance subsidiaries domiciled in Colorado, Connecticut, Indiana, Iowa and Minnesota, an extraordinary dividend or distribution is defined as a dividend or distribution that, together with other dividends and distributions made within the preceding twelve months, exceeds the greater of (1) 10% of the insurer's policyholder surplus as of the preceding December 31 or (2) the insurer's net gain from operations for the twelve-month period ended the preceding December 31, in each case determined in accordance with statutory accounting principles. New York has similar restrictions, except that New York's statutory definition of extraordinary dividend or distribution is an aggregate amount in any calendar year that exceeds the lesser of (1) 10% of policyholder's surplus as of the preceding December 31 or (2) the insurer's net gain from operations for the twelve-month period ended the preceding December 31, not including realized capital gains. In addition, under the insurance laws of the states of domicile of our principal insurance subsidiaries, no dividend or other distribution exceeding an amount equal to an insurance company's earned surplus may be paid without the domiciliary insurance regulator's prior approval.

Indiana law also requires the Indiana Department of Insurance to review, at least one (1) time each year, the ordinary shareholder dividends paid by each domestic insurer to determine whether dividends paid by the insurer meet certain standards, including whether the dividends paid by the insurer are reasonable in relation to the adequacy of the level of policyholder surplus of the insurer remaining after the payment of dividends. The Indiana Department of Insurance is also required to issue an order to a domestic insurer to limit the payment of ordinary shareholder dividends by the insurer if the Department determines that the policyholder surplus of the insurer does not meet certain standards, including that such surplus is not reasonable in relation to the outstanding liabilities of the insurer.

Our special purpose financial captive insurance company subsidiaries domiciled in South Carolina and Missouri may not declare or pay dividends in any form to us other than in accordance with their respective insurance securitization transaction agreements and their respective governing licensing orders. In addition, in no event may the dividends decrease the capital of the captive below the minimum capital requirement applicable to it, and, after giving effect to the dividends, the assets of the captive paying the dividend must be sufficient to satisfy its domiciliary insurance regulator that it can meet its obligations. Approval by a captive's domiciliary insurance regulator of an ongoing plan for the payment of dividends or other distribution is conditioned upon the retention, at the time of each payment, of capital or surplus equal to or in excess of amounts specified by, or determined in accordance with formulas approved for the captive by its domiciliary insurance regulator.

As of December 31, 2011, each of our principal insurance subsidiaries domiciled in Colorado, Iowa and Minnesota had negative earned surplus and did not have capacity to make ordinary dividend payments to ING U.S., Inc. or Lion Holdings without regulatory approval. Our Connecticut-domiciled insurance company, ILIAC, had positive earned surplus as of December 31, 2011 and could have paid a maximum amount of \$190.0 million of ordinary dividends to Lion Holdings without regulatory approval in 2012; however, ILIAC's 2012 distribution request of \$340.0 million exceeded its year-end 2011 earned surplus and therefore required domiciliary insurance regulatory approval. In the second quarter of 2012, our principal insurance subsidiaries domiciled in Colorado, Connecticut, Iowa and Minnesota received approvals or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators to make extraordinary distributions to ING U.S., Inc. or Lion Holdings in the aggregate amount of \$800.0 million (including the \$190.0 million ordinary dividend capacity of ILIAC) in response to requests submitted earlier that year. The approved distributions of \$800.0 million were made on June 26, 2012.

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The following table presents the distributions paid by our principal insurance subsidiaries in 2012:

(\$ in millions)

Insurance Subsidiary	State of Domicile	Extraordinary Distributions Paid in 2012	
ING USA Annuity and Life Insurance Company	Iowa	\$	250.0
Security Life of Denver Insurance Company	Colorado	\$	80.0
ReliaStar Life Insurance Company	Minnesota	\$	130.0
ING Life Insurance and Annuity Company	Connecticut	\$	340.0 <sup>(1)</sup>

<sup>(1)</sup> Included \$190 million of ordinary dividend capacity that ILIAC could have paid without regulatory approval in 2012.

As of December 31, 2012, our principal insurance subsidiaries domiciled in Colorado, Iowa and Minnesota each had negative earned surplus accounts and therefore as of the date of this prospectus, each has no ordinary dividend capacity. While ILIAC had positive earned surplus as of December 31, 2012, under domiciliary insurance regulations, ILIAC must deduct the extraordinary distribution it paid on June 26, 2012 in calculating ordinary dividend capacity for the twelve months following the payment. ILIAC therefore will not have ordinary dividend capacity before June 26, 2013. Any dividends or distributions paid by any of these insurance subsidiaries will be on an extraordinary basis (and, therefore, subject to prior domiciliary insurance regulatory approval or notice of non-objection, as the case may be) until ordinary dividend capacity is developed. In order to pay ordinary dividends, each insurance company will have to build up a positive earned surplus and any such dividends or distributions will be limited to an amount that does not exceed the insurance company's prior year-end positive earned surplus and its applicable state insurance ordinary dividend threshold, after taking into account dividends and distributions made within the preceding twelve months.

Our principal insurance subsidiaries have received approvals or notices of non-objection, as the case may be, from their respective domiciliary insurance regulators to pay extraordinary distributions to ING U.S., Inc. or Lion Holdings in the aggregate amount of \$1,434 million in response to requests made in 2012 and refreshed in 2013. Each payment of extraordinary distributions is contingent upon the completion of this offering (and in the case of Colorado, Connecticut and Minnesota, contingent on such completion not later than June 30, 2013), the use of the extraordinary distribution funds solely for ING U.S. operations, and in the case of Colorado, the financial condition of our Colorado-domiciled insurance company not materially declining prior to payment of the extraordinary distribution from such insurance company. We currently anticipate using these extraordinary distributions, together with other sources of funds, among other things, to retire debt, repay borrowings from ING V, repay existing loans to ING U.S., Inc. from its subsidiaries, contribute capital to SLDI and terminate the \$1.5 billion contingent capital LOC with ING Bank (\$1.5 billion of LOCs have been issued to support SLDI's reinsurance obligations to ING USA for certain minimum guarantees included in its Closed Block Variable Annuity products as of December 31, 2012), establish liquidity at ING U.S., Inc. as of the date of the closing of this offering equal to approximately the forecasted interest and dividend payments used by ING U.S., Inc. for the next 24 months, and cover IPO-related and other transaction costs. See **Recapitalization** for additional discussion of the sources and uses in connection with our recapitalization plan. To comply with the extraordinary distribution approval granted by their respective domiciliary insurance regulators, our Colorado, Iowa and Minnesota-domiciled principal insurance subsidiaries must pay the distributions out of contributed and paid-in capital rather than out of earned surplus, which was negative for these three principal insurance subsidiaries as of December 31, 2012. To comply with the extraordinary distribution approval granted by its domiciliary insurance regulator, our Connecticut-domiciled principal insurance subsidiary must pay the distribution out of its earned surplus account, which was positive as of December 31, 2012. (The payment of these extraordinary distributions will not compromise the goals of our recapitalization plan described under **Recapitalization**, including, among other goals, to meet a target combined RBC ratio for our U.S. insurance company subsidiaries of 425%.) The approved extraordinary distributions will be paid on or about the closing of this offering.

Our principal insurance subsidiaries domiciled in Colorado, Iowa and Minnesota have also received approval (or, in the case of Iowa, assurance that approval will be forthcoming after completion of this offering

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provided that this offering results in ING Group owning 80% or less of our outstanding common stock) from their respective domiciliary insurance regulators to reset, on a one-time basis on the day after completion of this offering, the amount of each such subsidiary's negative unassigned funds account as of December 31, 2012 (as reported in its 2012 statutory annual statement) to zero (with an offsetting reduction in gross paid-in capital and contributed surplus) as a permitted practice in accordance with statutory accounting practices prescribed or permitted by the domiciliary insurance regulator. Once effective, the reset will be recorded in the subsidiary's quarterly statutory statement for the quarter in which the IPO was completed. Similar to Iowa, the Colorado and Minnesota approvals are conditioned upon this offering resulting in ING Group owning 80% or less of our outstanding common stock.

The reset will allow our principal insurance subsidiaries domiciled in Colorado, Iowa and Minnesota to more readily build up ordinary dividend capacity to the extent their operating results subsequent to December 31, 2012 generate positive earned surplus. However, under applicable domiciliary insurance regulations, our principal insurance subsidiaries must deduct any extraordinary distributions or dividends paid in the preceding twelve months in calculating dividend capacity. As described above, our principal insurance subsidiaries will pay extraordinary distributions to ING U.S., Inc. or Lion Holdings in the aggregate amount of \$1,434 million in connection with this offering. We expect that our principal insurance subsidiaries domiciled in Colorado, Iowa and Minnesota will have ordinary dividend capacity only after twelve months have passed since the date such extraordinary dividends were paid, and that ILIAC will have ordinary dividend capacity before such date. Our principal subsidiaries, however, may not succeed in building up sufficient positive earned surplus within those timeframes or at all. If our principal insurance subsidiaries do not succeed in building up sufficient positive earned surplus to have ordinary dividend capacity, then we may seek extraordinary dividends or distributions (for which prior approval of their respective domiciliary insurance regulators would be required). There can be no assurance that our principal insurance subsidiaries will receive approval for extraordinary distribution payments in the future.

See Management's Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources—Restrictions on Dividends and Returns of Capital from Subsidiaries for a discussion of dividends and distributions from our insurance subsidiaries.

***Financial Regulation***

*Policy and Contract Reserve Sufficiency Analysis.* Under the laws and regulations of their states of domicile, our insurance subsidiaries are required to conduct annual analyses of the sufficiency of their life and annuity statutory reserves. Other jurisdictions in which these subsidiaries are licensed may have certain reserve requirements that differ from those of their domiciliary jurisdictions. In each case, a qualified actuary must submit an opinion that states that the aggregate statutory reserves, when considered in light of the assets held with respect to such reserves, are sufficient to meet the insurer's contractual obligations and related expenses. If such an opinion cannot be rendered, the affected insurer must set up additional statutory reserves by moving funds from available statutory surplus. Our insurance subsidiaries submit these opinions annually to applicable insurance regulatory authorities.

*Recent actions by the NAIC.* The NAIC has begun a process of redefining the reserve methodology for certain of our insurance liabilities under a framework known as Principles-Based Reserving (PBR). Under PBR, an insurer's reserves are still required to be conservative, since a primary focus of SAP is the protection of policyholders, however, greater credence is given to the insurer's realized past experience and anticipated future experience as well as to current economic conditions. An important part of the PBR framework was the adoption of AG43 as of December 31, 2009 for variable annuity guaranteed benefits. Another significant development is the recent adoption of VM, which defines PBR for life insurance policies. The full NAIC membership adopted the VM in December 2012. The model law that enables VM will become effective on the January 1st after it has been adopted by at least 42 of the 55 jurisdictions that make up the NAIC, with the further proviso that the 42 adopting jurisdictions must also account for 75% of the premium by U.S. life insurance companies (measured as of 2008). VM is expected to become effective no earlier than January 1, 2015, and we anticipate that its

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provisions will require us to make changes to certain of our term and universal life insurance policies, in particular, those policies with guaranteed features and may result in more volatility on our financial results given the greater weight it places on current economic conditions.

The NAIC adopted revisions to AG38, specifically regarding reserving for certain universal life secondary guarantee products. Reserves on in-force business as of December 31, 2012 are now subject to a floor calculation based on assumptions consistent with a new PBR framework developed by the NAIC. Reserves on business written after December 31, 2012 will be calculated using a modified formulaic approach. After completing our analysis of these revisions on our statutory reserves, we have increased reserves as of December 31, 2012 by less than \$10 million. Since we are not currently selling universal life policies with secondary guarantees, we do not anticipate that this impact will be substantially higher in the future.

*Surplus and Capital Requirements.* Insurance regulators have the discretionary authority, in connection with the ongoing licensing of our insurance subsidiaries, to limit or prohibit the ability of an insurer to issue new policies if, in the regulators' judgment, the insurer is not maintaining a minimum amount of surplus or is in hazardous financial condition. Insurance regulators may also limit the ability of an insurer to issue new life insurance policies and annuity contracts above an amount based upon the face amount and premiums of policies of a similar type issued in the prior year. We do not currently believe that the current or anticipated levels of statutory surplus of our insurance subsidiaries present a material risk that any such regulator would limit the amount of new policies that our principal insurance subsidiaries may issue.

*Risk-Based Capital.* The NAIC has adopted risk based capital, or RBC, requirements for life, health and property and casualty insurance companies. The requirements provide a method for analyzing the minimum amount of adjusted capital (statutory capital and surplus plus other adjustments) appropriate for an insurance company to support its overall business operations, taking into account the risk characteristics of the company's assets, liabilities and certain off-balance sheet items. State insurance regulators use the RBC requirements as an early warning tool to identify possibly inadequately capitalized insurers. An insurance company found to have insufficient statutory capital based on its RBC ratio may be subject to varying levels of additional regulatory oversight depending on the level of capital inadequacy. As of December 31, 2012, the RBC of each of our insurance subsidiaries exceeded statutory minimum RBC levels that would require any regulatory or corrective action.

*IRIS Tests.* The NAIC has developed a set of financial relationships or tests known as the Insurance Regulatory Information System, or IRIS, to assist state regulators in monitoring the financial condition of U.S. insurance companies and identifying companies requiring special attention or action. For IRIS ratio purposes, our principal insurance subsidiaries submit data to the NAIC on an annual basis. The NAIC analyzes this data using prescribed financial data ratios. A ratio falling outside the prescribed usual range is not considered a failing result. Rather, unusual values are viewed as part of the regulatory early monitoring system. In many cases, it is not unusual for financially sound companies to have one or more ratios that fall outside the usual range.

Regulators typically investigate or monitor an insurance company if its IRIS ratios fall outside the prescribed usual range for four or more of the ratios, but each state has the right to inquire about any ratios falling outside the usual range. The inquiries made by state insurance regulators into an insurance company's IRIS ratios can take various forms. In some instances, regulators may require the insurance company to provide a written explanation as to: the causes of the particular ratios being outside the usual range; management's actions to produce results that will be within the usual range in future years; and what, if any, actions the insurance company's domiciliary state insurance regulators have taken. Regulators are not required to take action if an IRIS ratio is outside the usual range, but depending upon the nature and scope of the particular insurance company's exception, regulators may request additional information to monitor going forward and as a consequence thereof, may take additional regulatory action.

IRIS consists of a statistical phase and an analytical phase whereby financial examiners review insurers' annual statements and financial ratios. The statistical phase consists of 12 key financial ratios based on year-end

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data that are generated from the NAIC database annually; each ratio has a usual range of results. As of December 31, 2012, ReliaStar Life Insurance Company of New York had one ratio outside the usual range, RLI had three ratios outside the usual range, SLD had two ratios outside the usual range, and ING USA had three ratios outside the usual range. There were four different IRIS ratios as to which our subsidiaries fell outside the usual range, including: change in premium, change in reserving ratio, net income (loss) to total income (including realized gains and losses) and adequacy of investment income.

Management does not anticipate regulatory action as a result of the 2012 IRIS ratio results. In all instances in prior years, regulators have been satisfied upon follow-up that no regulatory action was required. It is possible that similar results may not occur in the future.

*Insurance Guaranty Associations.* Each state has insurance guaranty association laws that require insurance companies doing business in the state to participate in various types of guaranty associations or other similar arrangements. The laws are designed to protect policyholders from losses under insurance policies issued by insurance companies that become impaired or insolvent. Typically, these associations levy assessments, up to prescribed limits, on member insurers on the basis of the member insurer's proportionate share of the business in the relevant jurisdiction in the lines of business in which the impaired or insolvent insurer is engaged. Some jurisdictions permit member insurers to recover assessments that they paid through full or partial premium tax offsets, usually over a period of years.

### ***Privacy Regulation***

In conducting our business, we collect and maintain personal data from our customers including personally identifiable non-public financial and health information. As a result, we are subject to regulation under federal and state privacy laws that require us to institute policies and procedures to protect against the improper use or disclosure of this information.

### ***Marketing and Sales***

State insurance regulators are becoming more active in adopting and enforcing suitability standards with respect to sales of fixed, indexed and variable annuities. In particular, the NAIC has adopted a revised SAT, which will, if enacted by the states, place new responsibilities upon issuing insurance companies with respect to the suitability of annuity sales, including responsibilities for training agents. Several states have already enacted laws based on the SAT.

### ***Securities Regulation Affecting Insurance Operations***

Certain of our insurance subsidiaries sell variable life insurance and variable annuities that are registered with and regulated by the SEC as securities under the Securities Act. These products are issued through separate accounts that are registered as investment companies under the Investment Company Act, and are regulated by state law. Each separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund which is itself a registered investment company under the Investment Company Act. Our mutual funds, and in certain states, our variable life insurance and variable annuity products, are subject to filing and other requirements under state securities laws. Federal and state securities laws and regulations are primarily intended to protect investors and generally grant broad rulemaking and enforcement powers to regulatory agencies.

### ***Federal Initiatives Affecting Insurance Operations***

The U.S. federal government generally does not directly regulate the insurance business. However, the Dodd-Frank Act established the FSOC, which is authorized to subject non-bank financial companies deemed systemically significant to stricter prudential standards and other requirements and to subject such companies to a

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special orderly liquidation process outside the federal Bankruptcy Code, administered by the Federal Deposit Insurance Corporation. In April 2012, FSOC adopted final rules for evaluating whether a non-bank financial company should be designated as systemically significant. FSOC has not yet designated a non-bank financial company systemically significant. Insurance company subsidiaries of systemically significant companies would remain subject to liquidation and rehabilitation proceedings under state law, although the FSOC is authorized to direct that such a proceeding be commenced against the insurer under state law. Systemically significant companies are also required to prepare resolution plans, so-called living wills, that set out how they could most efficiently be liquidated if they endangered the U.S. financial system or the broader economy. Insurance companies that are found to be systemically significant are permitted, in some circumstances, to submit abbreviated versions of such plans. Proposed rules regarding heightened prudential standards for systemically significant companies would impose new capital, liquidity, counterparty credit exposure and governance standards, and they would also subject such companies to restrictions on their activities and management if they appear to be at risk of liquidation. There are not exceptions for insurance companies in these proposed regulations. FSOC's potential recommendation of measures to address systemic financial risk could affect our insurance operations as could a determination that we or our counterparties are systemically significant. In addition, the Dodd-Frank Act established a Federal Insurance Office within the Treasury Department. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office performs various functions with respect to insurance, including serving as a non-voting member of the FSOC, making recommendations to the FSOC regarding insurers to be designated for more stringent regulation and representing the U.S. in the negotiation of international insurance agreements with foreign insurance regulators. The director is also required to conduct a study on how to modernize and improve the system of insurance regulation in the United States, including by increasing national uniformity through either a federal charter or effective action by the states.

Federal legislation and administrative policies in several areas can significantly and adversely affect insurance companies. These areas include federal health care regulation, pension regulation, financial services regulation, federal tax laws relating to insurance and annuity product taxation and the USA PATRIOT Act of 2001 (the Patriot Act) requiring, among other things, the establishment of anti-money laundering monitoring programs.

In addition, from time to time, federal measures are proposed which may significantly affect the insurance business, including limitations on antitrust immunity, tax incentives for lifetime annuity payouts, simplification bills affecting tax-advantaged or tax-exempt savings and retirement vehicles, proposals related to an optional federal charter for insurance companies and proposals to modify or eliminate the estate tax. In addition, various forms of direct federal regulation of insurance have been proposed in recent years.

***Cayman Islands***

As noted above, we have an insurance subsidiary in the Cayman Islands that primarily provides reinsurance to our U.S. insurance subsidiaries. Our Cayman Islands insurance subsidiary holds an unrestricted Class B insurance license issued by the Cayman Islands Monetary Authority, or CIMA. Our Cayman Islands insurance subsidiary is subject to regulation and supervision by the CIMA under applicable Cayman Islands insurance law.

CIMA has broad powers to examine the affairs of insurance companies, with full access to business and other records of these companies and power to call on the appointed insurance manager to provide any information or explanation. Cayman Islands insurance law requires every insurer which does not have its own staffed office in the Cayman Islands to appoint an insurance manager resident in the Cayman Islands which our Cayman Islands insurance subsidiary has duly done. Cayman Islands insurance law also requires every insurer to maintain full and proper business records at a designated principal office in the Cayman Islands to ensure that CIMA has ready access to same. The insurance manager has a statutory duty to notify the Cayman Islands authorities if it has any cause for concern. CIMA also conducts periodic financial examinations of the books, records, accounts and business practices of insurers in the Cayman Islands.



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Our Cayman Islands insurance subsidiary, as a holder of an unrestricted Class B insurance license, was required to submit a business plan to CIMA containing, among other items, (1) a description of its ownership structure; (2) an overview of its capitalization, accounting and reserving methodologies; (3) a summary of its key reinsurance transactions; (4) a listing of its key financial information; and (5) a description of certain of its affiliated transactions. Our Cayman Islands insurance subsidiary is only permitted to conduct the insurance business detailed within the business plan and must seek prior approval from CIMA of any material changes in the information supplied to them and file an annual certificate of compliance.

There are minimum capital or net worth requirements for a licensee prescribed by Cayman Island insurance law. These minimum requirements vary depending on the scale and nature of the business to be carried on. Every licensee must demonstrate appropriate underwriting expertise which can be supplied by the insurance manager.

Every licensee, including our Cayman Islands insurance subsidiary, is required to prepare its financial statements in accordance with any internationally recognized set of generally accepted accounting principles approved by CIMA. Our Cayman Islands insurance subsidiary prepares its financial statements in accordance with IFRS, except for certain CIMA approved modifications related to effecting capital contributions with retroactive effect; accounting for U.S. statutory reserves by recording on the balance sheet the excess reserve against an offsetting sundry asset on the balance sheet; and the method for calculating reserves related to certain classes of reinsured business. Under recently adopted provisions of the Cayman Islands insurance law, for which implementing regulations have not been promulgated as of the date of this prospectus, licensees carrying on long term business, in addition to preparing financial statements in accordance with generally accepted accounting principles, will be required to prepare on an annual basis an actuarial valuation of their respective assets and liabilities, certified by an approved actuary, so as to enable CIMA to be satisfied as to the licensee's solvency.

*Change of Control.* Shares of a licensee totaling more than 5% of its issued share capital cannot be transferred or disposed of in any manner without the prior approval of CIMA. To obtain approval of any transfer or disposition, a licensee must file an application setting out any proposed changes to the management and operation of the licensee, any changes to the business plan and provide information establishing the fitness and propriety of any new owner or manager, among other matters. In addition, any indirect change in the ownership of a licensee that would result in a change to its approved business plan will require the approval of CIMA.

*Dividend Payment Restrictions.* There are no specific dividend payment restrictions under Cayman Islands insurance law. Dividends may be paid out of a licensee's share premium account or out of a licensee's profits. However, licensees are subject to the minimum net worth and solvency requirements set out above. Licensees must also pay dividends in accordance with the requirements set out in their respective constituent documents and the Companies Law of the Cayman Islands, which requires that no dividends may be paid to members out of the share premium account unless, immediately following the date on which the dividend is proposed to be paid, the company shall be able to pay its debts as they fall due in the ordinary course of business. In addition, a Cayman Islands company can re-purchase or redeem its shares out of capital pursuant to the terms of its constituent documents and the Cayman Islands Companies Law as long as the company is able to pay its debts as they fall due in the ordinary course of business. Our Cayman Islands insurance subsidiary is a party to a financing arrangement that restricts the payment of dividends and other distributions above a certain annual maximum amount while the financing arrangement is in place.

## **Regulation of Investment and Retirement Products and Services**

Our investment, asset management and retirement products and services are subject to federal and state tax, securities, fiduciary (including ERISA), insurance and other laws and regulations. The SEC, FINRA, the CFTC, state securities commissions, state banking and insurance departments and the DOL and the Treasury Department are the principal regulators that regulate these products and services. The Dodd-Frank Act may also impact our investment, asset management, retirement and securities operations. See [Financial Reform Legislation and Initiatives](#) [Dodd-Frank Wall Street Reform and Consumer Protection Act](#) below.

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Federal and state securities laws and regulations are primarily intended to protect investors in the securities markets and generally grant regulatory agencies broad enforcement and rulemaking powers, including the power to limit or restrict the conduct of business in the event of non-compliance with such laws and regulations. Federal and state securities regulatory authorities and FINRA from time to time make inquiries and conduct examinations regarding compliance by us and our subsidiaries with securities and other laws and regulations.

### **Securities Regulation with Respect to Certain Insurance and Investment Products and Services**

Our variable life insurance, variable annuity and mutual fund products are generally securities within the meaning of, and registered under, the federal securities laws, and are subject to regulation by the SEC and FINRA. Our mutual funds, and in certain states our variable life insurance and variable annuity products, are also securities within the meaning of state securities laws. As securities, these products are subject to filing and certain other requirements. Sales activities with respect to these products are generally subject to state securities regulation, which may affect investment advice, sales and related activities for these products.

Some of our subsidiaries issue certain fixed and indexed annuities supported by the company's general account and/or variable annuity contracts and variable life insurance policies through the company's separate accounts. These subsidiaries and their activities in offering and selling variable insurance and annuity products are subject to extensive regulation under the federal securities laws administered by the SEC. Some of our separate accounts, as well as mutual funds that we sponsor, are registered as investment companies under the Investment Company Act, and the units or shares, as applicable, of certain of these investment companies are qualified for sale in some or all states, the District of Columbia and Puerto Rico. Each registered separate account is generally divided into sub-accounts, each of which invests in an underlying mutual fund, which is itself a registered investment company under the Investment Company Act. In addition, the variable annuity contracts and variable life insurance policies issued by the separate accounts and certain fixed and indexed annuities supported by some of our subsidiaries' general accounts, as well as mutual funds we sponsor, are registered with the SEC under the Securities Act. Certain variable contract separate accounts sponsored by our subsidiaries are exempt from registration, but may be subject to other provisions of the federal securities laws.

### **Broker-Dealers and Investment Advisers**

Our securities operations, principally conducted by a number of SEC-registered broker-dealers, are subject to federal and state securities, commodities and related laws, and are regulated principally by the SEC, the CFTC, state securities authorities, FINRA, the Municipal Securities Rulemaking Board and similar authorities. Agents and employees registered or associated with any of our broker-dealer subsidiaries are subject to the Exchange Act and to regulation and examination by the SEC, FINRA and state securities commissioners. The SEC and other governmental agencies and self-regulatory organizations, as well as state securities commissions in the United States, have the power to conduct administrative proceedings that can result in censure, fines, cease-and-desist orders or suspension, termination or limitation of the activities of the regulated entity or its employees.

Broker-dealers are subject to regulations that cover many aspects of the securities business, including, among other things, sales methods and trading practices, the suitability of investments for individual customers, the use and safekeeping of customers' funds and securities, capital adequacy, recordkeeping, financial reporting and the conduct of directors, officers and employees. The federal securities laws may also require, upon a change in control, re-approval by shareholders in registered investment companies of the investment advisory contracts governing management of those investment companies, including mutual funds included in annuity products. Investment advisory clients may also need to approve, or consent to, investment advisory agreements upon a change in control. In addition, broker-dealers are required to make certain monthly and annual filings with FINRA, including monthly FOCUS reports (which include, among other things, financial results and net capital calculations) and annual audited financial statements prepared in accordance with GAAP.

Pursuant to the Dodd-Frank Act, the SEC is authorized to establish a standard of conduct applicable to brokers and dealers whereby they would be required to act in the best interest of the customer without regard to

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the financial or other interest of the broker or dealer when providing personalized investment advice to retail and other customers. A January 2011 SEC study acknowledges that the offering of proprietary products would not be a per se violation of any such standard of care and that broker-dealers selling proprietary or a limited range of products could be permitted to make certain disclosures about their limited product offerings and obtain customer consents or acknowledgements. See Financial Reform Legislation and Initiatives Dodd-Frank Wall Street Reform and Consumer Protection Act below for more information on the Dodd-Frank Act.

As registered broker-dealers and members of various self-regulatory organizations, our registered broker-dealer subsidiaries are subject to the SEC's Uniform Net Capital Rule, which specifies the minimum level of net capital a broker-dealer is required to maintain and requires a minimum part of its assets to be kept in relatively liquid form. These net capital requirements are designed to measure the financial soundness and liquidity of broker-dealers. The uniform net capital rule imposes certain requirements that may have the effect of preventing a broker-dealer from distributing or withdrawing capital and may require that prior notice to the regulators be provided prior to making capital withdrawals. Certain of our broker-dealers are also subject to the net capital requirements of the CFTC and the various securities and commodities exchanges of which they are members. Compliance with net capital requirements could limit operations that require the intensive use of capital, such as trading activities and underwriting, and may limit the ability of our broker-dealer subsidiaries to pay dividends to us.

Some of our subsidiaries are registered as investment advisers under the Investment Advisers Act and provide advice to registered investment companies, including mutual funds used in our annuity products, as well as an array of other institutional and retail clients. The Investment Advisers Act and Investment Company Act may require that fund shareholders be asked to approve new investment advisory contracts with respect to those registered investment companies upon a change in control of a fund's adviser. Likewise, the Investment Advisers Act may require that other clients consent to the continuance of the advisory contract upon a change in control of the adviser. Further, proposals have been made that the SEC establish a self-regulatory organization with respect to registered investment advisers, which could increase the level of regulatory oversight over such investment advisers.

The commodity futures and commodity options industry in the United States is subject to regulation under the Commodity Exchange Act of 1936, as amended (the Commodity Exchange Act). The CFTC is charged with the administration of the Commodity Exchange Act and the regulations adopted under that Act. Some of our subsidiaries are registered with the CFTC as commodity pool operators and commodity trading advisors. Our futures business is also regulated by the National Futures Association.

### **Employee Retirement Income Security Act Considerations**

ERISA is a comprehensive federal statute that applies to U.S. employee benefit plans sponsored by private employers and labor unions. Plans subject to ERISA include pension and profit sharing plans and welfare plans, including health, life and disability plans. Among other things, ERISA imposes reporting and disclosure obligations, prescribes standards of conduct that apply to plan fiduciaries and prohibits transactions known as prohibited transactions, such as conflict-of-interest transactions, self-dealing and certain transactions between a benefit plan and a party in interest. ERISA also provides for a scheme of civil and criminal penalties and enforcement. Our insurance, investment management and retirement businesses provide services to employee benefit plans subject to ERISA, including limited services under specific contract where we may act as an ERISA fiduciary. We are also subject to ERISA's prohibited transaction rules for transactions with ERISA plans, which may affect our ability to, or the terms upon which we may, enter into transactions with those plans, even in businesses unrelated to those giving rise to party in interest status. The applicable provisions of ERISA and the Internal Revenue Code are subject to enforcement by the DOL, the IRS and the PBGC.

In October 2010, the DOL issued a proposed regulation that would, if finalized, have substantially expanded the range of activities that would be considered to be fiduciary investment advice under ERISA and the Internal

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Revenue Code. If finalized as proposed, the regulation could have substantially limited the investment-related information and support that our advisors and employees could provide under current law to plan sponsors, participants and IRA holders on a non-fiduciary basis. This would have had a material impact on the level and type of services we could provide as well as to the nature and amount of compensation and fees we and our advisors could have received for investment-related services. The proposed regulation was withdrawn by the DOL on September 19, 2011. The DOL has indicated that it expects to issue a new proposed regulation in modified form. We cannot predict with any certainty what will be contained in the re-proposed regulations.

The DOL has also issued final regulations concerning the fee disclosure obligations under ERISA for service providers to ERISA employee benefit plans as well as final regulations addressing fee disclosure obligations to plan participants. The effective date of the service provider disclosure regulations was July 1, 2012, and the deadline for providing annual plan participant disclosures was August 30, 2012. These fee disclosure developments could potentially generate pressure on the pricing of our defined contribution retirement products and services.

### **Trust Activities Regulation**

ING National Trust, our wholly owned subsidiary, is a national banking association chartered exclusively with trust powers by the OCC. ING National Trust is not permitted to, and does not, accept deposits (other than incidental to its trust activities). ING National Trust is subject to regulation, supervision and examination by the OCC and its exercise of fiduciary powers must comply with Part 9 of the OCC's regulations, which governs the fiduciary activities of federally-chartered banks and trust companies and, among other things, imposes certain review and recordkeeping obligations and certain restrictions on self-dealing and conflict of interest transactions.

ING Investment Trust Co., our wholly owned subsidiary, is a limited purpose trust company chartered with the Connecticut Department of Banking. ING Investment Trust Co. is not permitted to, and does not, accept deposits (other than incidental to its trust activities). ING Investment Trust Co.'s activities are primarily to serve as trustee for and manage various collective and common trust funds. ING Investment Trust Co. is subject to regulation, supervision and examination by the Connecticut Banking Commissioner and is subject to state fiduciary duty laws. In addition, the collective trust funds managed by ING Investment Trust Co. are generally subject to ERISA.

### **Financial Reform Legislation and Initiatives**

#### ***Dodd-Frank Wall Street Reform and Consumer Protection Act***

On July 21, 2010, President Obama signed into law the Dodd-Frank Act, which effects comprehensive changes to the regulation of financial services in the United States. The Dodd-Frank Act directs existing and newly-created government agencies and bodies to conduct certain studies and promulgate a multitude of regulations implementing the law, a process that is underway and is expected to continue over the next few years. While some studies have already been completed and the rule-making process is well underway, there continues to be significant uncertainty regarding the results of ongoing studies and the ultimate requirements of those regulations that have not yet been adopted. We cannot predict with certainty how the Dodd-Frank Act and such regulations will affect the financial markets generally, or impact our business, ratings, results of operations, cash flows or financial condition.

The Dodd-Frank Act created a new agency, the FSOC, which is authorized to subject nonbank financial companies to the supervision of the Federal Reserve if the FSOC determines that material financial distress at the company or the scope of the company's activities could pose risks to the financial stability of the United States. If we were designated by the FSOC as a systemically significant nonbank financial company subject to supervision by the Federal Reserve, we would become subject to a comprehensive system of prudential regulation, including, among other matters, minimum capital requirements, liquidity standards, credit exposure

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requirements, maintenance of resolution plans, stress testing, management interlock prohibitions, additional fees and assessments and restrictions on proprietary trading and other investments (including restrictions similar to the so-called Volcker Rule on our proprietary trading activity or our ability to sponsor or invest in certain types of investment funds). The exact scope and consequences of these standards and requirements are subject to ongoing rulemaking activity by various federal banking regulators and therefore are currently unclear. However, this comprehensive system of prudential regulation, if applied to the Company, would significantly impact the manner in which we operate and could materially and adversely impact the profitability of one or more of our business lines or the level of capital required to support our activities. As long as the Company continues to be controlled by ING Group, the FSOC may consider the Company together with ING Group's other operations in the United States for purposes of making this determination. Therefore, while we believe it is unlikely that the Company, either on a standalone basis or together with ING Group's other operations in the United States, will ultimately receive this designation, there is a greater likelihood of such a designation being made for as long as we are controlled by ING Group.

In addition, the Dodd-Frank Act contains numerous other provisions, some of which may have an impact on us. These include:

The FSOC may recommend that state insurance regulators or other regulators apply new or heightened standards and safeguards for activities or practices we and other insurers or other financial services companies engage in if the FSOC determines that those activities or practices could create or increase the risk that significant liquidity, credit or other problems spread among financial companies. We cannot predict whether any such recommendations will be made or their effect on our business, results of operations, cash flows or financial condition.

The Dodd-Frank Act creates a new framework for regulating OTC derivatives, which may increase the costs of hedging and other permitted derivatives trading activity undertaken by us. Under the new regulatory regime and subject to certain exceptions, certain standardized OTC derivatives will be cleared through a centralized clearinghouse and executed on a centralized exchange commencing in 2013. It establishes new regulatory authority for the SEC and the CFTC over derivatives and parties to derivative transactions including swap dealers, security-based swap dealers, major swap participants, major security-based swap participants as well as end users of derivatives. In addition to mandatory central clearing of certain derivatives, such market participants may be subject to significant regulatory requirements including registration, reporting and recordkeeping, capital and margin and trade execution requirements. Based on final rules jointly developed by the CFTC and the SEC which became effective July 23, 2012, we do not believe we should be considered a swap dealer, security-based swap dealer, major swap participant, or major security-based swap participant as defined in the regulation. However, the transition to central clearing and the new regulatory regime governing derivatives still presents potentially significant business and operational risk for us which could materially and adversely impact both the cost and our ability to effectively hedge various risks, including equity and interest rate market risk features within many of our insurance and annuity products.

The CFTC and SEC jointly adopted final rules, which (subject to certain exceptions) became effective on October 12, 2012, to further define the terms swap and security-based swap, which clarify that certain products (i) issued by entities subject to supervision by the insurance commissioner (or similar official or agency) of any state or by the United States or an agency or instrumentality thereof (the Provider Test) and (ii) regulated as insurance or otherwise enumerated by rule are excluded from the definition of a swap and security-based swap. In addition, any insurance contracts which might otherwise be included within the definition of swap or security-based swap which were issued on or before the effective date of the rules will be grandfathered and thereby excluded from the definitions, as long as the issuer satisfies the Provider Test. However, the rulemaking does not extend the exemption to certain products issued by insurance companies including GICs, synthetic GICs, funding agreements, structured settlements and deposit administration contracts which the CFTC and SEC determined should be considered in a facts and circumstances analysis. As a result, there remains

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some uncertainty regarding the applicability of the definitions of swap and security-based swap to some products offered by us. We do not believe our products come within the definition of swap or security-based swap. However, if any products issued by us meet the criteria for either definition they would be subject to regulation under the Dodd-Frank Act, including clearing of certain standardized transactions through a centralized clearinghouse, execution of certain standardized trades on a centralized exchange and related reporting requirements. The legislation also requires the SEC and CFTC to conduct a study to determine whether stable value contracts fall within the definition of swap contracts, and if so, to determine whether an exemption to their regulation is appropriate. The SEC and CFTC are considering the study in light of the adoption of the rules described above. Stable value contracts are exempt from the legislation's swap provisions, pending the effective date of any such regulatory action.

The Dodd-Frank Act established a Federal Insurance Office within the Treasury Department to be headed by a director appointed by the Secretary of the Treasury. See Insurance Regulation Federal Initiatives Affecting Insurance Operations above.

The Dodd-Frank Act established the Consumer Financial Protection Bureau (the CFPB) as an independent agency within the Federal Reserve to regulate consumer financial products and services offered primarily for personal, family or household purposes, with rule-making and enforcement authority over unfair, deceptive or abusive acts and practices. However, the legislation does not give the CFPB jurisdiction over insurance products or services, or over persons regulated by a state insurance regulator, subject to exceptions for certain non-insurance consumer financial products or services. In addition, broker-dealers and investment advisers are not subject to the CFPB's jurisdiction when acting in their registered capacity. Employee benefit plans and other retirement products are generally excluded from the CFPB's jurisdiction; however, certain types of employee benefit plans and retirement products may become subject to the CFPB's jurisdiction upon a joint written request by the DOL and the Treasury Department. We believe we offer a very limited number of products subject to regulation by the CFPB, although it is possible that the CFPB will assert jurisdiction more expansively than anticipated.

The Dodd-Frank Act includes various securities law reforms that may affect our business practices and the liabilities and/or exposures associated therewith. See Broker-Dealers and Investment Advisers above.

Until final regulations are promulgated pursuant to the Dodd-Frank Act, the full impact of the Dodd-Frank Act on our businesses, products, results of operation and financial condition will remain unclear.

**International and National Regulatory Initiatives that May Affect Us as a Consequence of our Affiliation with ING Group**

The causes of the recent financial crisis are being actively reviewed by lawmakers around the world, who are exploring steps to avoid similar problems in the future. In many respects, this work is being led by the Financial Stability Board (FSB), which consists of representatives of national financial authorities of the Group of Twenty (G20) nations. The FSB, along with the G20, have issued a series of papers and recommendations intended to produce significant changes in how financial companies, particularly companies that are members of large and complex financial groups, should be regulated. These proposals address such issues as financial group supervision, capital and solvency standards, systemic risk, corporate governance including executive compensation, and a host of related issues associated with responses to the financial crisis. The FSB, for example, has proposed to designate certain companies as systemically significant, similar to the approach the FSOC may take in connection with systemically significant banks and non-bank financial companies under the Dodd-Frank Act. Legislators and regulatory authorities in a number of jurisdictions in which ING Group operates have already begun introducing legislative and regulatory changes consistent with G20 and FSB recommendations as well as their own initiatives in a number of policy areas. In addition, the prudential regulation of insurance and reinsurance companies across the European Economic Area is due for significant

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change under the Solvency II Directive, which was adopted on November 25, 2009 and is expected to come into force in January 2014. The Solvency II Directive will effect a full revision of the European insurance industry's solvency framework and prudential regime (in particular minimum capital and solvency requirements, governance requirements, risk management and public reporting standards) and will impose, among other things, group level supervision mechanisms.

### ***Regulation by Dutch Authorities***

The DNB is the supervisor of the Company's current ultimate parent, ING Group. DNB supervises and assesses the financial situation of ING Group as a whole and thus includes the operations of the Company and its subsidiaries. The divestment of the Company, including this offering, is subject to the approval of the DNB. ING Group will obtain this approval prior to the completion of this offering. This supervision of compliance with regulatory requirements includes the topics of capital adequacy, risk concentration and intra group contracts and positions as well as rules regarding the operations of ING Group. Furthermore DNB also plans and coordinates supervisory activities with the relevant supervisory authorities of ING Group subsidiaries. It is expected that in 2014 the European Central Bank will take over certain tasks of DNB, ING Group's lead supervisor. The European Central Bank would assume responsibility for part of the prudential supervision of ING Bank and ING Group. The proposals to set up this new Single Supervisory Mechanism are not yet final and at this point in time, it is uncertain if and how the new supervisory structure may impact ING Group or the Company.

In addition to the various US and international regulatory initiatives, the Dutch authorities have launched a number of Dutch regulatory initiatives, including but not limited to the Dutch Intervention Act and legislation with regard to variable remuneration at financial institutions that have received state support.

The Intervention Act grants new powers to the DNB and the Minister of Finance to intervene in situations where an institution, including a financial group such as ING Group, faces financial difficulties or where there is a serious and immediate risk to the stability of the financial system caused by an institution in difficulty. The Act has entered into force with retroactive effect on January 20, 2012.

For information on certain requirements established by the European Union with respect to compensation disclosures and practices in financial services companies that may affect the Company, please see Compensation of Executive Officers and Directors Critical Compensation and Other Policies Capital Requirements Directive III .

We are unable to predict how any regulations resulting from such initiatives and proposals could affect the way ING Group conducts its business and manages capital, or to what extent any changes in the way ING Group conducts its business as a result thereof could affect us, as a consolidated subsidiary of ING Group, our relationship with ING Group or our results of operations, financial condition and liquidity. The possibility of inconsistent and conflicting regulation of ING Group and the Company also exists as lawmakers and regulators in multiple jurisdictions simultaneously pursue these initiatives.

### **Other Laws and Regulations**

#### ***USA Patriot Act***

The Patriot Act contains anti-money laundering and financial transparency laws applicable to broker-dealers and other financial services companies, including insurance companies. The Patriot Act seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. Anti-money laundering laws outside of the United States contain provisions that may be different, conflicting or more rigorous. Internal practices, procedures and controls are required to meet the increased obligations of financial institutions to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies and share information with other financial institutions.

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We are also required to follow certain economic and trade sanctions programs administered by the Office of Foreign Asset Control that prohibit or restrict transactions with suspected countries, their governments and, in certain circumstances, their nationals. We are also subject to regulations governing bribery and other anti-corruption measures.

### ***Privacy Laws and Regulation***

U.S. federal and state laws and regulations require financial institutions, including insurance companies, to protect the security and confidentiality of personal information and to notify consumers about their policies and practices relating to their collection and disclosure of consumer information and the protection of the security and confidentiality of that information. The disclosure and security of protected health information is also governed by federal and state laws. In particular, regulations promulgated by the U.S. Department of Health and Human Services regulate the disclosure and use of protected health information by health insurers and others (including life insurers), the physical and procedural safeguards employed to protect the security of that information and the electronic transmission of such information. Federal and state laws require notice to affected individuals, law enforcement, regulators and others if there is a breach of the security of certain personal information, including social security numbers, and require holders of certain personal information to protect the security of the data. Federal regulations require financial institutions to implement effective programs to detect, prevent and mitigate identity theft. Federal and state laws and regulations regulate the ability of financial institutions to make telemarketing calls and to send unsolicited e-mail or fax messages to consumers and customers. Federal laws and regulations also regulate the permissible uses of certain types of personal information, including consumer report information. Federal and state governments and regulatory bodies may consider additional or more detailed regulation regarding these subjects.

### ***Environmental Considerations***

Our ownership and operation of real property and properties within our commercial mortgage loan portfolio is subject to federal, state and local environmental laws and regulations. Risks of hidden environmental liabilities and the costs of any required clean-up are inherent in owning and operating real property. Under the laws of certain states, contamination of a property may give rise to a lien on the property to secure recovery of the costs of clean-up, which could adversely affect the valuation of, and increase the liabilities associated with, the commercial mortgage loans we hold. In several states, this lien has priority over the lien of an existing mortgage against such property. In addition, we may be liable, in certain circumstances, as an owner or operator, for costs of cleaning-up releases or threatened releases of hazardous substances at a property mortgaged to us under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the laws of certain states. Application of various other federal and state environmental laws could also result in the imposition of liability on us for costs associated with environmental hazards.

We routinely conduct environmental assessments prior to closing any new commercial mortgage loans or to taking title to real estate. Although unexpected environmental liabilities can always arise, we seek to minimize this risk by undertaking these environmental assessments and complying with our internal environmental policies and procedures.

### ***Health Care Reform Legislation***

The Patient Protection and Affordable Care Act, signed into law on March 23, 2010, and The Health Care and Education Reconciliation Act of 2010, signed into law on March 30, 2010 (together, the Health Care Act ), may lead to fundamental changes in the way that employers, including us, provide health care benefits, other benefits and other forms of compensation to their employees and former employees. Among other changes, and subject to various effective dates, the Health Care Act generally restricts certain limits on benefits, mandates coverage for certain kinds of care, extends the required coverage of dependent children through age 26, eliminates pre-existing condition exclusions or limitations, requires cost reporting and, in some cases, requires



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premium rebates to participants under certain circumstances, limits coverage waiting periods, establishes penalties on employers who fail to offer sufficient coverage to their full-time employees and requires employers under certain circumstances to provide employees with vouchers to purchase their own health care coverage. We cannot predict the impact of the Health Care Act, and any regulations or guidance related to the Health Care Act, on us as an employer and on the benefit plans we sponsor for employees or retirees and their dependents, or whether those benefits will remain competitive or effective in meeting their business objectives. Our costs to provide such benefits and our tax liabilities in connection with benefits or compensation cannot be predicted.

**Table of Contents****MANAGEMENT**

Management of the Company is led by the Office of the CEO (the OCEO) and the Executive Committee. The OCEO, our highest management body, is composed of the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer and is responsible for setting the leadership tone and providing overall strategic and financial guidelines for the Company. The Executive Committee, composed of the members of the OCEO as well as the remainder of our executive officers, set forth below, is tasked with setting corporate strategy, managing overall operating performance, building a cohesive culture and establishing our organizational structure.

**Our Executive Officers**

The following table presents information regarding our executive officers.

Name	Age	Position
Rodney O. Martin, Jr.*	60	Chief Executive Officer
Alain M. Karaoglan*	50	Executive Vice President and Chief Operating Officer
Ewout L. Steenbergen*	43	Executive Vice President and Chief Financial Officer
Mary E. ( Maliz ) Beams	57	Chief Executive Officer, Retirement Solutions
Jeffrey T. Becker	47	Chief Executive Officer, Investment Management
Donald W. ( Butch ) Britton	64	Chief Executive Officer, Insurance Solutions
Bridget M. Healy	58	Executive Vice President and Chief Legal Officer
Kevin D. Silva	59	Executive Vice President and Chief Human Resources Officer
Michael S. Smith	49	Executive Vice President and Chief Risk Officer

\* Designates a member of the OCEO.

Set forth below is biographical information about each of the executive officers named in the table above.

*Rodney O. Martin, Jr.* has served as chief executive officer and a member of the Board of Directors of ING U.S., Inc. since April 2011. Mr. Martin will assume the role of chairman of the Board of Directors following the pricing of this offering, and will also serve as chairman of the Board's Executive Committee at such time (see Executive Committee). Mr. Martin is responsible for the overall strategy and performance of ING U.S., Inc. Mr. Martin began his insurance career as an agent with Connecticut Mutual Life Insurance Company, where, from February 1975 to August 1995, he served in various marketing and management positions. Mr. Martin ultimately advanced to become president of Connecticut Mutual Insurance Services. In 1995, Mr. Martin joined the American General Life Companies as president and chief executive officer where he ran the U.S. life insurance businesses until they were acquired by American International Group, Inc. (AIG), in 2001. At AIG, Mr. Martin held positions of increasing responsibility, from chief operating officer of AIG Worldwide Life Insurance, chairman and chief executive officer of American Life Insurance Company, chairman of American International Assurance, and most recently, chairman of AIG's International Life and Retirement Services businesses until November 2010. Mr. Martin received his bachelor's degree in business administration from Alfred University in Alfred, N.Y., and is also a Life Underwriter Training Council Fellow. Mr. Martin serves on the Board of Directors of ACLI and has served on the Board of Directors of LIMRA.

*Alain M. Karaoglan* has served as executive vice president and chief operating officer since September 2012, and from April 2011 to September 2012 served as executive vice president, finance and strategy. Mr. Karaoglan provides oversight to our Investment Management business, as well as Strategy and Corporate Development, Investor Relations, Brand Marketing, Operations, and Information Technology. Mr. Karaoglan has also served as a member of the Board of Directors since April 2011. Prior to joining us, Mr. Karaoglan was senior vice president, Divestiture, for AIG from June of 2009 to April 2011. Prior to AIG, from September 2007 to April 2009, Mr. Karaoglan was managing director, Equity Research, for Banc of America Securities LLC. From October of 2000 to June 2007, he was managing director, North American Equity Research, at Deutsche

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Bank Securities Inc. Previously, from August 1997 to October 2000, he was an equity research analyst at Donaldson Lufkin & Jenrette after being in investment banking for approximately 10 years (1988-1997) at First Boston Corporation and, as a managing director at Bear Stearns, where he advised companies in corporate finance and merger and acquisitions transactions. Mr. Karaoglan received bachelor's degrees, both magna cum laude, in business administration and economics from Pepperdine University and received his M.B.A. from Dartmouth College's Tuck School of Business.

*Ewout L. Steenbergen* has served as executive vice president and chief financial officer of the Company and a member of the Board of Directors since January 2010. Mr. Steenbergen is responsible for strategic finance, capital management, treasury, actuarial, tax, insurance investments, controller functions, financial reporting, procurement and expense management for the Company. Mr. Steenbergen has been employed by ING Group since 1993. Immediately prior to his current position, he served as chief financial officer and chief risk officer for ING Asia Pacific. Mr. Steenbergen has held a number of management roles for ING Group including serving as regional general manager in Hong Kong, China, and as chief executive officer of RVS, an ING Group company based in the Netherlands that provides a broad range of life insurance, property and casualty insurance, and pension products. He has also served as head of corporate strategy for ING Group, chief executive officer of ING Insurance Czech Republic and Slovakia, and director of Retirement and Employee Benefits at Nationale-Nederlanden, ING Group's life insurance company in the Netherlands. Prior to joining ING Group, Mr. Steenbergen was a consultant at the actuarial firm, Ten Pas (now part of Mercer) from 1990 to 1993. He holds a master's degree in actuarial science from the University of Amsterdam (Netherlands) and a master's degree in business administration from the University of Rochester.

*Mary E. (Maliz) Beams* has served as chief executive officer of our Retirement segment since June 2011, with responsibility broadened to cover the entire Retirement Solutions business since August 2012. Ms. Beams joined ING in 2011 with 30 years of experience in the financial services industry, spanning institutional, high net-worth and retail markets across asset management, retirement and banking sectors and has run both international and domestic businesses. Prior to joining the Company, Ms. Beams served as president and chief executive officer of TIAA-CREF's Individual and Institutional Services LLC (2004-2010). In addition to TIAA-CREF, Ms. Beams was a partner at Zurich Scudder Investments heading the offshore and U.S. mutual fund direct businesses (1997-2003). She was also a managing director of Fleet Financial (1993-1997), American Express (1988-1993) and Citibank (1984-1988). Ms. Beams received a B.A. in English from Boston College and an M.B.A. in finance and marketing from Columbia University. Ms. Beams is currently a board member of the Employee Benefits Research Institute (EBRI), The Insured Retirement Institute (IRI) and is a member of the CEO Task Force for Retirement Services, ACLI.

*Jeffrey T. Becker* has served as chief executive officer of our Investment Management business since October 2009. Mr. Becker has been employed by the Company and its predecessor since 1998, serving in increasingly responsible positions, including vice chairman, chief operating officer and chief financial officer of the Investment Management business. Prior to joining the Company, Mr. Becker was chief credit officer for Aetna's Real Estate Investment Group. Prior to joining Aetna in 1994, Mr. Becker was a senior manager in Arthur Andersen's financial consulting practice. Mr. Becker earned a B.A. in economics from Colgate University and an M.B.A. in finance from New York University's Stern School of Business.

*Donald W. (Butch) Britton* has served since January 2009 as chief executive officer of our Insurance Solutions business, which includes the Individual Life and Employee Benefits segments. Prior to assuming this role, Mr. Britton led the Company's Life Business Group. Prior to joining the Company in 2004, he was employed by American General Financial Group from 1999 to 2002, serving as president of that company's Life Division. Before this, he was employed by First Colony Life from 1981 to 1999, rising to president as well as commensurately senior positions with its affiliate GE Financial Assurance. Mr. Britton holds undergraduate and graduate degrees in mathematics from East Carolina University, Greenville, N.C. He is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. He served as chairman of the LIMRA Brokerage Committee and served a term on its Board of Directors. He also served as a director of its parent, LL Global, and one of its legacy organizations.

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*Bridget M. Healy* has served as executive vice president and chief legal officer of the Company since July 2007 and prior to 2012, also served in the same capacity for ING Group's non-banking operations in the Americas. In this role, Ms. Healy is responsible for the law, government affairs, compliance and corporate responsibility functions for the Company. Ms. Healy joined ING U.S., Inc. from The Travelers Companies, Inc., where she was senior vice president and group general counsel from 2005 to 2007. Prior to Travelers, from 1995 to 2003 she served in positions of increasing responsibility at Becton, Dickinson and Company, ultimately serving as its general counsel and corporate secretary from 2000-2003. In addition, she previously was a partner in the law firm of Stroock & Stroock & Lavan from 1992 to 1995 and practiced law in the United States and in Europe with Davis Polk & Wardwell LLP from 1982 to 1991. Ms. Healy received her J.D., magna cum laude, from the Georgetown University Law Center and is a graduate of Brown University, with an honors degree in International Relations and French Studies. Ms. Healy is Chairman of the Life Insurance Council of New York (LICONY).

*Kevin D. Silva* has served as executive vice president and chief human resources officer of the Company since February 2012. Prior to his current position, from 2009 to 2012, he served as chief human resources officer at Argo Group International, a global, publicly traded specialty insurance company. Prior to joining Argo, Mr. Silva spent more than 13 years (1996-2009) at MBIA Insurance Corporation where he served as chief administrative officer responsible for the human resources, communications, corporate administration, governmental relations, information resources, facilities, telecommunications, and records-management functions. Mr. Silva has also served in senior human resources leadership roles with Merrill Lynch (1993-1995), MasterCard International (1989-1993), and Pepsi Cola Company (1979-1989). Mr. Silva earned a bachelor's degree in Communications from St. John's University and a master's degree in Psychology from New York University.

*Michael S. Smith* has served as the executive vice president and chief risk officer of the Company since May 2012. In this role, Mr. Smith is responsible for overseeing the enterprise-wide and business-level risk monitoring and management program for the Company. In addition to his risk management role, he provides management oversight of our Closed Block Variable Annuity segment. Mr. Smith joined the Company in May 2009 first as chief financial officer and chief insurance risk officer of the annuity business and subsequently as chief executive officer of Annuity Manufacturing. Prior to joining the Company, from 1988 to 2009, Mr. Smith was employed by Lincoln Financial Group (LNC) where he held several positions, including head of Profitability and Risk Management for Retirement Solutions at LNC, chief actuarial officer for Lincoln National Life, chief administrative officer and chief financial officer for Lincoln Financial Distributors, Inc., chief financial officer and chief risk officer for LNC's Life and Annuity division and head of customer support for LNC's Employer Markets division. Mr. Smith holds bachelor's degrees in Economics and Russian Studies from the University of Michigan. He attained Fellowship in the Society of Actuaries in 1990 and is also a Member of the American Academy of Actuaries. He also attained his CFA Charter holder designation in 2003.

## **Our Directors**

The Board of Directors is responsible for the oversight of management of the Company. The following table presents information regarding the current members of our Board of Directors and the individuals who will become directors upon or soon after completion of this offering. Messrs. Karaoglan and Steenbergen will resign from our board of directors upon completion of this offering.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Jan H.M. Hommen	69	Chairman of the Board of Directors <sup>(1)</sup>
Rodney O. Martin, Jr.	60	Director <sup>(1)</sup>
Johannes (John) M.M. Boers	60	Director
Patrick G. Flynn	52	Director
J. Barry Griswell	64	Director Nominee
Dirk (Dick) H. Harryvan	59	Director
Frederick S. Hubbell	62	Director
Willem (Wilfred) F. Nagel	56	Director
David Zwiener	58	Director Nominee
Alain M. Karaoglan <sup>(2)</sup>	50	Director
Ewout L. Steenbergen <sup>(2)</sup>	43	Director

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(1) Following the pricing of this offering, Mr. Martin will assume the role of chairman of the board, and Mr. Hommen will continue his service on the board as a director.

(2) To resign from the board of directors prior to the pricing of this offering.

Set forth below is biographical information about each of the directors named in the table above, to the extent not provided above under Our Executive Officers.

*Jan H.M. Hommen* is currently the chairman of the Board of Directors of ING U.S., Inc. and has served as a director in this role since 2011. Following the pricing of this offering, Mr. Martin will assume the role of chairman of the board, and Mr. Hommen will continue his service on the board as a director. He was appointed to the Supervisory Board of ING Group in June 2005 and became chairman of the Supervisory Board in January 2008 and has served as chairman of ING Group's Executive Board since April 2009. Mr. Hommen is also chairman of the Management Boards of ING Bank, ING V. and ING Insurance Eurasia N.V. and is a member of the management board of ING Insurance Topholding N.V. On February 22, 2013, ING Group announced that Mr. Hommen will step down, effective October 1, 2013, from his positions as chief executive officer of ING Group, chairman of the ING Group Executive Board and chairman of the Management Boards of ING Bank and ING Eurasia N.V. Mr. Hommen has been proposed for nomination to the Supervisory Board of Koninklijke Ahold N.V. (Ahold), which, if approved by the shareholders of Ahold, will be effective October 1, 2013. Prior to joining ING Group, Mr. Hommen was vice-chairman and chief financial officer of Koninklijke Philips Electronics. From 1975 to 1997, he worked for Alcoa Inc. rising to the office of chief financial officer at Alcoa's U.S. head office in 1991. From 1970 to 1974 he was employed by Lips Aluminum, a Dutch company, first as controller and then as financial director. Mr. Hommen holds a master's degree in Business Economics from the University of Tilburg (The Netherlands).

*Johannes (John) M.M. Boers* was appointed a director of ING U.S., Inc. in April 2013. Mr. Boers has been employed by ING Group for over 25 years in increasingly responsible positions. He is currently the Head of ING Insurance Investments. Prior to his current position, Mr. Boers was Chief Financial Officer and Chief Risk Officer of ING Life India from 2009 to 2012 and Chief Financial Officer and Chief Risk Officer of ING Group's Dutch insurance operation, Nationale-Nederlanden, from 2004 to 2009. From 2002 to 2004, he was the Chief Financial Officer and Chief Risk Officer for ING Americas and from 1999 to 2002 he was ING Group's Chief Auditor. Prior to joining ING Group, Mr. Boers served for 10 years as an officer in the Royal Dutch Army. Mr. Boers graduated from the Dutch Royal Military Academy and is a member of the Royal Dutch Institute of Certified Accountants.

*Patrick G. Flynn* was appointed a director of ING U.S., Inc. in 2011. He has been a member of the Executive Board and chief financial officer of ING Group since April 2009. He also serves on the Management Boards of ING Bank, ING V and ING Insurance Eurasia N.V. and is a member of the management board of ING Insurance Topholding N.V. Prior to joining ING Group, he was employed by HSBC from 1989 to 2009 serving as chief financial officer for HSBC's banking and insurance operations in South America from 2002 to 2006 and rising to chief financial officer of HSBC's global Insurance business based in London. From 1984 to 1989 he was employed by KPMG in Dublin, Ireland. Mr. Flynn holds a bachelor's degree in Business Studies from Trinity College Dublin. Mr. Flynn is a fellow of the Institute of Chartered Accountants, Ireland, and a member of the Association of Corporate Treasurers (UK).

*Dirk (Dick) H. Harryvan* (alternate spelling, Harrijvan) was appointed a director of ING U.S., Inc. in April 2013. Mr. Harryvan will serve as chairman of our Finance Committee (see Finance Committee). Mr. Harryvan retired from ING Group in 2009 after 30 years of service in increasingly responsible positions. From 1993 to 2009, he was with ING Bank, and, from 2006 to 2009, was Chief Executive Officer of ING Direct and a member of ING Group's Executive Board. Prior to ING Bank, Mr. Harryvan held several positions with ING-affiliated insurance companies in Canada and the U.S. Mr. Harryvan is currently a member of the Supervisory Board of ING Direct Germany as well as the Dutch Automobile Association. He also serves as a director of the International Academy of Retail Banking and is a member of the Advisory Board of the Official

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Monetary Financial Institutions Forum. He was previously a director of ING Direct USA and ING Direct Canada. Mr. Harryvan holds a master's degree in Business Economics from Erasmus University (The Netherlands) and also completed the Insurance Executive Management program at Columbia University. He is a Fellow of the Life Management Institute and a Chartered Property and Casualty Underwriter.

*Frederick S. Hubbell* was appointed a director of ING U.S., Inc. in 2012. Mr. Hubbell will serve as our Lead Director (see below *Lead Director*) and Chairman of our Nominating and Governance Committee (see *Nominating and Governance Committee*). During 2012 prior to his appointment to the ING U.S. Board of Directors, Mr. Hubbell was an independent advisor to ING Group for approximately nine months in its consideration of potential Divestment Transactions. He served as a member of the Executive Board of ING Group from 2000 to 2006 and was Chairman of Insurance and Asset Management Americas for ING Group from 2004 to 2006. Mr. Hubbell was a member of the Executive Committee of Financial Services International for ING Group from 1999 to 2000 and served as President and Chief Executive Officer of the United States Life and Annuities Operations for ING Group from 1997 to 1999. He became President and Chief Executive Officer of Equitable Life Insurance Company of Iowa in 1989 and Chairman in 1993, and served in both roles until ING Group's acquisition of Equitable in 1997. Mr. Hubbell was Chairman of Younkers, a retail department store business from 1985 to 1992. He was head of strategic planning of Equitable Life Insurance Company of Iowa from 1983 to 1985. Mr. Hubbell began his career as a lawyer in the United States at Dewey, Ballantine, Bushby, Palmer & Wood LLP from 1976 to 1978 and also practiced at Hughes Hubbard and Reed LLP from 1978 to 1981, and was a partner at Mumford, Schrage, Merriman and Zurek from 1981 to 1983. Mr. Hubbell received his B.A. from University of North Carolina, Chapel Hill in 1973 and his J.D. from University of Iowa in 1976. He serves on the Board of Directors of The Macerich Company, the Board of Visitors of the University of Iowa College of Business, the Board of Directors of the Community Foundation of Greater Des Moines, and as Chair of the Board of Trustees of Simpson College.

*Willem F. Nagel* was appointed a director of ING U.S., Inc. in 2011. He has been a member of the Executive Board and chief risk officer of ING Group since May 2012. He also serves as chief risk officer on the Management Boards of ING Bank, ING V. and ING Insurance Eurasia N.V. and is a member of the management board of ING Insurance Topholding N.V. He has been employed by ING Group since 1991 in various positions, most recently as chief executive officer of ING Bank Turkey since January 2010 and CEO of ING Wholesale Bank Asia from 2005 to January 2010. From 1981 to 1991, he was employed by ABN Amro Bank, most recently as head of Aerospace and Structured Finance. Mr. Nagel holds a master's degree in Economics from VU University Amsterdam.

*J. Barry Griswell* will become a director of ING U.S. following the offering and on or before June 1, 2013. Mr. Griswell is the retired Chairman and Chief Executive Officer of Principal Financial Group, positions he held from 2002 to 2009 and 2000-2008, respectively. He remained a non-executive member of Principal Financial Group's Board of Directors until 2010. Prior to joining Principal Financial Group in 1988, Mr. Griswell served as President and Chief Executive Officer of MetLife Marketing Corporation, a subsidiary of Metropolitan Life Insurance Company. Since 2010, Mr. Griswell has served as a director of National Financial Partners Corp., although he will not stand for re-election and will leave this position prior to becoming a director of ING U.S. In 2011, Mr. Griswell joined the board of directors of Och-Ziff Capital Management Group, where he serves as Chair of the Compensation Committee, and since 2004 he has been a member of the board of directors of Herman Miller, Inc., where he currently is Chair of the Compensation Committee and a member of the Executive Committee. Since his retirement in 2008 from Principal Financial Group, Mr. Griswell has served as the head of the Community Foundation of Greater Des Moines, first as President and, since July 2011, as Chief Executive Officer. Mr. Griswell has held leadership positions with several industry trade associations, including ACLI, LIMRA, the Life Underwriting Training Council and LL Global. Mr. Griswell is the co-author of *The Adversity Paradox: An Unconventional Guide to Achieving Uncommon Business Success* (2009). Mr. Griswell received a B.A. from Berry College and an M.B.A. from Stetson University.

*David Zwiener* will become a director of ING U.S. shortly following this offering. Mr. Zwiener will serve as chairman of our Audit Committee (see *Audit Committee*). Since 2010, Mr. Zwiener has been a Principal in

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Dowling Capital Partners. Prior to joining Dowling Capital Partners, Mr. Zwiener was Chief Financial Officer of Wachovia Corporation. From 2007 to 2008, he was Managing Director and Co-Head of the Financial Institutions Group at The Carlyle Group. From 1995 to 2007, Mr. Zwiener served in increasingly responsible positions at The Hartford, rising to President and Chief Operating Officer Property & Casualty. Mr. Zwiener is currently a director of Partner Re, Ltd. where he serves as chairman of that company's audit committee, and he is a trustee of the New Britain Museum of American Art. He previously served as a director of CNO Financial Group (2010-2011), The Hartford (1997-2007) and Sheridan Healthcare, Inc. (1998-2004). Mr. Zwiener received an A.B. degree from Duke University and an M.B.A. from the Kellogg School of Management at Northwestern University.

### **Board of Directors**

Prior to this offering, the Company's Board of Directors consists of nine members and has a single standing committee, the audit committee. Following this offering, our Board will consist of nine members and will have the following standing committees: Audit, Compensation and Benefits, Nominating and Governance, Finance, and Executive Committees. As discussed under Certain Relationships and Related Party Transactions Relationship with ING Group Following the Offering Shareholder Agreement Board of Directors and ING Group Rights with Respect to Director Nomination, ING Group will have the right to nominate certain of our directors ( ING Group Directors ).

Our Board of Directors has determined that Messrs. Griswell, Hubbell and Zwiener, each of whom will be a director upon or soon after the closing of this offering, are independent under the NYSE listing rules (an independent director). In considering their independence, the board of directors considered the relationships between each of Messrs. Griswell, Hubbell and Zwiener, on the one hand, and the Company and ING Group, on the other hand, described in their respective biographical information, above.

### ***Audit Committee***

Pursuant to the phase-in provisions of the NYSE listing requirements and Rule 10A-3 promulgated by the SEC under the Exchange Act, our audit committee will be composed of at least three directors, all of whom will be independent under the NYSE listing rules and Rule 10A-3, except that until one year following the date of this prospectus, so long as the Audit Committee is composed of at least four members, one such member need not be independent.

Immediately following this offering, the Audit Committee will consist of Mr. Zwiener, who will serve as chairman, and who our Board of Directors has determined to be independent under the NYSE listing rules and Rule 10A-3, and financially literate as such term is defined in the NYSE listing rules. Within a short period of time following this offering, we expect that our Board of Directors will appoint two additional directors to the Audit Committee, each of whom will be determined to be independent under NYSE listing rules and Rule 10A-3, and financially literate as such term is defined in the NYSE listing rules. In addition, ING Group will, in accordance with the Shareholder Agreement, designate a fourth director to the Audit Committee, who, until the date immediately preceding the first anniversary of the date on which the registration statement relating to this offering becomes effective, need not be independent.

The Audit Committee's primary function will be to assist the Board of Directors in fulfilling its oversight responsibilities of the financial reports and other financial information filed with the SEC or provided by us to regulators; our risk and capital profile and policies; our independent auditors' qualifications and independence; and the performance of our independent auditors and our internal audit function.

### ***Compensation and Benefits Committee***

The Compensation and Benefits Committee will, upon his appointment as a director shortly after completion of this offering, consist of Mr. Griswell, who will serve as chairman, and who our Board of Directors

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has determined is an independent director. Within a short period of time following this offering, we expect that our Board of Directors will appoint three additional directors to the Compensation and Benefits Committee, two of whom will be ING Group Directors and one of whom will be an independent director. At such time as ING Group ceases to own more than 50% of our shares, the Compensation and Benefits Committee will transition to consist solely of independent directors in accordance with the phase-in provisions of the NYSE listing rules.

The Compensation and Benefits Committee will be responsible for annually reviewing and approving the corporate goals and objectives relevant to the compensation of the Chief Executive Officer and evaluating his or her performance in light of these goals; determining the compensation of our executive officers and other appropriate officers, and administering our incentive and equity-based compensation plans.

### ***Nominating and Governance Committee***

Immediately following this offering, the Nominating and Governance Committee will consist of Mr. Hubbell, who will serve as chairman, and who our Board of Directors has determined is an independent director. Within a short period of time following the offering, we expect our Board of Directors to appoint at least one additional director to the Nominating and Governance Committee, including at least one Group Director. At such time as ING Group ceases to own more than 50% of our shares, the Nominating and Governance Committee will transition to consist solely of independent directors in accordance with the phase-in provisions of the NYSE listing rules.

The Nominating and Governance Committee will be responsible for identifying and recommending candidates for election to our Board of Directors and each committee of our Board of Directors, reviewing and reporting to the Board of Directors on compensation of directors and Board committee members, developing, recommending and monitoring corporate governance principles applicable to the Board of Directors and the Company as a whole.

### ***Finance Committee***

Immediately following this offering, the Finance Committee will consist of Mr. Harryvan, who will serve as chairman. Within a short period of time following this offering, we expect our Board of Directors to appoint additional directors to the Finance Committee. The Finance Committee will be responsible for reviewing our financial affairs based upon periodic reports and recommendations of our management; monitoring our financial structure and long-term financial plan and recommending appropriate action to our board of directors with respect to financial policies, allocation of capital to our businesses and methods of financing our businesses; monitoring our capital needs and financing arrangements, our ability to access capital markets and management's financing plans; and reviewing and approving or recommending for approval certain issuances of securities, investments, dispositions and other transactions above certain amounts.

### ***Executive Committee of the Board***

Immediately following this offering, the Executive Committee of the Board will consist of Mr. Martin, who will serve as chairman. Within a short period of time following this offering, we expect our Board of Directors to appoint two additional directors to the Executive Committee, one of whom will be a Group Director (with an additional Group Director designated as an alternate for such Group Director) and one of whom will be an independent director. The Executive Committee of the Board will be responsible for taking action where required in exigent circumstances where it is impracticable to convene, or obtain the unanimous written consent of, the full Board.

### ***Lead Director***

The Shareholder Agreement will provide that until the date ING Group first ceases to beneficially own more than 20% of our outstanding common stock, if at any time the chairman of the board of directors is not an independent



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director, our board will designate a lead director who is an independent director. The lead director, who will initially be Mr. Hubbell, will preside over meetings of the directors when the Chairman of our board is absent, that are held by non-management directors without any management directors present and that are held by independent directors.

The lead director will have, among other things, the authority to:

call meetings of the independent directors;

consult on and approve meeting agendas and schedules of our board of directors;

together with the chair of the Compensation and Benefits Committee, coordinate the evaluation of the performance of the CEO by our non-management directors;

serve as a liaison between the non-management members of our board of directors and the Chairman or the board, as a contact person to facilitate communications by our employees, shareholders (including ING Group) and others with the non-management directors; and

review the quality, quantity, appropriateness and timeliness of information provided to our board of directors.

In addition, the lead director will be a member and the chairperson of any independent committee designated to review and approve related party transactions. See *Certain Relationships and Related Party Transactions* *Related Party Transaction Approval Policy*.

### ***Codes of Ethics and Conduct***

Prior to or concurrently with the completion of this offering, our Board of Directors will adopt a code of ethics and a code of conduct as such terms are used in Item 406 of Regulation S-K and the NYSE listing rules.

### ***Controlled Company Exemption***

Because ING Group will continue to own indirectly a majority of our stock following this offering, we will be a controlled company for purposes of the NYSE listing rules. Accordingly, our Board of Directors will not be required to have a majority of independent directors and our compensation and benefits and nominating and governance committees will not be required to meet the director independence requirements to which we would otherwise be subject until such time as we cease to be a controlled company.

### **Compensation Committee Interlocks and Insider Participation**

We do not anticipate any interlocking relationships between any member of our Compensation Committee and any of our executive officers that would require disclosure under the applicable rules promulgated under the federal securities laws.

**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS****Compensation Discussion and Analysis*****Introduction***

This Compensation Discussion and Analysis ( CD&A ) provides a review of the compensation arrangements of our named executive officers. The following individuals were serving as our named executive officers as of December 31, 2012:

<b>Name</b>	<b>Position</b>
Rodney O. Martin, Jr.	Chief Executive Officer
Alain M. Karaoglan	Executive Vice President and Chief Operating Officer
Ewout L. Steenbergen	Executive Vice President and Chief Financial Officer
Maliz E. Beams	Chief Executive Officer, Retirement
Jeffrey T. Becker	Chief Executive Officer, Investment Management

**Former Executive**

Robert G. Leary	Former President and Chief Operating Officer
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The compensation information presented in this CD&A reflects some differences among the compensation packages of the named executive officers. These differences, which are described in more detail below, were generally designed to reflect specific circumstances for Mr. Steenbergen, who was an expatriate until April 1, 2013, and, for Mr. Becker, who is part of our Investment Management business, which has historically maintained compensation programs that differ in many respects from the programs used in our other businesses. This CD&A also provides a review of the compensation paid to Mr. Leary, who served as our President and Chief Operating Officer from April 4, 2011 through September 10, 2012, when he went on leave, pending his departure from the Company, which occurred on December 6, 2012. Throughout this CD&A, we refer to the six executives above as our named executive officers or NEOs, and to Mr. Martin as our Chief Executive Officer or CEO.

***Compensation Philosophy and Objectives***

As a wholly owned subsidiary of ING Group prior to the offering, the compensation packages of our named executive officers, which are guided and determined based primarily on U.S. compensation surveys and practices, have been governed by the compensation philosophy and objectives of ING Group and have been subject to approval by ING Group and compliance with all applicable laws and regulations, including those of the European Union and of the Netherlands. Accordingly, 2012 compensation for our NEOs was determined in accordance with ING Group's compensation philosophy and objectives. ING Group follows compensation policies that support the establishment of compensation packages aligned with the business strategy, company values and risk appetite of ING Group. ING Group designs compensation programs to support the long-term interests of ING Group as a whole and the interests of ING Group's customers and stockholders. ING Group works to create compensation packages that attract, motivate and retain capable and effective executives while effectively managing risk.

A summary of ING Group's executive compensation principles that applied to our NEOs for 2012 are set forth below:

Compensation programs should attract, retain and motivate executive talent in a manner that ensures that our investors receive an appropriate return on their investment in the Company.

The NEOs' target levels for each element of compensation and for overall total direct compensation (base salary, annual cash and deferred equity-based incentives and long-term equity-based incentives) should be competitive with the compensation packages provided to similarly situated executives with comparable responsibilities at companies that compete with the Company for executive talent.

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Compensation packages should facilitate long-term equity growth by aligning the interests of executives with the interests of our investors through emphasizing long-term equity-based compensation and by encouraging executive stock ownership.

Performance-based compensation should be a meaningful portion of total compensation and actual amounts earned should reward corporate, business unit and / or individual performance, within the boundaries of prudent risk management and all applicable regulatory considerations.

Perquisites should be provided on a limited basis only when necessary to serve an important business objective.

In anticipation of our becoming a standalone company, and building on the way that ING Group has historically determined compensation, we have been working to develop our compensation philosophy, objectives and procedures for the period following the completion of the offering. We anticipate that our compensation philosophy and objectives will be similar to the principles currently followed by ING Group with respect to our management team. Our compensation and benefits committee, which we anticipate forming upon the completion of the offering, will review the impact of the offering and all aspects of compensation and may make appropriate adjustments, if any. Together with the Board of Directors, the compensation and benefits committee will be responsible for determining our compensation philosophy consistent with all applicable laws and regulations, including CRD III for as long as ING Group owns more than 50% of the Company and consolidates the Company for financial reporting purposes. See *Post-Offering Compensation Philosophy and Objectives* below for more details concerning our post-offering compensation practices.

***Elements of Compensation***

The following table presents the principal elements of the compensation programs that applied to our named executive officers for 2012 and the objective each element was designed to achieve. The elements of compensation (described below) were designed to provide a variety of fixed and at-risk compensation related to the achievement of the Company's short-term and long-term objectives, although no specific formula or weightings were used to determine the proportion of total compensation each component contributed to 2012 NEO compensation.

**Compensation Elements**

<b>Compensation Element</b>	<b>Objective/Purpose</b>
<b>Base salary</b>	Compensates NEOs for the day-to-day services performed for the Company. Attracts and retains talented executives with competitive compensation levels.
<b>Annual cash and deferred equity-based incentive compensation</b>	Motivates executives to achieve Company-wide and / or business unit-related performance goals selected for their potential to increase long-term stockholder value.
<b>Long-term equity-based incentive compensation</b>	Promotes differentiation of pay based on corporate, business unit and / or individual performance and rewards executives for attaining annual objectives.  Motivates executives to achieve long-term Company-wide and / or business unit-related performance goals.
<b>Retirement, deferral and health and welfare programs</b>	Emphasizes equity-based compensation and creates a culture focused on long-term value creation.  Addresses retirement needs of executives with competitive retirement programs. Aligns with philosophy of attracting and retaining talented

individuals.

**Limited perquisites and other benefits**

Addresses specific business needs by providing limited perquisites and other benefits.

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***2012 Compensation******Base Salary***

Base salary is an essential element of each NEO's compensation package. Mr. Martin's, Mr. Karaoglan's, Ms. Beams' and Mr. Leary's base salaries were determined in accordance with the terms of their respective employment agreements and offer letters. The NEOs' base salaries for 2012 were recommended by us and approved by the ING Group Supervisory Board after considering several factors, including the NEO's experience, the NEO's 2011 performance, the NEO's 2011 base salary and the competitiveness of that base salary as compared to internal peers and similarly situated executives at companies that compete with us for executive talent. As described throughout this CD&A, the Company and ING Group review compensation data provided by a number of surveys and sources to determine the relative competitiveness of compensation programs as well as competitive levels of pay. For 2012, the surveys that were reviewed when determining appropriate base salaries included a survey prepared by Hewitt of total compensation measurements for executives in the financial services industry, a diversified insurance study of executive compensation prepared by Towers Watson and an investment management survey prepared by McLagan. The salary of Mr. Steenbergen, a citizen of the Netherlands, who was on a long-term international assignment with the Company in the U.S. from January 1, 2010 until his transition to local employee status (his localization) on April 1, 2013, is described below under *Expatriate Arrangements and Localization of Mr. Steenbergen*.

The base salaries earned by the NEOs in 2012 were as follows: Mr. Martin \$1,000,000; Mr. Karaoglan \$650,000; Mr. Steenbergen \$498,861; Ms. Beams \$600,000; Mr. Becker \$391,667; and Mr. Leary \$836,250. Mr. Steenbergen's base salary increased from \$438,139 to \$498,861, effective as of January 1, 2012, in connection with adjusting the components of his compensation to be consistent with ING Group's obligations under CRD III, which adjustments included a decrease to his target annual incentive compensation award and an increase to his long-term incentive compensation opportunity. See *Capital Requirements Directive III* below for more information relating to CRD III and its applicability to the Company. Mr. Becker's base salary was increased from \$350,000 to \$400,000 beginning on March 1, 2012, in recognition of his superior 2011 performance and to keep his base salary competitive on a relative basis with those provided by companies for which the Company competes for talent. The other NEOs' base salaries were not increased in 2012 from their 2011 base salaries.

In 2013, the base salaries of three NEOs were increased: Mr. Karaoglan's base salary increased from \$650,000 to \$700,000, effective as of January 1, 2013; Ms. Beams' base salary increased from \$600,000 to \$700,000, effective as of March 16, 2013 and Mr. Steenbergen's base salary was increased to \$550,000, effective as of April 1, 2013, in connection with his localization. The other NEOs' base salaries were not increased in 2013.

***Annual Cash and Deferred Equity-Based Incentive Compensation***

Our annual incentive plan is designed to reward participants based on critical financial results and for their annual contributions to those results. Individual incentive awards are based on an annual evaluation of business performance and each NEO's individual performance.

The annual incentive compensation payment with respect to 2012 was paid in March 2013, subject to mandatory CRD III requirements, as described below under *Capital Requirements Directive III*. In this CD&A, references to 2012 annual incentive compensation awards are to the annual incentive compensation amounts that were paid to NEOs in March 2013, which were designed to recognize individual, Company and business unit performance during 2012. As described in more detail below, an individual's target annual incentive award opportunity is adjusted in a non-formulaic manner after taking into account the funding of the relative bonus pools and individual annual incentive awards are determined based on a qualitative assessment of individual performance and the requirements of CRD III, if necessary.

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Annual incentive awards were made to each of our NEOs. Mr. Becker's annual incentive grant was awarded under the Investment Management business's Annual Incentive Plan; other NEOs' incentive awards were made under the Company's Incentive Compensation Plan (ICP).

### *Establishment of Annual Incentive Compensation Opportunity and Maximum Award*

Mr. Martin's, Mr. Karaoglan's, Ms. Beams' and Mr. Leary's 2012 target and maximum annual incentive opportunities were determined under the terms of their respective employment agreements and offer letters. The 2012 target and maximum annual incentive opportunities for each of the other NEOs were proposed by Mr. Martin and reviewed and approved by our board of directors and by the Supervisory Board of ING Group. Mr. Steenbergen's target incentive award opportunity decreased from 55% to 40% of the base salary he would have received had he been employed in the Netherlands in combination with an increase in his base salary and long-term incentive award opportunity. The other NEOs' target incentive award opportunities remained unchanged from their 2011 target annual incentive award opportunities. The NEOs' 2012 target and maximum annual incentive opportunities were reviewed in conjunction with reviewing compensation surveys of financial services organizations published by Hewitt, Towers Watson and McLagan. These surveys were used to compare the target and maximum of each NEO to those of similarly situated executives at other companies that compete within the same talent market. Historically, we have sought to set total direct target compensation at or below median total direct target compensation reflected in these surveys. Following the establishment of the compensation committee of our Board of Directors, which we anticipate will take place concurrently with the closing of this offering, the compensation committee will be responsible for reviewing and approving the annual target and maximum incentive opportunity for each of our NEOs, subject to compliance with applicable laws and regulations.

Target incentive award opportunities for the NEOs in 2012, as a percentage of base salary (and, in the case of Mr. Steenbergen, as a percentage of the base salary he would have received had he been employed in the Netherlands in 2012), were as follows: Mr. Martin 100%; Mr. Karaoglan 100%; Mr. Steenbergen 40%; Ms. Beams 125%; Mr. Becker 200%; and Mr. Leary 150%. The maximum 2012 incentive opportunity was capped at 200% of the target incentive amount for all NEOs, except for Messrs. Becker and Leary. Mr. Becker's maximum incentive opportunity was capped at 300% of the target incentive amount, reflecting market practice in the investment management industry to set relatively lower base salaries and place greater emphasis on pay-for-performance incentive compensation opportunities as a component of overall compensation. Mr. Leary's maximum incentive opportunity was capped at 300% based on his employment agreement. Target incentive award opportunities represent one component of each NEO's overall compensation opportunity, and are considered in light of other elements of compensation, including the Transaction Incentive Bonuses described below under Transaction Incentive Bonuses.

*Mandatory Deferral of 2012 Annual Incentive Compensation.* In 2012, our NEOs were subject to an ING Group mandatory annual incentive award deferral plan under which portions of 2012 annual incentive amounts in excess of \$129,368 were automatically deferred as follows: (a) awards under \$258,737 10% of the total incentive award, (b) awards under \$388,105 \$25,874 plus 20% of the amount above \$258,737, (c) awards under \$517,474 \$51,747 plus 30% of the amount above \$388,105, (d) awards under \$646,842 \$90,558 plus 40% of the amount above \$517,474 and (e) awards over \$646,842 \$142,305 plus 50% of the amount above \$646,842. Amounts that were deferred were converted into ING Group deferred shares granted under, and subject to the payment and other terms and conditions of, the ING Group Long-Term Sustainable Performance Plan (the LSPP). The deferred shares generally vest over four years from the date of grant, with 50% vesting on the second anniversary, 25% vesting on the third anniversary and 25% vesting on the fourth anniversary of the date of grant. The automatic deferral mechanism was designed to further align the interests of our NEOs with ING Group's stockholders by linking a portion of the executive's annual incentive compensation to the longer-term performance of ING Group.

*Establishment and Funding of Annual Incentive Compensation Pools.* Company employees who received 2012 annual incentive awards, including our NEOs, participated in one or more incentive compensation funding

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pools. Each pool generally represents the total dollar amount of all 2012 incentive opportunities available to be awarded to individuals who participated in the pool. These pools include a U.S. corporate pool, designed to compensate participants for the financial performance of the entire Company, and business unit pools, designed to compensate participants for the financial performance of our individual business units, subject to further discretionary adjustments by ING Group based on qualitative factors discussed below.

Following the establishment of the compensation committee of our Board of Directors, which we anticipate will take place concurrently with the closing of the offering, the compensation committee will be responsible for considering performance and establishing the funding level of each pool on an annual basis.

The table below shows the relative notional weighting each incentive pool carried in determining the annual incentive award for each NEO other than Mr. Becker. While Mr. Becker participates 100% in the Investment Management funding pool, his individual annual incentive award is determined 75% based on the results of the Investment Management business and 25% based on overall ING U.S. results, and is therefore presented accordingly in the below table.

<b>Name</b>	<b>Corporate Weighting</b>	<b>Business Unit Weighting</b>
Rodney O. Martin, Jr.	100%	0%
Alain M. Karaoglan	100%	0%
Ewout L. Steenbergen	100%	0%
Maliz E. Beams	25%	Retirement 75%
Jeffrey T. Becker	25%	Investment Management 75%
<b>Former Executive</b>		
Robert G. Leary	100%	0%

At the beginning of 2012, we identified performance criteria for each pool, which were factors considered when we established the final amount of the pool in early 2013. These factors were considered generally, but not used in a formulaic or automatic way, to determine pool funding amounts. For the 2012 corporate pool, these factors included operating result before tax (both including and excluding our Closed Block Variable Annuity segment), distributable earnings, administrative cost ratio, and underlying net result (both including and excluding our Closed Block Variable Annuity segment). For the 2012 Retirement pool, performance goals included operating result before tax, distributable earnings, administrative cost ratio, rollover capture rate, sales, net flows and retention and access rate. For the 2012 Investment Management pool, performance goals included external client total investment return compared to benchmarks and peer rankings, U.S. general account total investment return, sales, net flows (excluding general account and Closed Block Variable Annuity) and overall ING U.S. financial results. A number of the financial performance targets we have historically used in funding these pools, including in 2012, were based on international financial reporting standards (the accounting standards used by ING Group in its external reporting) and in some cases represented measures defined by ING Group and not used in this prospectus.

After considering the balance of these factors, we, in consultation with ING Group, adjusted the funding pools in which our NEOs participated for 2012 (in each case as compared to the funding level implied by application of metrics established at the beginning of the year) in the following amounts: Corporate from 109% to 106%; Retirement Solutions from 121% to 120%; and Investment Management from 130% to 125%. The factors considered in making these adjustments included assessment and consideration of:

financial results, including the difficulty of achieving those results;

changes in the number and nature of employees who participate in each pool, including key hires and headcount reductions during the year;

the anticipated impact of pool funding levels on retention and turnover; and

the existence or expiration of previous years' deferred compensation and associated impact on retaining key revenue producing employees.





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The Company delivered solid overall results as well as solid operating results from Retirement Solutions and Investment Management. Our 2012 results were driven by a carefully implemented capital plan, prudent management of administrative expenses, targeted de-risking of the investment portfolio and disciplined product pricing.

As a result of the determination of performance as described above, and in consultation with ING Group, the final funding levels of these pools for determining 2012 NEO Individual Annual Incentive awards were established as follows: Corporate-106%; Retirement Solutions-120% and Investment Management-125%.

*Determination of Individual 2012 Annual Incentive Awards.* Once an incentive pool has been funded as described above, individual participant performance is qualitatively assessed based on business results (the what) and leadership results (the how) and an award recommendation is determined. As described above, we do not create a direct, formula-driven linkage between the achievement of any particular corporate, business unit or individual performance metrics and the amount of cash incentive award for each performance year. At the same time, our goal is to align the interests of our NEOs with those of our stakeholders by creating a linkage between the mix of overall corporate performance, individual business unit performance, and individual performance, and actual cash incentive compensation awarded to each NEO. Thus, the more positive the mix of overall corporate performance, individual business unit performance and individual performance of an NEO for a particular performance year, the higher the amount of cash incentive compensation awarded to the NEO, and, conversely, the less positive the overall mix of corporate performance, individual business unit performance and individual performance of an NEO for a particular performance year, the lower the amount of cash incentive compensation awarded to the NEO.

The following table presents target annual incentive compensation for 2012. The target annual incentive opportunities were adjusted after the funding of the relative pools was determined and the resulting annual incentive award payout, in both cash and deferred equity, for 2012 was determined based on individual performance. The cash component of 2012 incentive compensation awards was paid in March 2013.

Name	2012 Target Annual Incentive	2012 Adjusted Target Based on Pool Funding	2012 Actual Incentive Award		Total Annual Incentive Payment
			Cash Payment	Deferred Equity <sup>(1)</sup>	
Rodney O. Martin, Jr.	\$ 1,000,000	\$ 1,060,000	\$ 816,116	\$ 453,884	\$ 1,270,000
Alain M. Karaoglan	\$ 650,000	\$ 689,000	\$ 593,866	\$ 231,634	\$ 825,500
Ewout L. Steenbergen <sup>(3)</sup>	\$ 170,887	\$ 181,140	\$ 281,032	\$ 18,968	\$ 300,000
Maliz E. Beams	\$ 750,000	\$ 900,000	\$ 766,116	\$ 403,884	\$ 1,170,000
Jeffrey T. Becker <sup>(2)</sup>	\$ 800,000	\$ 1,000,000	\$ 681,116	\$ 318,884	\$ 1,000,000
<b>Former Executive</b>					
Robert G. Leary <sup>(4)</sup>	\$ 1,350,000	\$ 1,336,907	\$ 1,072,048	\$ 0	\$ 1,072,048

(1) The portion of the annual incentive award that will be automatically deferred and converted into grants of equity (deferred shares) under the LSPP generally will vest over four years from the date of grant, with 50% vesting on the second anniversary, 25% vesting on the third anniversary and 25% vesting on the fourth anniversary of the date of grant.

(2) Mr. Becker's target opportunity for 2012 was based on his annual base salary of \$400,000.

(3) Only \$189,685 of Mr. Steenbergen's annual incentive payment is eligible for deferral. A market value allowance (MVA) of \$110,315 was also awarded in cash.

(4) Mr. Leary's annual incentive target was prorated for his termination date (12/6/12). Given that he worked 341 days in 2012 (341/365), his target was adjusted to \$1,261,233. As per Mr. Leary's release agreement, the 2012 annual incentive award was determined based on a 3 (meets expectations) performance rating and the 2011 ICP Payout Guidelines. Given that Mr. Leary's business was funded at 106%, he received 85% of the prorated target.

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Mr. Martin's 2012 performance consistently exceeded his goals and objectives set at the beginning of the year. Under Mr. Martin's leadership in 2012, ING U.S. generally met or exceeded its business targets. Moreover, Mr. Martin achieved considerable progress in developing additional management depth and strength through enhancements to the leadership team. Further, he launched our cultural transformation initiative, OrangEvolution!, that is targeted at consistently delivering value to our stakeholders through exceptional execution, the fostering of a high-performance environment and a commitment to continuous improvement. Through his role modeling of strong leadership behaviors, his refresh of our corporate values and his fierce focus on results, Mr. Martin continued to ready the organization for the IPO.

Mr. Karaoglan's 2012 performance consistently exceeded the expectations set at the beginning of the year. During 2012, Mr. Karaoglan was promoted to Chief Operating Officer and his duties were expanded to include responsibility for Investment Management, Operations, Technology and Marketing, in addition to Strategy and Corporate Development. Mr. Karaoglan's leadership was instrumental in stabilizing the ratings of our operating companies. Mr. Karaoglan excelled in the development and execution of multiple capital enhancing transactions which contributed to the Company's estimated combined RBC ratio of 526% at year-end 2012.

In 2012, Mr. Steenbergen's performance met or exceeded his goals set at the beginning of the year. During 2012, Mr. Steenbergen delivered on a significant number of critical initiatives, including implementation of consolidated U.S. GAAP reporting, execution of capital generation initiatives, delivery of significant balance sheet improvements and implementation of rigorous cost controls and initiatives. Throughout the year, Mr. Steenbergen played a significant role in ensuring our public company readiness, including in connection with the preparation and finalization of this registration statement.

Ms. Beams' 2012 results significantly exceeded her targets set at the beginning of the year. Under her leadership, Retirement Solutions generally achieved or exceeded its 2012 business objectives. Ms. Beams was instrumental in crafting our Retirement Readiness strategy, which is a core strategy of our Company. During 2012, Ms. Beams made a number of significant and high-impact leadership changes within Retirement Solutions and recruited a number of talented executives to her team.

Mr. Becker's results met or exceeded his goals established at the beginning of 2012. Under Mr. Becker's leadership in 2012, Investment Management had very strong performance across asset classes and provided strong risk adjusted returns and value added services to external clients and our General Account. Mr. Becker also led Investment Management initiatives to prepare for our separation from ING Group and improve operating performance. In 2012, Mr. Becker continued to further the Investment Management value proposition and business strategy as a research driven, quality biased, active asset manager that is part of our broader retirement and wealth management story.

In 2013, in connection with the increases to their base salaries described above, the annual incentive targets of each of Mr. Karaoglan and Ms. Beams were set at 100% of base salary for 2013, for a target of \$700,000 for each executive. In addition, in connection with his localization, the annual incentive target of Mr. Steenbergen was set at 100% of base salary for 2013, for a target of \$550,000.

*Long-Term Equity-Based Incentive Compensation*

The compensation philosophy of rewarding the achievement of long-term Company objectives has been, prior to the offering, accomplished by providing the NEOs with the opportunity to earn ING Group equity awards that vested over time and, in some cases, upon the achievement of performance conditions. Prior to the offering, all long-term equity-based awards granted to our NEOs and other U.S. employees have been granted in plan shares of ING Group. In addition to recent grants that were made under the LSPP, we have previously granted long-term equity-based awards under two other ING Group plans: options were granted under the ING Group Standard Share Option Plan (the "GSOP") and performance shares and options were granted under the ING Group Long-Term Equity Ownership Plan (the "LEO Plan"). Beginning in March 2011, we granted equity-based awards under the LSPP. Performance shares and deferred shares may be granted under the LSPP. The

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Company also granted restricted American Depositary Share ( ADS ) units and restricted performance units under the ING America Insurance Holdings, Inc. Equity Compensation Plan (the Equity Plan ). Some of the NEOs have outstanding awards under the GSOP, the LEO Plan, the LSPP and the Equity Plan, as set forth in the table entitled Outstanding Equity Awards Table at 2012 Year End.

The Company is developing its approach to long-term incentive compensation to be granted after the offering. We intend to continue to use equity-based awards to align the interests of our executives with the interests of our stockholders, to accelerate the achievement of long-term objectives and promote sustainable Company growth. After the offering, we intend to make equity-based awards to the Company s NEOs and other employees in Company common stock.

We have historically granted equity-based awards each year in March. To the extent additional grants were necessary (e.g., for new hires), we have also historically made follow-up grants in September. We granted the equity-based awards relating to 2012 performance in March 2013 under the LSPP. Unless otherwise set forth in an individual agreement, long-term incentive award targets (as a percentage of base salary) were determined by us and approved by the Supervisory Board, based on reviews of market competitiveness and on individual performance. Market competitiveness was reviewed on an annual basis and any adjustments deemed necessary to the long-term incentive award targets were then made. The aggregate of the long-term incentive award targets was then reviewed, and ultimately approved, by the Supervisory Board. Final long-term incentive award determinations, based on the pre-established targets (which may be adjusted either upwards or downwards), were made after the end of the applicable year. The NEOs equity awards for 2012 were considered for adjustment, either upwards or downwards, from 2011 levels. Equity awards for 2012 were adjusted from 2011 levels only if an NEO s 2011 awards were found to be uncompetitive and the NEO s individual performance in 2011 was considered to be at a high level. Mr. Martin, Mr. Karaoglan, Mr. Steenbergen, Ms. Beams and Mr. Leary received annual long-term incentive awards in the beginning of 2012 in the following amounts, which were granted in the form of performance shares under the LSPP and which vest ratably over three years from the first anniversary of the date of grant: Mr. Martin \$780,000 (with a grant date fair value of \$738,904); Mr. Karaoglan \$780,000 (with a grant date fair value of \$738,904); Mr. Steenbergen \$300,000 (with a grant date fair value of \$284,196); Ms. Beams \$750,000 (with a grant date fair value of \$710,489); and Mr. Leary \$900,000 (with a grant date fair value of \$852,588). Mr. Becker received an annual long-term incentive award in the beginning of 2012 of \$600,000 (with a grant date fair value of \$568,006), a portion of which was granted in the form of performance shares under the LSPP that vest ratably over three years from the first anniversary of the date of grant, and a portion of which was granted in the form of restricted ADS units under the Equity Plan that will vest on January 1, 2015. Our equity-based awards granted under the LSPP and the Equity Plan are calculated and communicated to our NEOs based on various internal factors and qualifications, and are similar to award measurements used by companies that compete with us for executive talent. These internally communicated amounts do not necessarily reflect the grant date fair value of these awards (computed in accordance with FASB ASC Topic 718) which are required to be, and which are, included in the Summary Compensation Table below.

In 2013, in connection with the increases to their base salaries described above, the long-term incentive targets of each of Mr. Karaoglan and Ms. Beams were set at 200% of base salary for 2013, for a target of \$1,400,000 for each executive. In connection with his localization, Mr. Steenbergen s long-term incentive target for 2013 was set at 200% of his base salary. See Expatriate Arrangements and Localization of Mr. Steenbergen.

*Health and Insurance Plans*

Our NEOs are currently eligible to participate in Company-sponsored benefit programs, offered on the same terms and conditions as those made generally available to all full-time and part-time employees. Basic health, life insurance, disability benefits and similar programs are provided to give employees access to healthcare and income protection for themselves and their family members. The NEOs also have access to a supplemental long-term disability program, facilitated by the Company, generally available to a broad group of highly paid

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Company employees on an elective basis. The cost of participating in the supplemental disability program is borne entirely by each NEO. Mr. Steenbergen became eligible to participate in these programs in connection with his localization in 2013. See [Expatriate Arrangements and Localization of Mr. Steenbergen](#) for more information relating to Mr. Steenbergen's health and welfare benefits before his localization.

### *Tax-qualified and Non-qualified Retirement and Other Deferred Compensation Plans*

Our NEOs generally are eligible for the same retirement benefits as full-time and part-time employees under the Company's broad-based, tax-qualified retirement plans. As described further in the narrative description preceding the table entitled [Pension Benefits in 2012](#), the Company sponsors the Retirement Plan, a tax-qualified, noncontributory, cash balance formula, defined benefit pension plan for eligible employees. See the narrative below under [Pension Benefits](#).

The Company also sponsors the ING Americas Savings Plan and ESOP (the [401\(k\) Plan](#)), a tax-qualified defined contribution plan with a frozen employee stock ownership plan feature. Under the [401\(k\) Plan](#), the Company will match 100% of a participant's contribution up to six percent.

In addition to the tax-qualified retirement benefits described above, the Company also maintains the ING Americas Supplemental Executive Retirement Plan (the [SERP](#)) and the ING Insurance Americas 409A Deferred Compensation Savings Plan (the [DCSP](#)). The SERP and the DCSP permit our NEOs (including Mr. Steenbergen who became eligible to participate in the DCSP connection with his localization) and certain other employees whose participation in our tax-qualified plans is limited due to compensation and contribution limits imposed under the Internal Revenue Code (the [Code](#)), to receive the benefits on a non-qualified basis that they otherwise would have been eligible to receive under the Retirement Plan and the [401\(k\) Plan](#) if it were not for the compensation and contribution limits set under the Internal Revenue Code. For purposes of determining benefits under the SERP and the DCSP, eligible compensation is limited to three times the Internal Revenue Code compensation limit, which was \$250,000 for 2012.

See the narrative description preceding the table entitled [Pension Benefits in 2012](#) for more detail of the Retirement Plan and the SERP. See the narrative description preceding the table entitled [Nonqualified Deferred Compensation Plans Table for 2012](#) for more detail of the DCSP.

Also, see [Expatriate Arrangements and Localization of Mr. Steenbergen](#) for more information relating to Mr. Steenbergen's retirement benefits.

### *Limited Perquisites and Other Benefits*

While we do not offer a broad range of perquisites to our NEOs, we provided the named executive officers with Company-selected independent advisors to assist them with financial planning, tax and legal issues. The Company's cost of these services are imputed as income to participating named executive officers and the applicable income taxes are paid by the named executive officer. See [Expatriate Arrangements and Localization of Mr. Steenbergen](#) for more information relating to Mr. Steenbergen's pre-localization perquisites.

### *Transaction Incentive Bonuses*

Certain one-time incentive award opportunities ([Transaction Incentive Bonuses](#)) were granted in 2011 to the NEOs and certain other executives to encourage the executives to achieve ING Group's and the Company's goal of successfully executing an initial public offering of the Company's common stock. The terms and conditions of the Transaction Incentive Bonuses were either set forth in award letters (the [Deal Incentive Awards](#)) or, in the case of Messrs. Martin and Karaoglan and Ms. Beams, set forth in (and an integral part of the compensation package of) each NEO's employment agreement and/or offer letter (the [Offering Incentive Awards](#)). Both the Deal Incentive Awards and the Offering Incentive Awards provide for the grant of restricted

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stock of the Company, which will be issued under the Omnibus Plan, a portion of which will be eligible to vest upon the completion of this offering, subject to fulfillment of relevant vesting conditions. The Offering Incentive Awards also include a cash component, which will be paid upon the completion of this offering, subject to continued employment through the date of the offering. See the narrative descriptions under

Compensation of Named Executive Officers Grants of Plan-Based Awards Deal Incentive Awards and Employment Agreements for a description of the material terms of the Transaction Incentive Bonuses.

### *Retention Award*

ING Group made Mr. Becker a cash retention award under the ING Investment Management Retention Participation Plan in March 2010 with a value of \$600,000. The award amount was notionally invested in ING managed funds. One-third of the award vested in September 2010, one-third vested in September 2011 and one-third vested in September 2012.

### *Expatriate Arrangements and Localization of Mr. Steenbergen*

Mr. Steenbergen is a citizen of the Netherlands who served in the United States from January 1, 2010 through March 31, 2013 pursuant to a long-term international assignment from ING Group. On April 1, 2013, Mr. Steenbergen was localized and became an employee of the Company. The Company currently follows the ING Group International Assignments Long-Term Assignment Policy (the LTAP), which provides executives on long-term international assignments with additional benefits to ensure that those on international assignment have approximately the same relative spending power in the host country as they would have had in their home country. Under the LTAP, the Company operates a net pay policy, to which tax equalization applies. This is designed to ensure that assignees pay no more or less tax than would have been payable if they had remained solely in their home country. Also under the LTAP, Mr. Steenbergen received benefits to compensate him for certain expenses and cost differentials attributable to his expatriate status, as well as amounts to cover the taxes on those benefits. The value of his net market value allowance was included in Mr. Steenbergen's 2011 and 2012 base salary, as a salary adjustment, while other benefits were considered to be perquisites, and were provided in the form of reimbursements or direct payments of specific expenses, as described in more detail in the footnotes to the Summary Compensation Table. In 2012, Mr. Steenbergen's expatriate benefits included a housing allowance of \$180,000, representing an adjustment in respect of the cost of living differential between Amsterdam, the Netherlands, and New York City. Some other expatriate benefits, included tuition and other educational and related expenses for his children with an actual cost of \$147,510 with a related tax payment of \$124,375, and a home leave allowance of \$16,913 with a related tax payment of \$12,678. These benefits were considered perquisites and are reflected in the All Other Compensation column of the Summary Compensation Table below. In 2012, Mr. Steenbergen participated in ING Group health care and insurance programs that are generally available to all expatriates on assignment with ING U.S. He also participated in the ING Directors' Pension Scheme, the Dutch tax-qualified, contributory defined benefit pension plan in which similarly situated employees of ING Group are eligible to participate. Mr. Steenbergen was localized on April 1, 2013 and his compensation and benefits were aligned with practices for local U.S. employees. Effective April 1, 2013, Mr. Steenbergen transitioned from expatriate status to local employee status. See Employment Agreements Employment Agreement of Mr. Steenbergen.

### **Relationship of Compensation Policies and Practices to Risk Management**

The Company and ING Group adhere to compensation policies and practices that are designed to support a strong risk management culture. We have reviewed the Company's compensation programs, policies and practices for employees and have determined that those programs, policies and practices are not reasonably likely to have a material adverse effect on the Company.

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### **Critical Compensation and Other Policies**

#### *Tax Deductibility of Compensation*

Under Section 162(m) of the Internal Revenue Code, a public company generally may not deduct compensation in excess of \$1 million paid to its chief executive officer and the three other most highly compensated executive officers (other than the chief financial officer). Until the expiration of the post-offering transition period provided by the rules and regulations of the Internal Revenue Code, or until the LSPP is materially amended, if earlier, awards granted under the plan will be exempt from the deduction limits of Section 162(m). Generally, in order for awards granted after the expiration of the transition period to be exempt, the plan must be amended to comply with the exemption conditions and be submitted for approval of our stockholders. Following the offering, the compensation committee will continue to emphasize performance-based compensation for our named executive officers and will seek to minimize the impact of Section 162(m). Under Section 162(m)(6) of the Internal Revenue Code, certain health insurance providers cannot deduct compensation for any employees in excess of \$500,000. The Company has determined that it is not subject to Section 162(m)(6) for calendar years 2010 through 2012. Additional guidance is expected to be issued by the Treasury Department with respect to the application of this section for 2013 and later years. The Company is continuing to monitor this issue and will determine whether the Section 162(m)(6) limitations will apply in the future based on that guidance. To the extent that the Company is subject to any of these limits on deductibility of compensation, the Company reserves the right to approve non-deductible compensation.

#### *Compensation Recoupment Policies*

Certain elements of our NEOs' compensation packages are subject to recoupment or being clawed back or held back under certain circumstances. Under both the CRD III policies described below (which became applicable to the Company on January 1, 2012) and the terms of the LSPP, pursuant to which both performance shares and deferred shares are granted, ING Group has the right to claw back previously settled or paid awards or hold back awards not yet vested if (i) activities conducted under the responsibility of the NEO, including fraud or malfeasance, led to a material restatement of ING Group's or the Company's annual accounts or resulted in significant reputational harm to ING Group or any of its subsidiaries or affiliates, (ii) the Company undergoes significant adverse changes in its economic and regulatory capital base or (iii) the Company or one of its business lines suffers a significant failure in risk management.

#### *Capital Requirements Directive III*

The EU published a Capital Requirements Directive ( CRD III ) with respect to compensation disclosures and practices in financial services companies, which all EU member states are required to implement and enforce. One objective of CRD III is to ensure that the total compensation and mix of fixed to variable compensation paid to key Identified Staff are consistent with CRD III, as implemented by each EU nation and in alignment with the companies' risk management practices and policies. Another objective of CRD III is to ensure that compensation plans incorporate recoupment or clawback provisions, which are included in the compensation programs in which our NEOs participate. Another objective of CRD III is to ensure that the Company maintains an adequate capital base. These policies provide for the Company to make adjustments to reduce current or prior year variable compensation based on significant changes in the Company's risk profile. In the Netherlands, the DNB oversees the implementation of and compliance with CRD III.

CRD III has already been widely implemented across ING Group's Europe-based financial services businesses. Under ING Group's agreement with the DNB, since January 1, 2012 the CRD III requirements have applied to certain Company employees, referred to as Control Function employees and Identified Staff. Control Function employees include the heads of the corporate audit services, finance, human resources, compliance, risk management and legal departments and individuals they supervise, in each case, who may have a material impact on the Company's risk profile. Identified Staff, who may also be Control Function employees,

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include employees who may have a material impact on the Company's risk profile. Performance metrics for Control Function employees generally may not be directly linked to financial objectives related to their departments and variable-to-fixed pay may not exceed certain ratios.

Under CRD III, the compensation packages of Identified Staff relating to 2012 are subject to specified parameters, as follows:

Variable-to-fixed pay may not exceed certain ratios, and

Long-term incentives must be composed of at least 50% of variable pay for Identified Staff (other than those in Investment Management) and must be composed of at least 25% for those Identified Staff in Investment Management.

For 2012, there are approximately 40 Identified Staff from ING U.S., including all of the NEOs, whose total compensation packages must conform with CRD III.

## **Post-Offering Compensation Philosophy and Objectives**

The Company intends to implement a comprehensive executive compensation program following the offering based on four clear principles. Compensation programs will:

Align our executives with stockholder interests.

Drive business performance and results.

Support our business culture and business structure.

Deliver competitive pay to our teams.

Following the offering, we expect to continue to:

Ensure that competitive levels of compensation are paid when business targets are met.

Establish focused performance metrics that will reward executives for the most critical business objectives that drive long-term sustainable growth.

Simplify incentive programs and focus long-term compensation on the long-term results of the Company.

Encourage long-term share ownership at all levels of the organization.

Establish an appropriate approach to governance that reflects the needs of all stakeholders and will include the Company's right to claw back compensation in certain circumstances.

## **Post-Offering Equity Compensation**

***Omnibus Employee Incentive Plan***

As described above, after the offering, the Company plans to make equity-based awards to the Company's NEOs and other employees in Company common stock under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (the Omnibus Plan), which the Company plans to adopt prior to the offering. The following description summarizes what we anticipate will be some of the relevant terms of the Omnibus Plan.

***Purpose; Types of Awards.*** The purposes of the Omnibus Plan are to align the long-term financial interests of employees of the Company with those of our stockholders, to attract and retain those individuals by providing compensation opportunities that are consistent with our compensation philosophy, and to provide incentives to those individuals who contribute significantly to our long-term performance and growth. To accomplish these purposes, the Omnibus Plan provides for grants of stock options (both stock options intended to be incentive



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stock options (under Section 422 of the Code and non-qualified stock options), restricted shares, restricted stock units, dividend equivalent rights and other equity-based or equity-related awards pursuant to which Company common stock, cash or other property may be delivered.

***Shares Subject to the Omnibus Plan.*** A total of 7,650,000 shares of Company common stock will be reserved and available for issuance under the Omnibus Plan. We anticipate that this number of shares will be sufficient to enable conversion of equity awards granted by ING Group to employees of the Company in 2013 into awards issued by the Company (the conversion ratio for which will depend on the price of ING Group's shares at the time of completion of this offering, as well as the per-share price of our common stock in this offering), as well as long-term equity awards to be granted in 2014 and shares to be issued in satisfaction of Transaction Incentive Bonuses. If a stock award granted under the Omnibus Plan is forfeited, expires, terminates, otherwise lapses or is settled in cash, the shares of Company common stock underlying that award will again become available for issuance under the Omnibus Plan. Shares underlying awards will not become available for reissuance under the Omnibus Plan if the shares are withheld by the Company to pay taxes, are withheld by or tendered to the Company to pay the exercise price of stock options, are repurchased from an option holder by the Company with proceeds from the exercise of stock options.

The aggregate number of shares of Common Stock that may be granted under the Omnibus Plan to any single individual during a calendar year in the form of stock options may not exceed 225,000 shares. The maximum number of shares of Company common stock that can be delivered through incentive stock options under the Omnibus Plan may not exceed 800,000 shares (subject to adjustment as described below).

***Administration of the Omnibus Plan.*** The Omnibus Plan will be administered by our Compensation and Benefits Committee. Subject to the terms of the Omnibus Plan, the Compensation and Benefits Committee will, subject to Board authorization, determine which employees and prospective employees will receive grants under the Omnibus Plan, the dates of grant, the numbers and types of stock awards to be granted, the exercise or purchase price of each award, and the terms and conditions of the stock awards, including the period of their exercisability and vesting and the fair market value applicable to a stock award. In addition, the Compensation and Benefits Committee will interpret the Omnibus Plan and may adopt any administrative rules, regulations, procedures and guidelines governing the Omnibus Plan or any awards granted under the Omnibus Plan as it deems to be appropriate. The Compensation and Benefits Committee may also delegate any of its powers, responsibilities or duties to any person who is not a member of the Compensation and Benefits Committee or any administrative group within the company. Our board of directors may also grant awards or administer the Omnibus Plan.

### ***Types of Awards***

The types of awards that may be made under the Omnibus Plan are described below. These awards may be made singly or in combination, as part of compensation awards or performance awards, or both. All of the awards described below are subject to the conditions, limitations, restrictions, vesting and forfeiture provisions determined by the Compensation and Benefits Committee, in its sole discretion subject to certain limitations provided in the Omnibus Plan. Each award will be evidenced by an award agreement, which will govern that award's terms and conditions.

***Performance Shares.*** An award of performance shares entitles the recipient to receive a number of shares of Company common stock equal to a number of shares identified upon the issuance of the award multiplied, upon vesting, by a performance factor representing the level of achievement, over a stated performance period, of one or more Company, business unit or other performance metrics.

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*Restricted Shares.* A restricted share is an award of outstanding shares of Company common stock that is subject to transfer and/or forfeiture restrictions for a period of time. During the period that any restrictions apply, the transfer of restricted shares is generally prohibited. Participants will generally have the same voting and dividend rights as any other stockholder of Company.

*Restricted Stock Units.* A restricted stock unit is an unfunded, unsecured right to receive a share of Company common stock, cash or other property at a future date, subject to such terms and conditions as the Compensation Committee may determine.

*Dividend Equivalent Rights.* Dividend equivalents entitle the participant to receive amounts equal to ordinary cash dividends that are paid on the shares underlying a grant while the grant is outstanding. Dividend equivalents may be paid in cash, in shares of Company common stock or in a combination of the two. The Compensation Committee will determine whether dividend equivalents will be conditioned upon the vesting or payment of the grant to which they relate and the other terms and conditions of the grant.

*Stock Options.* A stock option entitles the recipient to purchase shares of Company common stock at a fixed exercise price. The exercise price per share will be determined by the Compensation Committee but will not be less than 100% of the fair market value of Company common stock on the date of grant. Fair market value will generally be the closing price of Company common stock on the NYSE on the date of grant. Stock options generally must be exercised within 10 years from the date of grant. Stock options may be made in the form of non-qualified stock options or incentive stock options. A non-qualified stock option is an option that does not meet the qualifications of an incentive stock option. An incentive stock option is a stock option that meets the requirements of Section 422 of the Internal Revenue Code. Incentive stock options may be granted only to employees and the aggregate fair market value, determined at the time of grant, of common stock with respect to incentive stock options that are exercisable for the first time by a participant during any calendar year may not exceed \$100,000. No incentive stock option may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our affiliates unless (i) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant and (ii) the term of the incentive stock option does not exceed five years from the date of grant.

*Other Stock-Based Awards.* The Compensation Committee may grant other types of stock-based or stock-related awards, including the grant of unrestricted shares of Company common stock in such amounts, and subject to such terms and conditions, as the Compensation Committee may determine.

*Adjustments.* In connection with any recapitalization, stock split, reverse stock split, stock dividend, spinoff, splitup, combination, reclassification or exchange of shares of Company common stock, merger, consolidation, rights offering, separation, reorganization, liquidation, or any other change in the corporate structure or shares of Company common stock, including any extraordinary dividend or extraordinary distribution, the Compensation Committee will make adjustments as it deems appropriate to the terms of any outstanding award, the number of shares of Company common stock issuable under the Omnibus Plan, the limit on the number of shares subject to awards of stock options in any one fiscal year and the limit on the number of shares that can be issued through incentive stock options.

*Change in Control.* Unless our Compensation Committee determines otherwise, the vesting of awards will, subject to all applicable laws and regulations, including CRD III, be accelerated if the participant has a qualifying termination within two years following a change in control as defined in the Omnibus Plan, with any performance-based awards being deemed earned at the greater of the target level or actual performance level through the change in control date (or if no target level is specified, the maximum level) with respect to all open performance periods. In the event applicable law or regulation precludes any acceleration of awards, such awards shall remain outstanding and in effect and continue to vest under their original terms notwithstanding any such change in control, or, in the discretion of the Compensation Committee, may be converted into the right to

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receive, upon the regularly scheduled vesting dates, cash payments equal to the value of the then-outstanding awards (without applying any performance multiplier, and using the price of our common stock immediately prior to the change in control to determine value) that would have vested on each of such subsequent vesting dates. In the event of a change in control, the Compensation Committee may cancel awards for in-the-money spread value for stock options and for fair value for other awards (as determined in the sole discretion of the Compensation Committee), provide for the issuance of substitute awards or provide that for a period of at least 20 days prior to the change in control, stock options will be exercisable as to all shares of common stock subject thereto and that any stock options not exercised prior to the consummation of the change in control will terminate and be of no further force or effect as of the consummation of the change in control.

***Clawback/Recoupment.*** Awards under the Omnibus Plan may be subject to recoupment or clawback as may be required by applicable law, or any Company's recoupment, or clawback policy.

***Amendment and Termination.*** The Board may from time to time suspend, discontinue, revise or amend the Omnibus Plan. Amendments to the Omnibus Plan must be submitted to shareholders if required by applicable law, regulation or rule of a securities exchange.

Unless previously terminated by the Board, the Omnibus Plan will terminate on the tenth anniversary of the offering.

### ***2013 Omnibus Non-Employee Director Incentive Plan***

After the offering, the Company also plans to make equity-based awards to the Company's non-employee directors in Company common stock under the ING U.S., Inc. 2013 Omnibus Non-Employee Director Incentive Plan ( 2013 Director Plan ), which the Company plans to adopt prior to the offering. The purpose of the 2013 Director Plan is to attract, retain and motivate qualified and experienced individuals who may perform services for the Company as non-employee directors, to compensate them for their contributions to the long-term growth and profits of the Company and to encourage them to acquire a proprietary interest in the Company's success. The material terms of the 2013 Director Plan are substantially consistent with the material terms of the 2013 Omnibus Plan described above, except for the following key differences:

***Administration.*** The Nominating and Governance Committee will have sole discretion to make all determinations in respect of whether and when a director's leave of absence from Board service or change in association with the Company results in a termination of his or her service as a non-employee director, and the impact, if any, of any such leave of absence or change in association on outstanding awards.

***Eligibility.*** Awards may be made only to non-employee directors of the Company.

***Shares Subject to the 2013 Director Plan.*** Subject to adjustment as described below, the total number of shares of Company common stock that may be subject to awards granted under the 2013 Director Plan is 88,000 shares. The maximum number of shares of Common Stock as to which stock options, restricted shares, restricted stock units, dividend equivalent rights and other types of stock-based or stock-related Awards may be granted under the Plan to any one individual in any one fiscal year may not exceed a number of Awards with a grant date fair value of \$250,000.

***Types of Awards.*** The 2013 Director Plan provides for grants of non-qualified stock options, restricted shares, restricted stock units, dividend equivalent rights and other types of stock-based or stock-related awards. Awards under the 2013 Director Plan will be subject to time-based vesting, as set forth from time to time in the terms of individual grants.

***Change in Control.*** Unless otherwise determined by the Nominating and Governance Committee (or unless otherwise provided in the applicable award agreement), if a non-employee director's service is terminated by the

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Company or any successor entity thereto on or within one year after a change in control, as defined in the 2013 Director Plan, each award granted to such director prior to the change in control will fully vest (including the lapsing of all restrictions and conditions) and, as applicable, exercisable as of the date of such termination of service, and any shares of Common Stock deliverable pursuant to restricted stock units shall be delivered promptly (but no later than 15 days) following the director's termination of service.

**Treatment of Outstanding ING Group Equity Awards in Connection with the Offering**

***ING Group Equity Awards Granted in 2013***

In March 2013, ING Group made 2013 LSPP performance share and deferred share awards, as well as 2013 Equity Plan Restricted Stock Awards to Company employees. These 2013 LSPP awards included (i) awards of performance shares made generally to employees who are eligible to receive annual long-term equity incentive awards (2013 performance share awards), vesting 1/3 in 2014, 1/3 in 2015 and 1/3 in 2016, (ii) awards of deferred shares made to certain members of management who constitute identified staff for purposes of CRD III (2013 deferred share awards), vesting 50% in 2015, 25% in 2016 and 25% in 2017 and (iii) awards of deferred shares representing the deferred portion of 2012 annual incentive awards that exceeded a threshold amount (bonus deferral awards). These 2013 Equity Plan awards included awards of restricted shares to Investment Management employees who are eligible to receive annual long-term equity incentive awards (2013 Restricted Stock Awards), vesting on January 1, 2016. Following completion of this offering, each of the 2013 LSPP awards and the 2013 Restricted Stock Awards will be equitably converted, based on the initial public offering price, into a comparable award over Company common stock to be granted under the Omnibus Plan. The award will otherwise remain subject to its original terms and conditions.

***ING Group Equity Awards Granted Prior to 2013***

As described above, certain of our employees, including each of our named executive officers, hold existing awards under the LSPP, the LEO Plan, the GSOP or the Equity Plan. ING Group and the Company agree that, at any time after ING Group's ownership of our common stock falls below 50.1% or less, ING Group, in its discretion, may convert any then-outstanding pre-2013 LSPP awards into awards of Company common stock, when in ING Group's view the price of our shares reflects sufficient anticipated improvement in our operating ROE, on terms that present no economic disadvantage to ING Group or to such award recipients. Any such conversion will require ING Group and the Company to determine and agree the terms of conversion, including the price or conversion ratio that will be applied to the conversion. ING Group and the Company also agree that all other legacy (pre-2013) awards over ING Group shares under the LEO Plan, the GSOP Plan or the Equity Plan will remain outstanding in accordance with their terms and will continue to vest, with service for the Company or its successor after the offering satisfying any ING Group service requirements under the awards, notwithstanding any reduction of ING Group's ownership of our common stock below 50.1%. Such awards will otherwise remain subject in all instances to their original terms. The foregoing terms will be reflected in the Equity Administration Agreement described in Certain Relationships and Related Party Transactions Relationship with ING Group Following the Offering Equity Administration Agreement.

**Table of Contents****Compensation of Named Executive Officers****Summary Compensation**

The following table presents the cash and other compensation for our NEOs for 2012.

**Summary Compensation Table**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary<sup>(1)</sup></b>	<b>Bonus<sup>(2)</sup></b>	<b>Stock Awards<sup>(3)</sup></b>	<b>Non-Equity Incentive Plan Compensation<sup>(4)</sup></b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings<sup>(5)</sup></b>	<b>All Other Compensation<sup>(6)</sup></b>	<b>Total</b>
Rodney O. Martin, Jr., CEO	2012	\$ 1,000,000	\$	\$ 923,129	\$ 816,116	\$ 30,209	\$ 59,080	\$ 2,828,534
	2011	\$ 746,212	\$	\$	\$ 585,536	\$	\$ 84,231	\$ 1,415,979
Alain M. Karaoglan, COO	2012	\$ 650,000	\$	\$ 923,129	\$ 593,866	\$ 28,809	\$ 59,829	\$ 2,255,633
	2011	\$ 452,292	\$	\$ 381,980	\$ 585,536	\$	\$ 28,188	\$ 1,447,996
Ewout L. Steenbergen, CFO <sup>(7)</sup>	2012	\$ 498,861	\$	\$ 314,575	\$ 281,032	\$ 820,688	\$ 680,376	\$ 2,595,532
	2011	\$ 438,139	\$ 164,128	\$ 235,236	\$ 267,933	\$ 172,514	\$ 796,113	\$ 2,074,063
Maliz E. Beams, CEO, Retirement	2012	\$ 600,000	\$	\$ 772,227	\$ 766,116	\$ 29,628	\$ 57,723	\$ 2,225,694
Jeffrey T. Becker, CEO Investment Management	2012	\$ 391,667	\$ 216,690	\$ 856,429	\$ 681,116	\$ 293,510	\$ 59,109	\$ 2,498,521
	2011	\$ 350,000	\$ 198,367	\$ 959,285	\$ 695,536	\$ 235,762	\$ 51,975	\$ 2,490,925
<b>Former Executive</b>								
Robert G. Leary, President and COO	2012	\$ 836,250	\$	\$ 1,093,651	\$ 1,072,048	\$ 147,369	\$ 1,682,186	\$ 4,831,504
	2011	\$ 798,485	\$ 90,000	\$ 1,925,375	\$ 645,536	\$ 118,080	\$ 93,785	\$ 3,671,261

(1) Amounts in this column represent salary that was actually paid to each NEO in 2012. Mr. Steenbergen's salary is comprised of two elements: (i) his net pay under the LTAP of \$335,074 (see Expatriate Arrangements and Localization of Mr. Steenbergen) and (ii) \$163,787 in tax equalization payments. Mr. Steenbergen's home country base salary, prior to any expatriate adjustments, was 330,000 (\$427,218). These amounts were converted into U.S. dollars for reporting purposes using a conversion rate from Euro to USD of 1.2946 (as of January 1, 2012). Mr. Becker's salary is based on his receiving an annualized base salary of \$350,000 from January 1, 2012 through February 29, 2012 and an annualized base salary of \$400,000 from March 1, 2012 through December 31, 2012.

(2) Amounts in this column reflect the portions of the cash retention award that became vested and were paid in September 2012 to Mr. Becker. For a more detailed description of the terms of Mr. Becker's cash retention award, see 2012 Compensation Retention Award above.

(3) Amounts in this column represent the grant date fair value calculated in accordance with FASB ASC Topic 718 of the performance shares and restricted stock granted to the NEOs under the LSPP and the Equity Plan in 2012 and of the deferred shares granted to the NEOs under the LSPP in 2012 as the portion of each NEO's 2011 annual incentive award that was automatically deferred.

(4) Amounts in this column represent the cash portion of the annual incentive awarded for 2012 performance. A portion of each award (with the exception of Mr. Leary's award) has been deferred. Mr. Leary's 2012 annual incentive award was pro-rated to reflect his departure date of December 6, 2012, in accordance with the terms of his employment agreement, as amended.

(5) Amounts in this column represent the net changes in actuarial present value in 2012 under the Retirement Plan, the SERP and the Directors' Pension Plan. See the Pension Benefits in 2012 table below for more detail. Approximately 82% (\$693,405) of the change in the present value of the accumulated pension benefit of Mr. Steenbergen from December 31, 2011 to December 31, 2012 is due solely to the change in the discount rate from 5.50% to 3.70%. The amount in this column for Mr. Leary reflects the change in pension value and nonqualified deferred compensation earnings as of December 6, 2012, his departure date.

(6) Amounts in this column include the employer contributions made under the 401(k) Plan and the DCSP as well as other perquisites as described in more detail in the table below entitled All Other Compensation Table for 2012.

(7)

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Amounts for Mr. Steenbergen reflect certain expatriate arrangements described further under 2012 Compensation Expatriate Arrangements and Localization of Mr. Steenbergen above. We are currently in the process of modifying Mr. Steenbergen's compensation and benefits to align with practices for local U.S. employees and anticipate finalizing this process prior to the completion of this offering.

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**Table of Contents****All Other Compensation Table for 2012**

<b>Name</b>	<b>401(k) Employer Match<sup>(1)</sup></b>	<b>DCSP Employer Match<sup>(2)</sup></b>	<b>Financial Tax Services<sup>(3)</sup></b>	<b>Gross- Ups<sup>(4)</sup></b>	<b>Other<sup>(5)</sup></b>	<b>Total</b>
Rodney O. Martin, Jr.	\$ 15,000	\$ 30,300	\$ 13,780	\$	\$	\$ 59,080
Alain M. Karaoglan	\$ 15,000	\$ 30,300	\$ 14,529	\$	\$	\$ 59,829
Ewout L. Steenbergen	\$	\$	\$	\$ 325,473	\$ 354,903	\$ 680,376
Maliz E. Beams	\$ 7,500	\$ 36,295	\$ 13,928	\$	\$	\$ 57,723
Jeffrey T. Becker	\$ 15,000	\$ 30,300	\$ 13,809	\$	\$	\$ 59,109
<b>Former Executive</b>						
Robert G. Leary	\$ 11,000	\$ 34,000	\$ 13,809	\$	\$ 1,623,377	\$ 1,682,186

- (1) See the narrative under Retirement and Other Deferred Compensation Plans for a description of the material terms of the 401(k) Plan.
- (2) See the narrative under Retirement and Other Deferred Compensation Plans for a description of the material terms of the DCSP.
- (3) Amounts in this column represent the amounts actually paid by the Company, on behalf of each NEO, to the Company-selected financial advisor in 2012.
- (4) The Company provided tax gross-ups to Mr. Steenbergen in accordance with the LTAP. These include reimbursements for taxes associated with his housing allowance (\$137,492); his home leave allowance (\$12,678); the tuition and other educational expenses for his children (\$124,375); relocation costs and tax preparation and settlement costs (\$38,775); and long-term incentive vesting (\$12,153).
- (5) The amount in this column for Mr. Steenbergen represents the sum of the expatriate benefits provided to Mr. Steenbergen in 2012 under the LTAP. These include a housing allowance (\$180,000), a home leave allowance covering the cost of travel for Mr. Steenbergen and his family to travel to the Netherlands (\$16,913), tuition and other educational and related expenses for his children (\$147,510), tax preparation costs (\$5,200) and relocation costs (\$5,280). For more detail, see the narrative description under 2012 Compensation Expatriate Arrangements and Localization of Mr. Steenbergen, above. The amount in this column for Mr. Leary represents the amounts paid or payable to Mr. Leary in connection with his departure from the Company on December 6, 2012 under his employment agreement, as amended. These include a severance benefit of one year's annual base salary (\$900,000) and the payment of Mr. Leary's balance under the IM deferred compensation plan (\$723,377). Mr. Leary also received \$83,077, the value of his accrued but unused vacation.

**Table of Contents****Grants of Plan-Based Awards**

The table below presents individual grants of awards made to each NEO during 2012.

**Grants of Plan-Based Awards Table for 2012**

Name	Grant Type	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards		Number of Other Stock Awards	Grant Date Fair Value of Stock Awards <sup>(1)</sup>
			Threshold	Target	Maximum	Threshold Number of Shares		
Rodney O. Martin, Jr.	LSPP Perf Shares	3/28/2012				84,593	126,890	\$ 738,904
	LSPP Deferred Shares	3/28/2012				21,091	21,091	\$ 184,226
Alain M. Karaoglan	LSPP Perf Shared	3/28/2012				84,593	126,890	\$ 738,904
	LSPP Deferred Shares	3/28/2012				21,091	21,091	\$ 184,226
Ewout L. Steenbergen	LSPP Perf Shares	3/28/2012				32,536	48,804	\$ 284,196
	LSPP Deferred Shares	3/28/2012				3,478	3,478	\$ 30,379
Maliz E. Beams	LSPP Perf Shares	3/28/2012				81,340	122,010	\$ 710,489
	LSPP Deferred Shares	3/28/2012				7,068	7,068	\$ 61,738
Jeffrey T. Becker	LSPP Perf Shares	3/28/2012				32,536	48,804	\$ 284,196
	LSPP Deferred Shares	3/28/2012				33,020	33,020	\$ 288,423
	Restricted Stock <sup>2</sup>	3/28/2012						\$ 283,811
<b>Former Executive</b>								
Robert G. Leary	LSPP Perf Shares	3/28/2012				97,608	146,412	\$ 852,588
	LSPP Deferred Shares	3/28/2012				27,598	27,598	\$ 241,063

(1) Amounts in this column represent the grant date fair value calculated in accordance with FASB ASC Topic 718.

(2) Fifty percent of Mr. Becker's long-term incentive is comprised of awards granted under the LSPP and the remaining 50% is granted in the form of restricted ADS units granted under the Equity Plan.

**Deal Incentive Awards**

The Company granted Deal Incentive Awards to certain employees in 2011. These awards were granted to encourage award recipients to achieve the successful execution of an IPO of the Company. Awards are stated in a U.S. dollar value that will be converted into shares of restricted common stock of the Company, which will be issued under the Omnibus Plan, on the closing date of the offering. Fifty percent of the restricted shares granted to the recipient upon this offering will fully vest at the end of the 180-day lock-up period described under Underwriting. The remaining 50% will fully vest at the earlier of (i) the end of the lock-up period specified in the underwriting agreement related to the first secondary share offering of Company common stock by ING Group (a Secondary Offering) following this offering or (ii) the date of closing of any post-offering merger or acquisition of the Company.

If an award recipient's employment terminates prior to the date of the offering, the award will be forfeited and no amount will be paid to the recipient. If, however, the recipient's employment is terminated without cause after the date of the offering but prior to the expiration of the 180-day lock-up period, then 50% of the restricted Company common stock will vest on termination of employment, and only the second 50% of the restricted stock would be forfeited. If the award recipient's employment terminates after the date of the offering but prior to the vesting of the second 50% of the restricted Company common stock pursuant to either a Secondary Offering or a merger or sale of the Company, the second 50% of restricted Company stock will generally not vest and will be forfeited. If the recipient's employment is terminated without cause either (i) after the date of a Secondary



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Offering but prior to the expiration of the associated lock-up period, or (ii) after the date of execution of the merger or acquisition agreement related to an acquisition of the Company, as applicable, then the remaining 50% of the restricted Company common stock will vest on the termination of employment. Upon the death of an award recipient at any time following the offering, all stock that would have been awarded will vest immediately with sales of such shares being subject to applicable lock-up periods. Certain restrictive covenants apply to the awards, and breach of any of those restrictive covenants would cause the award and any payments of restricted stock to be rescinded.

The terms of the Deal Incentive Awards of Mr. Steenbergen and Mr. Becker are set forth in award agreements and are as described in this section.

**Outstanding Equity Awards at Year End**

The table below provides information concerning unexercised options and stock and stock-based awards that have not vested for each NEO outstanding as of December 31, 2012.

**Outstanding Equity Awards Table at 2012 Year End**

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested <sup>(1)</sup>	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(1)</sup>
Rodney O. Martin, Jr.						21,091 <sup>(5)</sup>	\$ 196,779	84,593 <sup>(3)</sup>	\$ 789,253
Alain M. Karaoglan								36,076 <sup>(12)</sup>	\$ 336,589
						21,091 <sup>(5)</sup>	\$ 196,779	84,593 <sup>(3)</sup>	\$ 789,253
Ewout L. Steenbergen	2,051			14.37	3/15/2014				
	5,730			17.88	3/30/2015				
	4,860			25.16	3/23/2016				
	8,339			24.72	3/22/2017				
	11,447			16.66	3/13/2018				
	15,289			2.90	3/19/2019				
		13,918 <sup>(2)</sup>		7.35	3/17/2020			5,459 <sup>(11)</sup>	\$ 50,932
						15,239 <sup>(4)</sup>	\$ 142,180	11,462 <sup>(8)</sup>	\$ 106,940
						972 <sup>(9)</sup>	\$ 9,069		
						3,478 <sup>(5)</sup>		32,536 <sup>(3)</sup>	\$ 303,561
							\$ 32,450		
Maliz E. Beams								41,626 <sup>(12)</sup>	\$ 388,371
								81,340 <sup>(3)</sup>	\$ 758,902
						7,068 <sup>(5)</sup>	\$ 65,944		

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Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested <sup>(1)</sup>	Equity Incentive Plan Awards: Number of Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(1)</sup>
Jeffrey T. Becker	7,814			14.37	3/15/2014				
	10,816			17.88	3/30/2015				
	8,479			25.16	3/23/2016				
	7,124			24.72	3/22/2017				
	13,829			16.66	3/13/2018				
	9,996			2.90	3/19/2019				
		26,374 <sup>(2)</sup>		7.35	3/17/2020			10,343 <sup>(11)</sup>	\$ 96,500
						33,716 <sup>(10)</sup>	\$ 314,570	13,876 <sup>(8)</sup>	\$ 129,463
						27,479 <sup>(6)</sup>	\$ 256,379		
						21,635 <sup>(4)</sup>	\$ 201,855		
						18,134 <sup>(9)</sup>	\$ 169,190		
						33,020 <sup>(5)</sup>	\$ 308,077	32,536 <sup>(3)</sup>	\$ 303,561
						32,380 <sup>(7)</sup>	\$ 302,105		

**Former Executive**

Robert Leary	79,028			16.66	3/13/2018				
	56,570			2.90	3/19/2019				
		100,521 <sup>(2)</sup>		7.35	3/17/2020				

(1) The market value was determined by multiplying \$9.33, the closing price of a share of ING Group common stock on December 31, 2012, by the number of shares or units.

(2) These options vested on March 17, 2013.

(3) These performance shares are scheduled to vest, in equal annual installments on March 28, 2013, March 28, 2014 and March 28, 2015 based on the achievement of performance metrics that are determined prior to each vesting cycle.

(4) These deferred shares are scheduled to vest on March 31, 2013.

(5) These deferred shares are scheduled to vest, in equal annual installments on March 28, 2013, March 28, 2014 and March 28, 2015.

(6) This restricted stock is scheduled to vest on January 1, 2014.

(7) This restricted stock is scheduled to vest on January 1, 2015.

(8) These performance shares are scheduled to vest, in equal annual installments on March 30, 2013 and March 30, 2014 based on the achievement of performance metrics that are determined prior to each vesting cycle.

(9) These deferred shares are scheduled to vest, in equal annual installments on March 30, 2013 and March 30, 2014.

(10) This restricted stock is scheduled to vest on January 1, 2013.

(11) These performance shares vested on March 17, 2013 based on the achievement of pre-established performance criteria.

(12) These performance shares are scheduled to vest, in equal annual installments on September 7, 2013 and September 7, 2014 based on the achievement of performance metrics that are determined prior to each vesting cycle.

The equity-based awards made in 2012 and 2011 were under the LSPP and the Equity Plan and awards made in years before 2011 were made under the GSOP, the LEO Plan and the Equity Plan. All equity-based awards set forth on the table above were awards in respect of ING Group ordinary shares.

**Table of Contents****Option Exercises and Stock Vested in 2012**

The following table provides information regarding all of the restricted units and performance shares held by the NEOs that vested during 2012 on an aggregated basis. None of the NEOs exercised any options in 2012.

**Option Exercises and Stock Vested Table for 2012**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Alain M. Karaoglan			14,430	\$ 117,709
Ewout L. Steenberg			6,479	\$ 61,477
			4,584	\$ 39,119
			485	\$ 4,139
Maliz E. Beams			16,650	\$ 135,818
Jeffrey T. Becker			4,236	\$ 40,194
			5,550	\$ 47,363
			9,066	\$ 77,368
			17,922	\$ 128,590
			24,892	\$ 205,351
<b>Former Executive</b>				
Robert G. Leary <sup>(1)</sup>			23,971	\$ 227,454
			35,914	\$ 306,486
			5,986	\$ 51,084
			101,426	\$ 762,216
			99,564	\$ 821,403
			39,420	\$ 95,471
			66,568	\$ 623,224
			39,570	\$ 370,463
		124,448	\$ 1,146,788	

- <sup>(1)</sup> The following stock awards of Mr. Leary vested and were paid out in connection with his departure, in accordance with the terms of his employment agreement, as amended: (1) 39,420 performance shares granted under the LEO Plan were paid based on the TSR results as of June 30, 2012, as determined by ING Group, multiplied by the ING Group closing share price on December 7, 2012 (\$95,471 was paid to Mr. Leary and \$275,093 was forfeited by Mr. Leary in connection with the amendment of his employment agreement); (2) 66,568 restricted shares granted under the Equity Plan were paid based on the ING Group opening share price on December 6, 2012 (\$623,224); (3) 39,570 deferred shares granted under the LSPP were paid based on the ING Group opening share price on December 6, 2012 (\$370,463); and (4) 124,448 restricted shares granted under the Equity Plan were paid based on the average of the high and low price of ING American Depository Receipts on December 28, 2012 (\$9.21 1/2) (\$1,146,788). The following stock awards of Mr. Leary vested and would have been paid out in connection with his departure; however, he forfeited the right to receive these amounts in connection with the amendment of his employment agreement: (a) 44,893 performance shares granted under the LSPP, representing the 2012 portion of the 2011 performance shares (\$420,298); (b) 32,536 performance shares granted under the LSPP, representing the 2012 portion of the 2012 performance shares (\$304,609) and (c) 29,383 performance shares granted under the LEO Plan (\$275,093).

**Pension Benefits**

As described above under 2012 Compensation Tax-qualified and Non-qualified Retirement and Other Deferred Compensation Plans, the Company maintains tax-qualified and nonqualified defined benefit (pension) plans that provide retirement benefits for employees whose length of service allows them to vest in and receive these benefits. During 2012 regular full-time and part-time employees of the Company who were hired before January 1, 2009 and completed one year of service were covered by the Retirement Plan. Certain highly compensated employees who participate in the Retirement Plan whose benefits cannot be paid from the Retirement Plan as a result of tax limitations and who are designated by the Company are also eligible to participate in the SERP.

The benefit under the Retirement Plan for employees who participated prior to January 1, 2009 is currently calculated using a final average pay pension formula based on the employee's average compensation for the highest five consecutive whole calendar years of benefit service earned during a period ranging from 10 to 20 years preceding the date of retirement. Eligible compensation generally includes base salary, annual incentive award and commissions, if applicable. The SERP benefit is equal to the difference between (a) the participant's retirement benefit before taking into account the tax limitations on eligible compensation and other compensation



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deferrals and (b) the participant's actual retirement benefit paid from the Retirement Plan. Pension benefits under the Retirement Plan and SERP are generally payable in the form of a monthly annuity, though certain benefits under the Retirement Plan may be received as a lump-sum or partial lump-sum payment.

A participant's retirement benefits under the Retirement Plan and the SERP vest in full upon completion of five years of vesting service, when the participant reaches age 65 or if the participant dies while in active service with the Company. Participants may begin receiving full retirement benefits at age 65 and may be eligible for reduced benefits if retiring at an earlier age with a minimum of five years of vesting service. As of December 31, 2012, none of the NEOs were eligible for early retirement under the Retirement Plan. Benefits under the SERP may be forfeited at the discretion of the Company if the participant engages in unauthorized competition with the Company, is discharged for cause, or performs acts of willful malfeasance or gross negligence in a matter of material importance to the Company. The Retirement Plan and the SERP were closed to new participants effective January 1, 2009.

Beginning January 1, 2012, all ING U.S. employees transitioned to a new cash balance pension formula under the Retirement Plan. A similar change to the SERP was also made. The cash balance pension formula credits 4% of eligible compensation to a hypothetical account in the Retirement Plan and SERP, as applicable, each month. Account balances receive a monthly interest credit based on a 30-year Treasury bond rate published by the IRS in the preceding August of each year (for 2012 that rate was 3.65%). Participants in the Retirement Plan and SERP prior to January 1, 2012 will transition to the new cash balance pension formula during the two-year period ending December 31, 2013. Benefits that accrue during the transition period will be determined based on the prior final average pay pension formula or the new cash balance pension formula, whichever is greater. As participants in the Retirement Plan and the SERP prior to January 1, 2012, pension benefits for Messrs. Becker and Leary that accrue from January 1, 2012 through the transition period will be determined based on the greater of the prior final average pay pension formula or the new cash balance pension formula. Pension benefits that accrue after the transition period will be solely based on the new cash balance pension formula. Pension benefits for NEOs hired after December 31, 2008, including Messrs. Martin and Karaoglan and Ms. Beams, will be determined based solely on the new cash balance pension formula beginning January 1, 2012.

During 2012, Mr. Steenbergen participated in the ING Group Directors' Pension Scheme (the Directors' Pension Plan), to which a percentage of his base salary was automatically contributed. The benefit under the Directors' Pension Plan is calculated based on the participant's years of service and fixed annual salary (adjusted annually). Members of the Directors' Pension Plan may begin receiving full retirement benefits at age 65 and may be eligible for reduced benefits if retiring at an earlier age.

The following table presents the accumulated benefits under the pension plans in which each NEO participates.

**Pension Benefits in 2012<sup>(1)</sup>**

Name	Plan Name	Number Years Credit Service	Present Value of Accumulated Benefit	Payments During 2012
Rodney O. Martin, Jr.	Retirement Plan	1	\$ 10,090	\$ 0
	SERP	1	\$ 20,119	\$ 0
Alain M. Karaoglan	Retirement Plan	1	\$ 9,616	\$ 0
	SERP	1	\$ 19,193	\$ 0
Ewout L. Steenbergen	ING Group Directors Pension Plan	18.5	\$ 1,579,110	\$ 0
Maliz E. Beams	Retirement Plan	1	\$ 9,900	\$ 0
	SERP	1	\$ 19,728	\$ 0
Jeffrey T. Becker	Retirement Plan	18	\$ 350,479	\$ 0
	SERP	18	\$ 703,070	\$ 0
<b>Former Executive</b>				
Robert G. Leary	Retirement Plan	5	\$ 143,453	\$ 0
	SERP	5	\$ 284,998	\$ 0

(1) Assumptions for the Pension Benefits in 2012 table include:

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The present value of accumulated benefits under the Retirement Plan and SERP shown in the Pension Benefits in 2012 table is calculated using the same actuarial assumptions used by the Company for GAAP financial reporting purposes, and assuming benefits commence as of age 65 under both plans. Those assumptions are:

The discount rate is 4.05%.

The RP-2000 Mortality Table with generational projection using Scale AA for males and females after commencement at age 65. No mortality assumed before age 65.

The interest crediting rate on cash balance accounts is 3.5%, except AFS cash balance benefits have a minimum of 5.0%.

The cost of living adjustment under prior AFS benefits is 2.2%.

Assumptions for the 2012 ING Group Director's Pension Plan include:

The discount rate is 3.70%, long-term rate of return on plan assets is 3.40%, and general inflation is 2.00%.

No general salary increase is assumed; promotional/seniority increase is assumed to be 10% between age 15 and 44.

Social Security increase is 2.00%; there is no cost-of-living indexation during 2013 or 2014 and for 2015 indexation is 2.00%.

Mortality is based on the AG Generational Table 2012-2062 with mortality rates from the Banking Sector.

Retirement age is equal to the normal pension age, 65. In lieu of deferment, Mr. Steenberg has the option to commence his benefits immediately and would receive a monthly life annuity of approximately \$2,138.

Payment is assumed to be in the form of a life-long annuity, and in the event of disability, a temporary annuity payable until the age of 65.

The conversion rate from Euro to USD is 1.2946 (as of January 1, 2012).

### ***Nonqualified Deferred Compensation Plans***

The Company maintains the DCSP, a nonqualified deferred compensation plan that allows employees to contribute to deferred compensation accounts amounts above the 401(k) annual limit and provides certain company matching contributions on the deferred amounts.

#### ***ING Insurance Americas 409A Deferred Compensation Savings Plan***

Eligible employees who meet certain compensation thresholds may elect to participate in the DCSP. Participating employees may elect to defer up to 50% of their salary, up to 50% of their sales-based commission compensation, up to 100% of their short-term variable compensation (excluding sales-based commissions) and up to 100% of their long-term variable compensation and may also elect to defer compensation they

would have contributed to their 401(k) Plan accounts were it not for the compensation and contribution limits under the Internal Revenue Code. The Company provides a 6% matching contribution on certain amounts elected to be deferred under the DCSP to enable company-matched contributions on deferrals that are in excess of the 401(k) contribution limits. The aggregate company match under the 401(k) plan and DCSP for 2012 was limited to \$45,000.

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The table below presents, for each NEO, 2012 information with respect to the DCSP.

**Nonqualified Deferred Compensation Plans Table for 2012**

Name	Executive Contributions in 2012 <sup>(1)</sup>	Registrant Contributions in 2012 <sup>(1)</sup>	Aggregate Earnings in 2012 <sup>(2)</sup>	Aggregate Withdrawals/Distributions	Aggregate Balance at 2012 End
Rodney O. Martin, Jr.	\$ 80,132	\$ 30,300	\$ 12,810	\$ 0	\$ 198,380
Alain M. Karaoglan	\$ 59,132	\$ 30,300	\$ 8,653	\$ 0	\$ 146,033
Ewout L. Steenbergen	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Maliz E. Beams	\$ 36,295	\$ 36,295	\$ 1,586	\$ 0	\$ 74,176
Jeffrey T. Becker	\$ 63,643	\$ 30,300	\$ 101,597	\$ 0	\$ 2,267,894
<b>Former Executive</b>					
Robert G. Leary	\$ 821,633	\$ 34,000	\$ 332,815	\$ 0	\$ 6,126,270

(1) Amounts reported in this column that are reported in the Summary Compensation Table are: Mr. Martin \$80,132 base salary; Mr. Karaoglan \$59,132 base salary; Ms. Beams \$36,295 base salary; Mr. Becker \$63,643 base salary; and Mr. Leary \$81,482 base salary and \$740,651 stock awards.

(2) Amounts in this column reflect the interest earned on notional investments, which investments are elected by the participant. The participant has the ability to change his or her investment election only during the annual open enrollment period.

**Potential Payments upon a Termination or Change in Control****ING Americas Severance Pay Plan**

The ING Americas Severance Pay Plan (the "Severance Plan") provides for the payment of severance benefits to eligible employees in the event of a qualifying termination of employment. Examples of qualifying termination events include an employee's job elimination as a result of a reduction in workforce, an acquisition, a merger, divestiture or restructuring, outsourcing or position elimination. Other examples of qualifying termination events are significant pay reductions due to an employer-requested job change, the transfer of an employee's job function more than 50 miles from the employee's current work location, an employee's job being filled while the employee is on an approved leave and the expiration of an employee's expatriation assignment. Employees whose employment terminates for reasons other than a qualifying termination, including those who resign or are terminated for unsatisfactory performance, violation of laws or Company policies or similar reasons are not eligible for payments under the Severance Plan. Under the Severance Plan, eligible employees who do not sign a waiver and release agreement in connection with their employment termination receive two weeks of eligible pay. Employees who sign a waiver and release receive a benefit equal to the greatest of six weeks of eligible pay, two weeks of eligible pay per year of service (up to 52 weeks of eligible pay), or two weeks of eligible pay per \$10,000 of eligible pay (up to 52 weeks of eligible pay). Outplacement and support services may be provided to eligible employees at the discretion of the Company. Mr. Martin has an employment agreement that provides for a lump-sum severance payment equal to annual salary in the event of an involuntary separation without Cause or for Good Reason, as defined in the employment agreements. Pursuant to Mr. Steenbergen's localization arrangements, if he is involuntarily terminated without Cause (as defined in his offer letter), prior to April 15, 2014, in addition to severance under the ING U.S. Severance Plan, he will be paid a market value allowance of \$400,000 on April 14, 2014. Ms. Beams' offer letter provides for a lump sum severance payment equal to \$600,000 in the event her employment is terminated without Cause, as defined in the offer letter, prior to the first vesting of 50% of her Deal Incentive Award. See the description of individual agreements in Employment Agreements below for additional information regarding these arrangements. Currently, there are no other employment agreements that provide payments due to termination of employment. Mr. Karaoglan, Mr. Steenbergen, Ms. Beams and Mr. Becker are eligible to participate in the ING U.S. Severance Plan that is generally available to all full-time and part-time employees. For 2012, Mr. Steenbergen was eligible for severance benefits in accordance with Dutch legal requirements.



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**Table of Contents****Employment Agreements*****Employment Agreement of Mr. Martin***

The Company has an employment agreement with Mr. Martin, who serves as Chief Executive Officer of the Company and a member of its Board of Directors. The agreement provides that in the event of an IPO of the Company, and conditioned upon Mr. Martin's continued employment thereafter, Mr. Martin will assume the role of Chairman of the Board of the Company in addition to his current roles. The term of the employment agreement is April 4, 2011 to December 31, 2014 and can be extended by mutual agreement.

Under the terms of his employment agreement, Mr. Martin receives an annual base salary of \$1 million and has the opportunity for certain incentive payments. Mr. Martin is eligible to participate in the ICP, under which he may receive an award subject to his achievement of pre-established performance goals during each year ending during his employment. The amounts awarded under the ICP are determined by the Supervisory Board and have a target of 100% of base salary with an opportunity to earn up to 200% of his base salary, a certain portion of which is subject to deferral.

In addition to his base salary and ICP opportunity, Mr. Martin is eligible to receive an Offering Incentive Award in the amount of \$6 million, contingent upon successful completion of an IPO of the Company, provided that he remains employed by the Company upon the completion of the IPO and each applicable payment and settlement date. Upon the completion of an IPO, Mr. Martin's Offering Incentive Award will be payable as \$2 million in cash and \$4 million in Company restricted stock (based on the IPO price). The cash component of the award will be payable in a lump sum no later than 10 business days after the completion of the IPO. The restricted shares will vest as follows, provided that Mr. Martin is still employed by the Company on the applicable vesting date: (i) prior to December 31, 2014, if the Company completes one or more additional public offerings, a number of shares underlying the restricted share award shall vest equal to (I) the total number of shares underlying the original restricted share award multiplied by (II) the percentage of Company shares held by ING Group after the IPO that are sold in an additional public offering, and (ii) on December 31, 2014, if all of the shares underlying the original restricted stock award have not yet vested, and ING Group owns less than 50% of the amount of Company shares that it held prior to the IPO (the Pre-IPO Shares), then 50% of the unvested restricted shares shall vest (but no shares will vest if ING Group continues to own 50% or more of the Pre-IPO Shares). If the number of shares underlying the restricted stock award that have vested pursuant to the above is less than the Minimum RSA Shares, determined as (I) the number of shares underlying the restricted stock award multiplied by (II) a fraction, the numerator of which is the amount by which the percentage of the Pre-IPO Shares no longer owned by ING Group as of December 31, 2014 exceeds 33.33% and the denominator of which is 66.67%, then an additional number of shares underlying the restricted stock award shall vest such that the total number of shares that have vested is not less than the Minimum RSA Shares. All unvested shares underlying the restricted share award that have not vested as of December 31, 2014 shall be forfeited. In the event of Mr. Martin's termination without cause, termination for good reason, death or disability following an IPO but prior to a relevant payment or vesting date, any unpaid portion of the Offering Incentive Award will immediately vest and be paid, unless applicable law or regulation requires payment in a different form or at a different time. Except as provided in his employment agreement, Mr. Martin's restricted shares will be subject to the terms of the equity plan for executive officers of the Company in effect at the time of the IPO and to the terms of his award agreement under it.

During his employment, Mr. Martin is eligible to receive long-term equity-based incentive awards. With respect to the 2011 and 2012 performance years, he was eligible, in ING Group's sole discretion, to receive up to a maximum aggregate amount of \$2,000,000 in long-term incentive awards (his Long-Term Incentive). Beginning for fiscal year 2013 performance, Mr. Martin will be eligible to receive an annual long-term incentive award, as determined in its discretion by the Compensation Committee of the Board of Directors of the Company, under one or more compensation plans to be established by the Company in its discretion. Mr. Martin is entitled to participate in each of the Company's employee benefit and welfare plans, including plans providing retirement benefits or medical, dental, hospitalization, life or disability insurance, on a basis that is at least as favorable as that provided to other senior executives of the Company.

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Mr. Martin's employment agreement contains various provisions governing termination. If the Company terminates Mr. Martin's employment for cause (which includes willful failure to perform substantially under the agreement, *after* demand for substantial performance has been given by the Board of Directors of the Company that specifically identifies how he has not substantially performed his responsibilities, engagement in illegal conduct or in gross negligence or willful misconduct, in any case, that is materially and demonstrably injurious to either ING Group or the Company and material breach of non-compete, non-solicitation and other restrictive covenants in the employment agreement) or if Mr. Martin terminates his employment other than for good reason (which includes a reduction in salary or incentive award opportunities, failure to pay compensation or other amounts due under the agreement, failure to elect and maintain Mr. Martin in the positions contemplated by the employment agreement, any material reduction or other materially adverse action related to his authority, responsibilities or duties, or relocation of his principal office more than 50 miles from the New York City metropolitan area) the Company will pay his unpaid salary through the end of his employment, his salary for any accrued but unused paid time off, any accrued expense reimbursements and other cash entitlements and any unpaid but vested ICP award for a year ending before the end of his employment (collectively, his *Accrued Compensation*). In addition, the Company will pay any benefits to which he is entitled under any plan, contract or arrangement other than those described in the employment agreement, (including any unpaid deferred compensation and other cash compensation accrued by him through the end of his employment) (collectively, the *Other Benefits*).

If the Company terminates Mr. Martin's employment without cause or if he terminates his employment for good reason, the Company will pay his *Accrued Compensation*, the *Other Benefits*, a pro rata ICP award (based on actual performance through the termination date, multiplied by the number of days of employment before termination divided by 365), and a lump-sum severance payment equal to his salary and any unpaid portion of the Offering Incentive Award if his termination occurs on or after the date of an IPO. The Company's obligation to make the specified payments and benefits in the event of a termination by the Company without cause or by Mr. Martin for good reason is conditioned upon Mr. Martin's execution and delivery, without subsequent revocation, of an agreement releasing ING Group from all other liability.

***Employment Agreement of Mr. Karaoglan***

Mr. Karaoglan serves as the Executive Vice President and Chief Operating Officer of the Company, reporting to the CEO. Certain terms and conditions of his employment are set forth in an offer letter dated April 5, 2011. Mr. Karaoglan is employed at will, and the Company may change the terms of or terminate his employment at any time.

Under the terms of his offer letter, Mr. Karaoglan received an annual base salary of \$650,000 and has the opportunity for certain incentive payments. Mr. Karaoglan is eligible to receive an annual incentive award with a target bonus opportunity of 100% of his base salary with the opportunity to earn up to 200% of his base salary, a certain portion of which is subject to deferral. Mr. Karaoglan is also eligible to participate in the LSPP, under which he may receive a long-term incentive award of ING Group restricted stock and/ or performance shares with a target value of 100% of his salary.

In addition to his base salary, annual incentive award opportunity and long-term incentive award opportunity, Mr. Karaoglan is eligible to receive an Offering Incentive Award in the amount of \$2 million, contingent upon successful completion of an IPO of the Company, provided that he remains employed by the Company upon the completion of the IPO and the vesting date. Upon the completion of an IPO, Mr. Karaoglan will be awarded \$666,667 in cash and \$1,333,333 in restricted Company shares based on the IPO price. The cash component of the award will be payable in a lump sum no later than 30 business days after the completion of the IPO. The restricted shares would vest pursuant to the same terms and conditions as those described above for the vesting of the Offering Incentive Award of Mr. Martin, under *Employment Agreement of Mr. Martin*. All unvested shares underlying the restricted share award that have not vested as of December 31, 2014 shall be forfeited. If Mr. Karaoglan's employment is terminated without cause (which includes willful failure to perform substantially under the

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agreement, *after* demand for substantial performance has been given by the Company that specifically identifies how he has not substantially performed his responsibilities, and engagement in illegal conduct or in gross negligence or willful misconduct, in any case, that is materially and demonstrably injurious to the Company) or for good reason (which includes a reduction in salary or ICP award opportunity, more than 50% of his responsibilities change and are not replaced with other responsibilities of generally similar significance or relocation of his principal office more than 50 miles from the New York City metropolitan area), death or disability following an IPO but prior to a relevant vesting or payment date, the Offering Incentive Award will immediately vest and be paid, unless applicable law or regulation requires payment in a different form or at a different time. Except as provided in his offer letter, Mr. Karaoglan's restricted stock award will be subject to the terms of the equity plan for executive officers of the Company in effect at the time of the IPO and to the terms of his award agreement under it.

***Employment Agreement of Mr. Steenbergen***

Mr. Steenbergen serves as Executive Vice President and Chief Financial Officer of the Company. During 2012, prior to Mr. Steenbergen's localization and the execution of his offer letter, dated March 28, 2013, Mr. Steenbergen was party to an employment agreement with ING Group, as Director of the Retail Division of ING Nederland. This agreement was originally entered into on May 19, 2004 and was amended effective January 1, 2006. Mr. Steenbergen's employment agreement was governed by Dutch law, with ING Group able to terminate the agreement with six months' notice and Mr. Steenbergen able to terminate the agreement with three months' notice. See *Expatriate Arrangements and Localization of Mr. Steenbergen* for more information regarding the terms of Mr. Steenbergen's offer letter.

Under the terms of his employment agreement as in effect on December 31, 2012, Mr. Steenbergen was eligible for awards of ING Group options, shares and performance shares under the LEO. Mr. Steenbergen also received a long-term bonus upon 10, 25 and 40 years of employment, in the amount of 25% of his net monthly salary and, 100% and 200%, of his gross monthly salary, respectively.

Mr. Steenbergen was entitled to lease a vehicle and was also eligible for reimbursement of certain expenses, including representation fees and telephone fees as well as relocation expenses. If Mr. Steenbergen took out a mortgage on a residence from an ING Group company, he was entitled to a 25% discount on a maximum of \$500,000 of the mortgage interest payable.

Mr. Steenbergen was eligible to participate in the ING Group Directors' Pension Plan and, if employed in the Netherlands in 2012 would have been eligible for the ING Group Company Savings Scheme. For a description of the ING Group Directors' Pension Plan, see *Pension Benefits* above. If Mr. Steenbergen became unable to work due to disability, he would have received 100% of his fixed annual salary for one year. In the second year of disability, Mr. Steenbergen would have been paid 100% of his salary in respect of any hours worked and, in respect of any hours not worked, he would have received a payment based on 70% of his annual income. Unless not possible due to the nature of the disease or disability, Mr. Steenbergen would have been reintegrated to work according to a mutually agreed-upon written reintegration plan. He would have been eligible for a discretionary bonus of 20% of his annual income after one year of disability, subject to sufficient cooperation with a written reintegration plan and 10% of his annual income after two years of disability, subject to a determination that he had reached the maximum attainable reintegration from a medical and labor perspective.

If Mr. Steenbergen's employment had terminated due to occupational disability, retrenchment or retirement, he would have received a payment of three times his fixed monthly salary. If Mr. Steenbergen had died prior to his retirement date, his spouse would have received a payment of four times his fixed monthly salary, any children under 21 years old would have been entitled to a payment of one-fourth of his monthly salary and any children between the ages of 21 and 27 years old would have received a payment of half of his monthly salary.

The terms of Mr. Steenbergen's localization and his employment as a local employee of the Company are set forth in an offer letter dated March 28, 2013. Since his localization, Mr. Steenbergen is employed at will, and

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the Company may change the terms of or terminate his employment at any time. Under the terms of his offer letter, Mr. Steenberg, beginning April 1, 2013, will receive a base salary of \$550,000 and has a target annual incentive opportunity of 100% of his base salary, and a long-term incentive opportunity of 200% of his base salary. To support his transition to a local, market competitive compensation package, Mr. Steenberg will receive a market value allowance of \$400,000 for each twelve-month period beginning April 15, 2013 and 2014, respectively. If, however, Mr. Steenberg is terminated for cause (as defined in his offer letter) prior to the payment of his market value allowance in 2014, Mr. Steenberg will not receive such payment. In addition, if Mr. Steenberg voluntarily leaves employment with the Company prior to April 15, 2015, he is required to repay a prorated amount of the market value allowance already paid. Following his localization, Mr. Steenberg is now eligible to participate in Company-sponsored health and insurance programs, offered on the same terms and conditions as those made generally available to all full-time and part-time employees, as well as the DCSP and the Retirement Plan.

Mr. Steenberg was awarded a Deal Incentive Award with an original value of \$650,000, subject to the terms and conditions described above under Compensation of Named Executive Officers Grants of Plan Based Awards Deal Incentive Awards, which, in connection with his localization, was increased to \$800,000.

***Employment Agreement of Ms. Beams***

Ms. Beams serves as the Chief Executive Officer, Retirement, of the Company, reporting to the CEO. Certain terms and conditions of her employment are set forth in an offer letter dated May 27, 2011. Ms. Beams is employed at will, and the Company may change the terms of or terminate her employment at any time.

Under the terms of her offer letter, Ms. Beams receives an annual base salary of \$600,000 and has the opportunity for certain incentive payments. Ms. Beams is eligible to receive an annual incentive award with a target bonus opportunity of 125% of her base salary, a certain portion of which is subject to deferral. Ms. Beams is also eligible to participate in the LSPP, under which she may receive a long-term incentive award of ING Group restricted stock and / or performance shares with a target value of 125% of her base salary.

In addition to her base salary, annual incentive award opportunity and long-term incentive award opportunity, Ms. Beams is eligible to receive an Offering Incentive Award with an aggregate value of \$1.5 million, contingent upon a successful completion of an IPO of the Company, provided that she remains employed by the Company upon the completion of the IPO and the vesting date. The award amount will be converted into shares of restricted common stock of the Company on the closing date of the offering. Fifty percent of the restricted shares granted upon this offering will fully vest at the end of the 180-day lock-up period described under Underwriting. The remaining 50% will fully vest at the earlier of (i) the end of the lock-up period specified in the underwriting agreement related to the Secondary Offering following this offering or (ii) the date of closing of any post-offering merger or acquisition of the Company.

If Ms. Beams employment terminates prior to the expiration of the 180-day lock-up period, the award will be forfeited and no amount will be paid, other than a lump-sum severance payment as described below. If her employment is terminated after the expiration of the 180-day lock-up period, then only the second 50% of the restricted stock would be forfeited. If her employment is terminated either (i) by the Company for any reason after the date of a Secondary Offering but prior to the expiration of the associated lock-up period, or (ii) by an acquirer for any reason after the date of execution of the merger or acquisition agreement related to an acquisition of the Company, as applicable, then the remaining 50% of the restricted Company common stock will be forfeited.

The terms of Ms. Beams offer letter provide that upon a termination without cause prior to the earlier of (i) the first vesting of 50% of her Offering Incentive Award or (ii) the closing date of a trade sale of the Company, the Company will pay her a lump-sum payment of \$600,000. Ms. Beams severance benefit equal to 52 weeks of base salary continuation under the Severance Plan is also guaranteed if a qualifying termination occurs within two years from her date of hire.

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***Employment Agreement of Mr. Becker***

Mr. Becker serves as the Chief Executive Officer of Investment Management. Certain terms and conditions of his employment are set forth in an offer letter from Aetna Life & Casualty, dated July 25, 1994. Under the terms of his offer letter, Mr. Becker is entitled to an annual base salary of \$82,500, which may be reviewed and adjusted. Mr. Becker's current annual base salary, as described above under 2012 Compensation Base Salary was \$350,000 from January 1, 2012 through February 29, 2012 and \$400,000 from March 1, 2012 through December 31, 2012. Mr. Becker is employed at will, and the Company may change the terms of or terminate his employment at any time.

Mr. Becker is party to a letter agreement making him eligible to receive a Deal Incentive Award of \$800,000, subject to the terms and conditions described above under Compensation of Named Executive Officers Grants of Plan Based Awards Deal Incentive Awards.

***Employment Agreement of Mr. Leary***

On March 26, 2011, we entered into an employment agreement with Mr. Leary, who served as the President and Chief Operating Officer of the Company, reporting to the CEO. Mr. Leary's employment agreement was amended in December 2012 in conjunction with the termination of his employment. Mr. Leary went on leave in September 2012 pending his departure from the Company, which occurred on December 6, 2012.

Under the terms of his employment agreement, as amended, Mr. Leary received an annual base salary of \$900,000 and had the opportunity for certain incentive payments. Mr. Leary was eligible to participate in the ICP, under which he was eligible to receive an award subject to his achievement of pre-established performance goals during each year ending during his employment. The amounts awarded under the ICP were determined by the Supervisory Board and had a target of 150% of base salary with an opportunity to earn up to 300% of his base salary, a certain portion of which was subject to deferral. Mr. Leary was also eligible to receive an annual long-term incentive award for each year ending during the term of his employment agreement equal to 150% of his salary. Had Mr. Leary been employed upon the successful completion of the IPO of the Company, he would have been eligible to receive an Offering Incentive Award. Due to the cessation of his employment prior to the offering, Mr. Leary is no longer eligible for that award.

During his employment, Mr. Leary was entitled to participate in each of ING Group's employee benefit and welfare plans, including plans providing retirement benefits or medical, dental, hospitalization, life or disability insurance, on a basis that was at least as favorable as that provided to other senior executives of the Company.

The terms of Mr. Leary's employment agreement provided that upon a termination without cause, the Company would pay his Accrued Compensation, the Other Benefits (including awards under the long-term incentive plans), a pro rata ICP award (based on actual performance through the termination date, multiplied by the number of days of employment since the year ending before termination divided by 365), and a lump-sum severance payment equal to his salary. Pursuant to the amendment to Mr. Leary's employment agreement, Mr. Leary agreed to forfeit his right to receive the vesting and payment of certain equity awards, in an aggregate amount of \$1,000,000 in consideration for a reduction from 12 months to 6 months to the length of time during which he agreed not to compete with the Company. The Company's obligation to make the specified payments and benefits in the event of a termination by the Company without cause was conditioned upon Mr. Leary's execution and delivery, without subsequent revocation, of an agreement releasing ING Group from all other liability, which Mr. Leary executed on December 20, 2012.

**Table of Contents****Potential Payments upon Termination or Change of Control Table<sup>(1)</sup>**

The following table sets forth, for each NEO who was employed as of December 31, 2012, an estimate of potential payments the NEO would have received at, following, or in connection with a termination of employment under the circumstances enumerated below on December 31, 2012.

Name	Termination Trigger	Severance <sup>(2)</sup>	Continued Benefits Health and Welfare Continuation	Equity Vesting <sup>(3)</sup>	Other Benefits <sup>(4)</sup>	Total
Rodney O. Martin, Jr.	Involuntary termination without cause / for good reason <sup>(5)</sup>	\$ 1,000,000	\$	\$ 459,857	\$ 8,500	\$ 1,468,357
	Voluntary Termination <sup>(6)</sup>	\$	\$	\$	\$	\$
	Retirement <sup>(6)</sup>	\$	\$	\$	\$	\$
	Death <sup>(6)</sup>	\$	\$	\$ 986,032	\$	\$ 986,032
	Disability <sup>(6)</sup>	\$	\$	\$	\$	\$
	Involuntary termination following Change in Control <sup>(5)</sup>	\$ 1,000,000	\$	\$ 459,857	\$ 8,500	\$ 1,468,357
Alain M. Karaoglan	Involuntary termination without cause / for good reason <sup>(5)</sup>	\$ 650,000	\$ 8,274	\$ 628,152	\$ 8,500	\$ 1,294,926
	Voluntary Termination <sup>(6)</sup>	\$	\$	\$	\$	\$
	Retirement <sup>(6)</sup>	\$	\$	\$	\$	\$
	Death <sup>(6)</sup>	\$	\$	\$ 1,322,621	\$	\$ 1,322,621
	Disability <sup>(6)</sup>	\$	\$	\$	\$	\$
	Involuntary termination following Change in Control <sup>(5)</sup>	\$ 650,000	\$ 8,274	\$ 628,152	\$ 8,500	\$ 1,294,926
Ewout L. Steenbergen <sup>(7)</sup>	Involuntary termination without cause / for good reason <sup>(5)</sup>	\$ 741,265	\$	\$ 473,328	\$	\$ 1,214,593
	Voluntary Termination <sup>(6)</sup>	\$	\$	\$	\$	\$
	Retirement <sup>(6)</sup>	\$	\$	\$	\$	\$
	Death <sup>(6)</sup>	\$ 142,406	\$	\$ 729,184	\$	\$ 871,590
	Disability <sup>(6)</sup>	\$ 106,805	\$	\$ 84,052	\$	\$ 190,857
	Involuntary termination following Change in Control <sup>(5)</sup>	\$ 741,265	\$	\$ 473,328	\$	\$ 1,241,593
Maliz E. Beams	Involuntary termination without cause / for good reason <sup>(5)</sup>	\$ 600,000	\$ 8,219	\$ 513,094	\$ 608,500	\$ 1,729,813
	Voluntary Termination <sup>(6)</sup>	\$	\$	\$	\$	\$
	Retirement <sup>(6)</sup>	\$	\$	\$	\$	\$
	Death <sup>(6)</sup>	\$	\$	\$ 1,213,217	\$	\$ 1,213,217
	Disability <sup>(6)</sup>	\$	\$	\$	\$	\$
	Involuntary termination following Change in Control <sup>(5)</sup>	\$ 600,000	\$ 8,219	\$ 513,094	\$ 608,500	\$ 1,729,813
Jeffrey T. Becker	Involuntary termination without cause / for good reason <sup>(5)</sup>	\$ 684,945	\$ 8,274	\$ 1,869,536	\$ 8,500	\$ 2,571,255
	Voluntary Termination <sup>(6)</sup>	\$	\$	\$	\$	\$
	Retirement <sup>(6)</sup>	\$	\$	\$	\$	\$
	Death <sup>(6)</sup>	\$ 284,945	\$	\$ 2,136,654	\$	\$ 2,421,599
	Disability <sup>(6)</sup>	\$ 284,945	\$	\$ 928,008	\$	\$ 1,212,953
	Involuntary termination following Change in Control <sup>(5)</sup>	\$ 684,945	\$ 8,274	\$ 1,869,536	\$ 8,500	\$ 2,571,255

(1) All amounts assume that the triggering event took place on December 31, 2012 and the price per share of ING Group ordinary share was 7.06; US \$9.33 on December 31, 2012. No pro-rata bonus for the year of termination is included in the table because termination is assumed to be as of December 31, 2012 and full bonus would have been deemed earned as of that date. As of December 31, 2012, none of the named executive officers were retirement eligible, therefore retirement benefits are not reported. There are no change in control provisions that would affect the level of benefits payable from the pension plans. The ING U.S. Severance Plan determines benefits under a formula that takes into account service and salary. The Plan's maximum severance benefit is equal to 52 weeks of eligible pay.

(2) Under the terms of his employment agreement, cash severance payments to Mr. Martin would be made in a lump sum by the Company. Under the terms of her offer letter, Ms. Beams' \$600,000 cash payment would be made in a lump sum by the Company. Under the terms of the Severance Plan and subject to the

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executive's execution of a release, cash severance payments to Mr. Karaoglan, Ms. Beams and Mr. Becker would be made by the Company in substantially equal, semi-monthly payments as the same time as the regular payroll, for the duration of the severance period. The amount for Mr. Becker also includes the value as of December 31, 2012 of a deferred bonus granted on May 7, 2010, which is scheduled to vest on April 1, 2013 (\$284,954). The deferred bonus were notionally invested in ING managed funds.

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- (3) The equity valuations were determined using the ING Group closing share price on December 31, 2012 and the interim payout percentages for performance shares as of this same date. These totals exclude the values of the Transaction Incentive Bonuses. The following table details the equity valuations determined using the ING Group closing share price on December 31, 2012.

Name	Performance Shares				
	Stock Options	Total Value	Prorated Value	Deferred Shares	Restricted Stock
Rodney O. Martin, Jr.	\$ 0	\$ 789,253	\$ 263,078	\$ 196,779	\$ 0
Alain M. Karaoglan	\$ 0	\$ 1,125,842	\$ 431,373	\$ 196,779	\$ 0
Ewout L. Steenbergen	\$ 84,052	\$ 461,434	\$ 205,577	\$ 183,698	\$ 0
Maliz E. Beams	\$ 0	\$ 1,147,273	\$ 447,150	\$ 65,944	\$ 0
Jeffrey T. Becker	\$ 54,954	\$ 529,524	\$ 262,406	\$ 679,121	\$ 873,055

- (4) The executive outplacement services program for executives with a salary of \$275,000 or more provides services for up to 12 months at a fixed cost of \$8,500 per participant. All NEOs would be eligible, except Mr. Steenbergen.
- (5) Treatment and valuation of various equity awards upon involuntary termination are as follows: (1) options under the LEO Plan vest and may be exercised within 12 months of the official termination date; (2) performance shares under the LEO Plan are cashed out on a pro-rated basis based on ING Group's most recent relative TSR ranking at the time of termination (2009-2011 Cycle: 133%; 2010-2012 Cycle: 183%), the number of months completed in each performance cycle and the ING Group stock price of the day following termination (12/31/12 Closing Price: 7.06; US \$9.33); (3) performance shares granted under the LSPP are cashed out on a pro-rated basis based on ING Group's most recent performance factor at the time of termination (100% for 2012 performance year), the number of months completed in current performance cycle (12 of 12), the forfeiture of all shares of future performance periods and the ING Group stock price on the termination date (12/31/12 Closing Price: 7.06; US \$9.33); (4) deferred shares under the LSPP vest fully upon termination and (5) restricted stock is treated in accordance with individual restricted stock agreements. The relative TSR ranking is a relative total shareholder return measure, which captures the return received by stockholders and is measured against a group of 19 competitors' TSRs.
- (6) Treatment and valuation of various equity awards upon termination due to retirement, death or disability is as follows: (1) options under the LEO Plan vest and may be exercised during the remainder of the option term; (2) performance shares under the LEO Plan continue to vest in accordance with their terms, with the full award payable based on ING Group's relative TSR ranking at the end of the performance cycle and the ING group stock price on the date of vesting and paid out in cash only; (3) performance shares under the LSPP will be paid in cash, with the number of performance shares vesting multiplied by a performance factor and based on target payout; in the event of retirement or disability, awards will continue to vest upon original vesting dates, and in the event of death, awards will be deemed to have vested on the day of death; (4) deferred shares under the LSPP in the event of retirement or disability, awards will continue to vest upon original vesting dates, and, in the event of death, shares vest fully; and (5) restricted stock is treated in accordance with individual restricted stock agreements.
- (7) Severance benefits for Mr. Steenbergen under the ING Group policy are determined under a formula that takes into account age-weighted service, eligible compensation and variable C-factor which is determined by management. For this estimate, the C-factor is equal to 1 but may be higher or lower. In the event of retirement or disability a payment of three times monthly salary will be made and in the event of death a payment of four times monthly salary will be made. No internal policy changes or change in legislation after December 31, 2012 have been taken into account for this calculation. The Euro conversion rate to USD is 1.2946 (as of January 1, 2012). In the event of termination, we would assume the actual costs of Mr. Steenbergen's repatriation.

We have not included Mr. Leary in the table because he was no longer employed by us on December 31, 2012 and the amounts paid or payable in 2012 to Mr. Leary in connection with his departure, in addition to the \$314,809 value of the acceleration of his stock options that were unvested as of December 6, 2012 (based on the ING Group share price on December 6, 2012), are set forth above in the Summary Compensation Table and the Option Exercises and Stock Vested Table for 2012 and the related discussions above.

**Compensation of Directors**

ING U.S. has not yet paid any compensation to our directors in their capacity as members of the Board of Directors of ING U.S., except for Mr. Hubbell, who received director's fees of \$40,000 for 2012. In 2013, prior to the date of this prospectus Mr. Hubbell received \$27,500 in compensation for his service during the quarter ended March 31, 2013, comprised of (i) director's fees of \$21,250 (representing one quarter of the annual director's fee of \$85,000); (ii) Audit Committee retainer of \$1,250 (representing one quarter of the annual Audit Committee retainer of \$5,000) and (iii) Audit Committee Chair retainer of \$5,000 (representing one quarter of the Audit Committee Chair retainer of \$20,000). In addition, in 2013, Mr. Hubbell was awarded a Deal Incentive Award of \$50,000. See Compensation of Named Executive Officers Grants of Plan-Based Awards Deal Incentive Awards. We anticipate that directors who are not employees of ING U.S. or of any of our affiliated companies (including ING Group) will receive an annual fee for service on the Board of Directors and may also



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receive equity awards from time to time, as long as consistent with all applicable laws and regulations, including CRD III for as long as ING Group owns more than 50% of the Company and consolidates the Company for financial reporting purposes under IFRS. All members of the Board of Directors will be reimbursed for reasonable costs and expenses incurred in attending meetings of the Board of Directors.

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**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

**Relationship With ING Group Following the Offering**

Prior to the completion of the offering, we are an indirect wholly owned subsidiary of ING Group, and have been part of ING Group's consolidated business operations. Following the offering, we expect that ING Group will continue to hold a majority of our outstanding common stock, and as a result ING Group will continue to have significant control of our business, including pursuant to the agreements described below. See **Risk Factors** **Risks Related to Our Separation from, and Continuing Relationship with, ING Group**. In addition, we expect that ING Group will continue to consolidate our financial results in its financial statements.

***Shareholder Agreement***

Concurrently with the completion of this offering, we will enter into a shareholder agreement with ING Group that will govern certain aspects of our continuing relationship (the **Shareholder Agreement**). In particular, the Shareholder Agreement will address the composition of our board of directors and its committees, other corporate governance matters, ING Group approval and consent rights with respect to certain business and corporate actions we may take, mutual rights that we and ING Group will have with respect to business and financial information and financial accounting matters and ING Group rights with respect to subsequent sales of our common stock. The form of the Shareholder Agreement has been filed as an exhibit to the registration statement of which this prospectus forms a part.

***Board of Directors and ING Group Rights with Respect to Director Nomination***

The Shareholder Agreement will entitle ING Group, in connection with any election of directors by our shareholders, to have our board of directors include in the candidates it nominates for election (the **Company Slate**) a minimum number of directors designated by ING Group (**ING Group Directors**). The number of ING Group Directors that ING Group is entitled to have included on the Company Slate is based on its beneficial ownership of our common stock, as follows:

Until and including the date on which ING Group first ceases to beneficially own more than 50% of our outstanding common stock (which is referred to as the **Majority Holder Date**), ING Group will be entitled to nominate five ING Group Directors, who shall comprise a majority of our directors;

Following the Majority Holder Date, and until and including the date on which ING Group first ceases to beneficially own at least 35% of our outstanding common stock (which is referred to as the **First Threshold Date**), ING Group will be entitled to nominate three ING Group Directors (two, if we have fewer than eight directors on our board at such time); and

Following the First Threshold Date, and until and including the date on which ING Group first ceases to beneficially own at least 20% of our outstanding common stock (which is referred to as the **Third Threshold Date**), ING Group will be entitled to nominate two ING Group Directors (one, if we have fewer than eight directors on our board at such time).

Following the Third Threshold Date, ING Group will have no further right to nominate ING Group Directors.

The Shareholder Agreement also will provide that, as of the completion of this offering and until the Majority Holder Date, our board of directors will consist of nine members, one of whom will be our CEO and three of whom will be **Independent Directors**, as defined by NYSE listing rules and Rule 10A-3 under the Exchange Act. On and after the first anniversary of the Majority Holder Date, our board of directors may reduce the number of directors to no fewer than seven members.

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The Shareholder Agreement will require that, until the Third Threshold Date, if at any time the chairman of our board of directors is not an Independent Director, our board will designate a lead director who is an Independent Director and who has the responsibilities described under Management Board of Directors Lead Director . In addition, the Shareholder Agreement will include provisions relating to the membership and conduct of our board and management committees, including providing that:

until the First Threshold Date, an ING Group Director shall serve on the Executive Committee of the board (see Management Board of Directors Executive Committee of the Board );

until the Majority Holder Date, our Executive Committee may not act without the consent of a majority of the Executive Committee, which majority must include the member who is an ING Group Director;

until the first anniversary of the effectiveness of the registration statement of which this prospectus forms a part, ING Group may at its option include on our audit committee an ING Group Director who is not an Independent Director; and afterwards may include on our Audit Committee an ING Group Director who is an Independent Director;

at any time during which the board of directors includes an ING Group Director who is also an Independent Director, at least one member of the Audit Committee shall be an ING Group Director;

until the Third Threshold Date, ING Group is entitled to have observers present at meetings of our Management Risk Committee and Management Investment Committee and to receive all materials, reports and other communications from such committees; and

our board committees shall have the membership and responsibilities described under Management Board of Directors .

### ***Consent Rights***

The Shareholder Agreement will provide that, until such time as ING Group ceases to beneficially own at least 30% of our outstanding common stock, the prior consent of ING Group will be required before we may take any of the following actions, whether directly or indirectly through a subsidiary:

any merger, consolidation or similar transaction (or any amendment to or termination of an agreement to enter into such a transaction) involving us or any of our subsidiaries, on the one hand, and any other person, on the other hand; other than (A) an acquisition of 100% of the capital stock of such other person or (B) disposition of 100% of the capital stock of one of our subsidiaries, in each case (x) involving consideration not exceeding \$1 billion and (y) where none of (1) the book value of the assets or liabilities or (2) the sum of the assets under management and assets under administration of such Person exceeds \$5 billion;

any acquisition or disposition of securities, assets or liabilities (including through reinsurance transactions) involving consideration or book value greater than \$1 billion, other than transactions involving assets invested in our consolidated general account and approved in accordance with our established policies and procedures to monitor invested assets;

any change in our authorized capital stock or the creation of any class or series of our capital stock;

any issuance or acquisition of capital stock, except:

issuances of equity awards to directors or employees pursuant to an equity compensation plan;

issuances or acquisitions of capital stock of one of our subsidiaries to or by one of our wholly-owned subsidiaries; and

issuances or acquisitions of capital stock that our board of directors determines are necessary to maintain adequate capitalization or comply with a debt instrument or a legal or regulatory requirement;

any issuance or acquisition of debt securities involving an aggregate principal amount exceeding \$1 billion, except for short term funding instruments and certain capital management facilities, which include certain intercompany debt and certain financial instruments that we use as operating leverage (e.g., to finance reserves or to collateralize reinsurance obligations);

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any other incurrence of a debt obligation by having a principal amount greater than \$1 billion, except for certain capital management facilities, which include intercompany debt and certain financial instruments that we use as operating leverage (e.g., to finance reserves or to collateralize reinsurance obligations);

entry into or termination of any joint venture or cooperation arrangements involving assets having a value exceeding \$1 billion;

listing or delisting of any securities on a securities exchange, other than the listing or delisting of debt securities on the NYSE or any other securities exchange located solely in the United States;

any amendments to the charter (or equivalent authorizing document) of the management risk committee or the management investment committee that affects (A) the obligations of such committees to report their activities (or those of their respective subcommittees) to our board of directors or (B) the scope of authority of such committees;

the amendment (or approval or recommendation of the amendment) of our certificate of incorporation or by-laws; or

any filing or petition under bankruptcy laws, admission of insolvency or similar actions by us or any of our subsidiaries, or our dissolution or winding-up.

***Information Rights, Disclosure and Financial Accounting***

The Shareholder Agreement will require us, as long as ING Group is required under IFRS to consolidate our financial results with its financial results, and in any case for all financial periods commencing prior to the Majority Holder Date, to continue to provide ING Group with (A) information and data relating to our and our subsidiaries' business and financial results and (B) access to our personnel, data and systems, in each case in the same manner as it does immediately prior to the completion of this offering. In addition, during this period, we will be required to maintain accounting principles, systems and reporting formats that are consistent with ING Group's financial accounting practices in effect as of the completion of this offering, and in good faith to consider any changes to such principles, systems or reporting formats requested by ING Group. Furthermore, the Shareholder Agreement will require us during this time to maintain appropriate disclosure controls and procedures and internal control over financial reporting, and to provide quarterly certifications from our relevant officers and employees regarding such matters in accordance with ING Group's internal standards, and to inform ING Group promptly of any events or developments that might reasonably be expected to materially affect our financial results.

Following the time at which the provisions of the immediately preceding paragraph cease to apply, and until the later of (A) ING Group being no longer required under IFRS (x) to account in its financial statements for its holdings in us under an equity method or (y) to consolidate our financial results with its financial results and (B) the Third Threshold Date, unless ING Group shall earlier provide written notice to us that it is opting-out of these provisions, we will be obligated to provide ING Group with (i) information and data relating to our and our subsidiaries' business and financial results and (ii) access to our personnel, data and systems, in each case to the extent that such information, data or access is required for ING Group to meet its legal, financial or regulatory obligations or requirements (as determined by ING Group in its reasonable judgment).

The Shareholder Agreement will provide that, until the Third Threshold Date, ING Group will have certain access and cooperation rights with respect to the independent public registered accounting firm responsible for the audit of our financial statements and to our internal audit function, and subject to applicable law and SEC and stock exchange rules, ING Group's approval shall be required before we may engage a different independent public registered accounting firm.

The Shareholder Agreement will also provide that, until the Third Threshold Date, we shall consult and coordinate with ING Group with respect to public disclosures and filings, including in connection with our quarterly and annual financial results. Among other requirements, we will, to the extent practicable, provide ING

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Group with a copy of any public release at least two business days prior to publication and consider in good faith incorporating any comments provided by ING Group. In addition, we and ING Group will have mutual rights with respect to any information and access each may require in connection with regulatory or supervisory reporting obligations or inquiries.

### ***Rights with Respect to Policies and Conduct***

The Shareholder Agreement will provide that, until the Majority Holder Date, our Board of Directors shall, when determining to implement, amend or rescind any of our or our subsidiaries' policies relating to risk, capital, investment, environmental and social responsibility or regulatory compliance (each, a Critical Policy), take into account our status as a consolidated subsidiary of ING Group, and the interests of ING Group with respect to such policies.

In addition, during any period in which ING Group is deemed to control us for U.S., European Commission or Dutch regulatory purposes, and in any case at all times prior to the Third Threshold Date, we:

may not adopt or implement any policies or procedures, and at ING Group's reasonable request, must refrain from taking any actions, that would cause ING Group to violate any applicable laws to which ING Group is subject;

must, prior to implementing, amending or rescinding any Critical Policy, consult with ING Group and, to the extent consistent with its fiduciary duties, our Board of Directors must take into account the interests of ING Group with respect thereto; and

must maintain and observe the policies of ING Group to the extent necessary for ING Group to comply with its legal or regulatory obligations;

provided that nothing in the foregoing shall require us to take any action (including adopting or implementing any policy) or refrain from taking any action where such action or inaction would cause us to violate any applicable law.

### ***Non-Solicitation***

We and ING Group will agree that, until the earlier of two years after the date of the Shareholder Agreement and the Third Threshold Date, neither we nor they shall solicit any then-current employee of the other party with respect to employment.

### ***Provisions Relating to Specific Regulatory Requirements***

Pursuant to the Shareholder Agreement, during any period in which we are deemed to be under the control of ING Group and at all times prior to the Third Threshold Date, we will, upon request from ING Group, promptly provide any information, records or documents requested or demanded by any governmental or regulatory authority with jurisdiction over ING Group or necessary for ING Group in connection with any filing, report or response to such entities and will, upon reasonable notice, provide access to such entities to our offices, employees and management, where and as required under applicable law.

The Shareholder Agreement will require us, until the date on which ING Group is no longer required under IFRS to consolidate our financial results with its financial results, to maintain remuneration practices and policies which comply with the CRD III requirements, including subjecting the compensation arrangements of all employees covered by the CRD III requirements to the approval of the Supervisory Board of ING Group.

The Shareholder Agreement also will require us to fully cooperate with the requirements of the 2012 Amended Restructuring Plan or any other future requirements imposed by the European Commission as a consequence of state aid received by ING Group.

**Table of Contents*****Subsequent Equity Sales – ING Group Right of First Offer***

Until the Third Threshold Date, the Shareholder Agreement will provide ING Group (or a designated subsidiary of ING Group) with a right of first offer with respect to any issuances of our common stock or securities convertible or exchangeable for our common stock. In circumstances in which the right of first offer is applicable, we will be required to provide ING Group with at least ten business days' notice of any such planned issuance, along with an estimated price range within which we expect to issue the common stock or other securities. If ING Group wishes to exercise its right of first offer, it will be entitled to purchase (and must enter into an irrevocable purchase commitment, subject only to any required regulatory approvals), at the same price as other purchasers of the issuance, a portion of the common stock or other securities we issue, in proportion to its then-current holdings of our outstanding common stock. ING Group's commitment to purchase, and our ability to consummate the offering, will be contingent on the offering price being within the estimated price range we will have provided to ING Group. The right of first offer will not apply to issuances we make as consideration for mergers, acquisitions or exchange offers, in connection with equity-based compensation awards, or in connection with certain transactions approved by ING Group pursuant to its consent rights set forth in the Shareholder Agreement (unless otherwise provided in such consent).

***Provisions Relating to Indemnification and Liability Insurance***

The Shareholder Agreement will provide that, until at least the day after the last date on which any director (including any member of the Supervisory Board or the Executive Board of ING Group), officer, employee or certain designated agents of ING Group or any of its subsidiaries (a Group Individual) is a director, officer or employee of the Company, we must indemnify (including advancement of expenses) each such directors, officers and employees to the greatest extent permitted under Section 145 of the DGCL and other applicable laws. Such indemnification must continue as to any Group Individual who becomes entitled to indemnification notwithstanding any subsequent change in our indemnification policies or that such Group Individual ceases to be a director, officer or employee of the Company.

The Shareholder Agreement also requires that we renew annually our insurance coverage with respect to director and officer and other fiduciary liability and liabilities under U.S. federal and state securities laws covering directors, officers and employees of the Company, Group Individuals, the Company, ING Group and respective Subsidiaries of the Company and ING Group. Such coverage generally is required to be renewed annually on substantially the same terms in order to cover any claims made on or prior to the sixth anniversary of the last date on which any Group Individual is a director, officer or employee of the Company, with certain exceptions and potential extensions. The Shareholder Agreement also provides a process for adjustments to these coverages and requires the Company and ING Group to share the cost of these coverages and to cooperate in handling renewals and claims.

***Provisions with respect to certain obligations of the Company guaranteed by ING Group or its subsidiaries******Aetna Notes***

ING Group guarantees approximately \$645.0 million of various debentures of Lion Holdings that were assumed by Lion Holdings in connection with the Company's acquisition of Aetna's life insurance and related businesses in 2000 (the Aetna Notes). \$138.0 million of the Aetna Notes mature in September 2013, and the remainder mature between 2023 and 2036.

The Company will agree in the Shareholder Agreement that it will reduce the aggregate outstanding principal amount of Aetna Notes to:

no more than \$400.0 million as of December 31, 2015;

no more than \$300.0 million as of December 31, 2016;

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no more than \$200.0 million as of December 31, 2017;

no more than \$100.0 million as of December 31, 2018; and

zero as of December 31, 2019.

The reduction in principal amount of Aetna Notes may be accomplished, at the Company's option, through redemptions, repurchases or other means, but will also be deemed to have been reduced to the extent the Company shall have posted collateral with a third-party collateral agent, for the benefit of ING Group, which may consist of:

cash collateral;

certain investment-grade debt instruments;

a letter of credit meeting certain requirements; or

senior debt obligations of ING Group or a wholly owned subsidiary of ING Group (other than the Company or its subsidiaries).

If collateral is posted in lieu of reducing the outstanding principal amount of Aetna Notes, the amount of such collateral shall be deemed to reduce the outstanding principal amount of Aetna Notes dollar-for-dollar, except that collateral consisting of certain investment grade debt instruments shall be subject to a haircut, calculated based on the applicable collateral margin that would be applied from time to time by the U.S. Federal Reserve System to such collateral if it were to be pledged as security for discount window advances.

If the Company fails to reduce the outstanding principal amount of the Aetna Notes as set forth above, the Company will agree to pay a fee to ING Group, payable each quarter, equal to the Quarterly Fee Rate multiplied by the amount by which, as of the end of the immediately preceding fiscal quarter of the Company, the outstanding principal amount of Aetna Notes exceeded the limits set forth above. The Quarterly Fee Rate (i) for 2016, is 0.5% per quarter; (ii) for 2017, is 0.75% per quarter; (iii) for 2018, is 1.0% per quarter; and (iv) for 2019 and subsequent years, is 1.25% per quarter.

*Other ING Group Guarantees*

In addition to the specific provisions set forth above with respect to the Aetna Notes, the Shareholder Agreement will also provide that, to the extent that ING Group or any of its subsidiaries (other than the Company or any of its subsidiaries) shall at any time make any payments with respect to any Company obligations that are the subject of a guarantee by ING Group or its subsidiaries (see *Historical Related Party Transactions Financing Arrangements Guarantees*), the Company shall immediately reimburse ING Group or its subsidiary for the full amount of such payments and for all reasonable expenses incurred by ING Group or the subsidiary in connection with making such payments.

*Term*

The Shareholder Agreement terminates upon ING Group ceasing to beneficially own at least 7.5% of our outstanding common stock, except for certain provisions including those relating to confidentiality, dispute resolution, provisions with respect to guaranteed obligations and the obligation to maintain insurance. See *Provisions Relating to Liability Insurance*.

*Transitional Intellectual Property License Agreement*

Immediately prior to the completion of this offering, we intend to enter into a transitional intellectual property license agreement with ING Group (the *IP Agreement*). Pursuant to the IP Agreement, ING Group will grant us and our subsidiaries a limited, non-exclusive, fully paid-up, royalty-free, non-transferable license to use certain trademarks including the name *ING* and the *ING Lion*, with respect to each of our and our





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subsidiaries' businesses, in the countries in which such business provides products or services prior to the closing of this offering (the "Territory") in the fields of insurance, retirement and investment management (excluding the field of banking, subject to limited exceptions). The license is sublicensable in certain circumstances in the ordinary course of business in the Territory. The license term shall be for a thirty-month transition period, subject to the possibility of extension in accordance with the IP Agreement. Under the IP Agreement, we are required to use commercially reasonable efforts to transition to our new brand and to cease using ING Group trademarks as soon as commercially reasonably practicable.

In addition, during the thirty-month transition period, we and our subsidiaries shall make all relevant filings necessary to change our name to eliminate the name "ING" from all registrations and certificates. See "Business - Our Brand."

Under the IP Agreement, we and our subsidiaries will have the continued and exclusive right to use certain domain names during the transition period. For the twelve-month period following the transition period, certain domain names will be redirected to a URL designated by us. Upon the expiration of such twelve-month period, certain domain names will be directed to a webpage that will provide one link to a uniform resource locator designated by us and another link to a uniform resource locator designated by ING Group. At the end of the transition period, we and our subsidiaries will be required to transfer registration of all ING U.S. domain names to ING Group.

The IP Agreement will require us to defend, indemnify and hold ING Group and its affiliates and their respective directors, officers, employees, shareholders, agents, attorneys, representatives, successors and assigns harmless from and against losses (without limitation or cap of any kind) in connection with any third party claim in connection with (i) breach of the Joinder Agreement (as defined below) based on any act or omission by us or our affiliates, (ii) an act or omission by us or our affiliates that creates liability for ING Group or its affiliates under certain co-existence agreements, (iii) breach of the IP Agreement or (iv) the assertion that we or our subsidiaries have acted on behalf of or have the authority to bind ING Group or its affiliates.

The IP Agreement will require ING Group to defend, indemnify and hold us and our affiliates and our respective directors, officers, employees, shareholders, agents, attorneys, representatives, successors and assigns harmless from and against losses (without limitation or cap of any kind) in connection with (i) an act or omission by ING Group or its affiliates that creates liability for us or our affiliates under certain co-existence agreements, or (ii) breach of the IP Agreement.

The IP Agreement will expire, together with all licenses and sublicenses granted under the IP Agreement, upon the expiration of the transition period. Upon expiration or termination of the IP Agreement, we agree not to use the licensed trademarks such as "ING" or the "ING Lion" or any mark confusingly similar thereto.

### ***Joinder Agreement***

Concurrently with the entry into the IP Agreement, we intend to enter into a joinder agreement (the "Joinder Agreement") with ING Group that will become effective once we cease to be an affiliate of ING Group as defined in the co-existence agreement, dated February 17, 2012, among ING Group, ING Direct N.V., ING Direct Bancorp, ING Bank, fsb and Capital One Financial Corporation. Pursuant to the Joinder Agreement, we are joining the co-existence agreement, as if we remained an affiliate of ING Group.

### ***Equity Administration Agreement***

Concurrently with the completion of this offering, we will enter into an equity administration agreement with ING Group that will set forth certain of our responsibilities and the responsibilities of ING Group with respect to the administration of certain employee equity compensation plans, programs and arrangements (the "Equity Administration Agreement"). Pursuant to the terms of the Equity Administration Agreement, ING Group will agree to continue to facilitate the exercise of options and the vesting and delivery of performance shares and

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restricted shares for purposes of all outstanding ING Group equity compensation awards held by our employees. The Equity Administration Agreement also provides that we will cooperate and negotiate with ING Group where necessary to administer compensation plans, programs and arrangements in accordance with the intent of the Equity Administration Agreement.

The Equity Administration Agreement will further obligate us and ING Group to promptly provide to the other party all information that the other may reasonably request to enable the requesting party to administer efficiently and accurately each of the ING Group's stock option or stock incentive plans maintained before this offering, timely respond to audit requests and to determine the scope of, as well as fulfill, its obligations under the Equity Administration Agreement.

The Equity Administration Agreement will provide that we will promptly reimburse ING Group for the cost of any liabilities satisfied by ING Group that are, or that have been made pursuant to the Equity Administration Agreement, our responsibility and that ING Group shall promptly reimburse us for the cost of any liabilities satisfied by us that are, or that have been made pursuant to the Equity Administration Agreement, the responsibility of ING Group.

### ***Master Claim Agreement***

In 2012, we entered into an agreement with ING Group and ING Insurance Eurasia N.V. to allocate responsibility among the parties with respect to any litigation against a party (or its subsidiaries) when the party that is named as a defendant in the litigation contends that the litigation in question should be the responsibility of one or more of the other parties.

### **Historical Related Party Transactions**

#### **Financing Arrangements**

We have entered into a number of intercompany lending and guarantee arrangements with ING Group, ING V, a wholly owned subsidiary of ING Group and our indirect parent, and with ING Bank, a wholly owned subsidiary of ING Group. While we have recently taken steps to replace certain of these arrangements with standalone financing in contemplation of this offering, we expect to retain direct financing and guarantee arrangements with ING Group, ING V and ING Bank for some period of time following this offering.

#### ***Guarantees***

ING V or ING Group has guaranteed the obligations of the Company and its subsidiaries under various debt instruments, other financing facilities, and derivative contracts. Additionally, in some circumstances, ING Bank, ING Group, or another subsidiary of ING Group has provided a guarantee of another party's obligation to the Company. Certain of these guarantees are described below. Unless otherwise stated, figures are presented as of December 31, 2012.

ING Group guarantees approximately \$644.8 million par amount of Aetna Notes. See Relationship with ING Group Following the Offering Shareholder Agreement Provisions with respect to certain obligations of the Company guaranteed by ING Group or its subsidiaries Aetna Notes.

ING V is the guarantor for the Company's \$3.0 billion commercial paper facility. In connection with this guarantee, the Company pays ING V 10 basis points on the outstanding balance of the commercial paper program, or \$0.5 million in 2012, \$1.1 million in 2011 and \$1.6 million in 2010. ING Capital Markets LLC, a wholly owned subsidiary of ING Bank, acts as a dealer on the facility.

ING V provided a guarantee to Deutsche Bank AG of the Company's obligations under a \$350.0 million LOC facility issued by Deutsche Bank AG used to support the reinsurance obligation of Whisperingwind I, a captive reinsurer of the Company. As a result of a third-party transaction that

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closed on September 6, 2012, this LOC facility, and thus the ING V guarantee, were terminated. See Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Reinsurance Subsidiaries ING U.S., Inc. Credit Support.

ING V provided a guarantee to ING Bank of the Company's obligations with respect to the \$30.1 million in LOCs outstanding as of December 31, 2012 under a bi-lateral credit facility between the Company and ING Bank. Subsequently, \$15.1 million in LOCs were cancelled in January 2013. The remaining \$15.0 million, and thus the ING V guarantee, will expire in 2026. No fees are paid by the Company to ING V with respect to this guarantee.

ING V is the guarantor of the obligations of Lion Custom Investments LLC, a wholly owned subsidiary of the Company, under its ISDA master agreements with various unaffiliated counterparties. No fees are paid with respect to these guarantees. The net exposure to the Company, and thus ING V as guarantor, with respect to these obligations, based on market value as of December 31, 2012, was approximately \$36.0 million.

ING V guaranteed the obligations of ING Financial Products Company, Inc. (ING FPC), a wholly owned subsidiary of the Company, under certain credit derivative transactions that ING FPC entered into in 2008 with several unaffiliated counterparties. All such transactions, and the associated guarantees, have terminated except for two. Both of the remaining transactions, and the associated guarantees are scheduled to terminate in 2018. No fees have been or are paid with respect to these guarantees.

***Letter of Credit Facilities***

From time to time, we have entered into LOC facilities with ING Bank to provide for statutorily required reserves at our captive reinsurance subsidiaries. The terms of these LOC facilities, including fee provisions, are consistent with terms that would be entered into between arm's-length unaffiliated parties.

On April 20, 2012, the Company entered into the Senior Unsecured Credit Facility with a syndicate of banks, including ING Bank, which replaces financing that was either internally funded or guaranteed by ING V. ING Bank has committed up to \$250.0 million in financing as a member of the syndicate which entered into the Senior Unsecured Credit Facility. ING Bank acted as Joint Lead Arranger, Joint Book Manager, and Documentation Agent for these transactions. For these services, ING Bank received various fees totaling \$3.3 million. On April 20, 2012 the Company replaced \$1.4 billion of LOCs issued under the \$2.5 billion Syndicated LOC Facility entered into on May 4, 2010 (described below), with LOCs issued under the Revolving Credit Agreement. As of December 31, 2012, LOCs issued by ING Bank under the Senior Unsecured Credit Facility were \$139.6 million.

In 2008 and 2009, we entered into two bi-lateral LOC facilities with ING Bank in the aggregate amount of approximately \$1.1 billion. In June 2010, we consolidated and expanded these two facilities into a single bi-lateral LOC facility with ING Bank in an amount of approximately \$2.3 billion. In May and December of 2011, this facility was amended to reduce the available credit to \$1.6 billion and permit the issuance or increase of new LOCs until February 28, 2012. Accordingly, no additional LOCs can be issued under this facility. As of December 31, 2012, \$30.1 million of LOCs issued under this facility remained outstanding. Subsequently, \$15.1 million in LOCs were cancelled in January 2013. The remaining \$15.0 million will expire in 2026. See Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Reinsurance Subsidiaries ING U.S., Inc. Credit Support.

In July 2011, we entered into a bi-lateral LOC facility with ING Bank in the amount of \$625.0 million, in connection with reinsurance treaties entered into by SLDI, our subsidiary, and subsequently retroceded to Hannover Life (Ireland) Plc. See Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Credit Facilities and Subsidiary Credit Support Arrangements. As part of this transaction, SLDI also assigned all cash flows related to the underlying business to ING Bank. This facility was originally to have expired on June 30, 2012. Effective October 4, 2012, the facility was reduced to \$300.0 million and extended until June 30, 2013.

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In October 2009, we entered into a bi-lateral LOC facility of approximately \$2.5 billion with ING Bank. In 2010, this bilateral LOC facility was replaced with a syndicated Letter of Credit facility of approximately \$2.5 billion. Subsequently, in April 2012, this facility was replaced with the Revolving Credit Agreement described above, in an aggregate principal amount of \$3.5 billion. ING Bank was the lead or co-lead arranger for both the May 2010 and April 2012 syndicated facilities.

In September 2008, SLDI entered into a bi-lateral LOC facility with ING Bank in the amount of \$825.0 million. This LOC facility is used to support the borrowing of securities from ING Bank that were used by the Master Trust as collateral for the reinsurance of business written by SLD. The Company provides a limited guarantee in favor of ING Bank on the return of securities to the extent that SLD draws on the collateral while receiving reinsurance payments when contractually due. This facility expires on December 31, 2013.

In December 2011, SLDI entered into a contingent capital LOC with ING Bank in the amount of \$1.5 billion. The contingent capital LOC is used to support the reinsurance obligations of SLDI to another of our wholly owned subsidiaries, ING USA, related to variable annuity cessions from ING USA to SLDI. See Management's Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Contingent Capital Letter of Credit.

***Intercompany Loans***

In 2007, the Company entered into a \$500.0 million par floating rate loan agreement with ING V under which the Company pays a variable rate of interest based on the three month LIBOR. Effective April 13, 2012, the term of the loan was extended until April 29, 2016. The Company had debt of \$500.0 million as of December 31, 2012, 2011 and 2010, related to this loan agreement.

As part of its participation in the Senior Unsecured Credit Facility described above, ING Bank funded \$35.7 million of the total \$500.0 million direct borrowings drawn at the inception of the facility. In July 2012, all direct borrowing under the facility were repaid and no direct borrowings remain thereunder.

ING Financial Markets LLC, a non-subsiary affiliate of ING U.S., Inc., served as a Joint Book Running Manager in both the 2018 Notes and 2022 Notes offerings and received \$0.3 million and \$0.3 million, respectively, for its services. See Management's Discussion of Results of Operations and Financial Condition Liquidity and Capital Resources Debt Securities.

The Company in the past borrowed funds from time to time from ING V under a facility loan agreement. The Company had debt of \$6.7 billion as of December 31, 2009 and \$3.7 billion as of December 31, 2010 related to this agreement. During 2011, the Company borrowed an additional \$263.0 million under this facility, and ING V subsequently contributed all borrowings under the facility to the Company. The contributed debt, which had a book value and fair value of \$4.0 billion, was immediately extinguished as a result of this contribution.

Between 2006 and 2008, the Company borrowed an aggregate of \$3.0 billion from ING V under various fixed rate loan agreements. In January 2010, ING V contributed these loans to the Company and the debt was immediately extinguished as a result. The loans contributed had a book value of \$3.0 billion and a fair market value of \$3.1 billion. The transaction was recorded at fair market value and a loss on extinguishment of \$108.3 million was recorded as interest expense.

On April 9, 2009, the Company sold a funding agreement in the amount of \$600.0 million to the Columbine Funding Trust ( CFT ), a special purpose Delaware business trust. CFT, in turn, issued a trust note to ING Bank, which was collateralized by all of the cash flows from the funding agreement and otherwise matched the terms of the funding agreement. The Company was not a party to the trust note. The funding agreement was scheduled to mature in April 2012; however it was terminated in May 2011 with an early termination fee of \$8.6 million paid to ING Bank.

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The Company is or has been party to several derivative contracts with ING V and ING Bank and one or more of ING Bank's subsidiaries. Each of the transactions entered into pursuant to these contracts was entered into as a result of a competitive bid, which included unaffiliated counterparties. The Company is exposed to various risks relating to its ongoing business operations, including but not limited to interest rate risk, foreign currency risk, and equity market risk. To manage these risks, the Company uses various strategies, including derivatives contracts, certain of which are with related parties, including interest rate swaps, equity options and currency forwards.

As of December 31, 2012, 2011 and 2010, the outstanding notional amounts of derivative contracts with ING V, ING Bank and one or more of ING Bank's subsidiaries were approximately \$2.1 billion (consisting of interest rate swaps of \$1.9 billion and equity options of \$265.7 million), \$1.4 billion (consisting of interest rate swaps of \$1.0 billion and equity options of \$384.6 million) and \$8.1 billion (consisting of interest rate swaps of \$7.4 billion, equity options of \$382.6 million and currency forwards of \$343.1 million).

As of December 31, 2012, 2011 and 2010, the market values for these contracts were \$15.6 million, \$7.9 million and (\$342.1) million, respectively. For the years ended December 31, 2012, 2011 and 2010, the Company recorded net realized capital gains (losses) of \$20.1 million, \$376.4 million and (\$144.4) million, respectively, in respect of derivative contracts with ING Bank and ING V.

***Master Repurchase Agreements***

As another aspect of our financing and in order to preserve liquidity options, our subsidiaries SLD, SLDI, RLI and ING USA have all entered into master repurchase agreements with ING Financial Markets LLC, a subsidiary of ING Bank, which establishes the terms for any repurchase agreements or reverse repurchase agreements between the parties. There have been no transactions pursuant to the Master Purchase Agreements since 2009.

***Alt-A Back-up Facility***

On January 26, 2009, ING Group, for itself and on behalf of certain subsidiaries, including the Company, reached an agreement with the Dutch State on an Illiquid Asset Back Up Facility (the "Alt-A Back-up Facility") regarding Alt-A RMBS owned by subsidiaries, including the Company. Pursuant to this transaction, the Company transferred all risks and rewards on 80% of a \$4.5 billion par Alt-A RMBS portfolio to ING Support Holding, B.V. ("ING Support Holding"), a wholly owned subsidiary of ING Group by means of the granting of a participation interest to ING Support Holding. ING Group and ING Support Holding entered into a back-to-back arrangement with the Dutch State on this 80%. As a result of this first transaction, the Company retained 20% of the exposure for any results on the \$4.5 billion Alt-A RMBS portfolio.

The purchase price for the participation payable by the Dutch State was set at 90% of the par value of the 80% interest in the securities as of that date. This purchase price was payable in installments, was recognized as a loan granted to the Dutch State with a value of \$3.3 billion, and was recorded as Loan-Dutch State Obligation on the Consolidated Balance Sheets (the "Dutch State Obligation"). Under the transaction, other fees were payable by both the Company and the Dutch State. The Company incurred net fees of \$6.1 million, \$8.3 million and \$9.4 million in the years ended December 31, 2012, 2011 and 2010, respectively.

The Company executed a second transaction effective January 26, 2009, in which an additional \$445.9 million par Alt-A RMBS portfolio owned by the Company was sold to ING Direct Bancorp. ING Direct Bancorp paid cash in the amount of \$321.0 million for 80% of the Company's additional \$445.9 million par Alt-A RMBS and included those purchased securities as part of its Alt-A RMBS portfolio sale to the Dutch State. ING Direct Bancorp paid cash in the amount of \$54.3 million and retained the remaining 20% of this Alt-A RMBS portfolio.

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Upon the closing of the \$4.5 billion par and the \$445.9 million par transactions on March 31, 2009, the Company recognized a gain of \$844.0 million, as the securities were impaired and written down to fair value in 2008.

On November 13, 2012, ING Group, ING Support Holding, ING Bank and the Company entered into restructuring arrangements with the Dutch State, which closed the following day (the Termination Agreement). Pursuant to these restructurings, the Company sold the Dutch State Obligation to ING Support Holding at fair value and transferred legal title to 80% of the securities subject to the Alt-A Back-up Facility to ING Bank. The restructuring resulted in an immaterial pre-tax loss. Following the restructuring transaction, the Company continues to own 20% of the Alt-A RMBS from the first transaction. The Company has the right to sell these securities, subject to a right of first refusal granted to ING Bank.

### ***Asset Management Arrangements***

Prior to the Termination Agreement, our Investment Management business managed the underlying assets and provided services related to the Company's securities subject to the Alt-A Back-up Facility pursuant to services agreements with each of the participating subsidiaries. We did not include these underlying assets whose beneficial ownership had been transferred (as described herein) in our calculation of AUM or AUA.

As part of ING Group's divestiture of ING Direct U.S., ING Group, ING Bank and ING Direct U.S. entered into an agreement with the Dutch State similar to the Termination Agreement with respect to the Alt-A RMBS owned by ING Direct U.S. (the ING Direct Restructuring). As part of the ING Direct Restructuring, in February 2012 our Investment Management business entered into an agreement (the Alt-A Asset Management Agreement) with ING Bank pursuant to which it manages the assets transferred to ING Bank from ING Direct U.S. In November 2012, in connection with the Termination Agreement, this Alt-A Asset Management Agreement was amended to provide that our Investment Management business would also manage the assets transferred to ING Bank as part of the Termination Agreement. For the year ended December 31, 2012, ING Bank paid us approximately \$7.7 million in fees related to the Alt-A Asset Management Agreement.

### **Transition Services Agreements**

In 2009, ING Group announced that it would begin the process of separating its insurance and banking businesses and divesting certain businesses (See Organizational History and Structure Anticipated Divestment from ING Group). As part of this process, we entered into a number of transition services agreements with our non-U.S. affiliates to continue to provide or receive services for certain periods. Pursuant to these arrangements, we benefited from certain services from such affiliates related to risk management, capital planning and corporate governance. We have also provided certain administration and consulting services to ING V related to ING Group's recently divested Latin American businesses see below Latin America Service Arrangements. In addition, we previously provided investment advisory and client solicitation services to ING Bank pursuant to a transition services agreement. With the exception of certain Latin America-related services, these arrangements expired on or before December 31, 2012. See Latin America Service Arrangements.

### **Agreements related to ING Group Divestitures**

In recent years, ING Group has divested several businesses and has agreed in certain cases with the buyers of the divested businesses to observe certain non-competition and other restrictions. We are subject to certain of those restrictions, the material aspects of which are indicated below:

#### ***Sale of ING Direct (Online US Retail Banking)***

Until the earlier of February 17, 2017 and the date ING Group ceases to own 50% or more of the Company's voting power or ceases to have the power to appoint the majority of the Company's Board, we may

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not, within the United States, accept retail bank deposits or operate an online securities brokerage or mortgage or consumer lending business. There are a number of exceptions to these restrictions. For instance, we may continue to carry on any businesses in which we were actively engaged or were actively contemplating on June 16, 2011, even if they would otherwise violate the restrictions. Similarly, we may acquire a business as long as a significant portion of such business revenues does not come from competing operations or we divest the competing operations. We also may hold minority, passive investment positions in competing businesses.

Also, until February 17, 2017, we may not adopt, use or attempt to register any trademark, service mark or domain name in the United States, its territories or possessions that consists of or contains (i) an orange sphere, orange ball or similar orange object, or (ii) the word orange in connection with promoting retail banking products, although there are no restrictions on our use of the color orange. There are also certain restrictions on the use of certain domain names, trademarks, and other intellectual property rights.

### ***Sale of Clarion (US Real Estate Investment Manager)***

Until the earlier of June 9, 2013 and the date we either cease to be a subsidiary of ING Group or our securities are publicly listed, we may not advise, manage, sponsor or take other similar action with respect to real estate investment funds or vehicles that (i) were formed after February 15, 2011; (ii) have a mandate to invest more than 50% or \$500.0 million or more of their AUM, directly or indirectly, in direct investments in real property located in the United States (excluding mortgage loans (or related products) or securities) and (iii) are not managed by third parties. These restrictions do not apply to businesses in existence as of February 15, 2011 or those that fall below specified ownership or investment thresholds.

### **Sale of Lion Structured Finance Shares**

On April 19, 2007, in an arms-length transaction, our wholly owned indirect subsidiary, Lion II Custom Investments LLC ( Lion II ), purchased 100% of the preferred shares and 20% of the common shares of Lion Structured Finance Corporation ( LSF ), a wholly owned subsidiary of ING Bank, for \$249.5 million and \$0.375 million, respectively. On December 9, 2010, LSF redeemed the preferred shares and common shares from Lion II for \$249.5 million and \$0.157 million, respectively.

### **Advisory Transactions**

Several of our asset management subsidiaries have served as investment managers or sub-managers, investment advisors or sub-advisors, and portfolio managers or sub-managers for various funds pertaining to the asset management subsidiaries of ING Group or the general and separate accounts of non-U.S. insurance company subsidiaries of ING Group. The amount of fees we receive depends, in part, on the performance of the funds or the returns earned on the accounts which our subsidiaries are advising.

### ***Fee and Revenue Sharing***

Some of our asset management subsidiaries serve as co-managers or co-advisors for funds alongside other non-U.S. asset management subsidiaries of ING Group. For the services rendered as co-managers, we have agreed to share fees or revenues with our related party co-manager or co-advisor. Similarly, when asset management subsidiaries of ING Group serve as sub-advisors for our funds, we have entered into revenue sharing agreements, in which we receive a portion of the fees earned by the sub-advisor in return for hiring them as sub-advisor.

### ***Non-Advisory Services***

Several of our asset management subsidiaries have also provided and continue to provide non-advisory services to funds and asset management subsidiaries of ING Group. These services generally include, but are not limited to, providing research materials and recommendations, trading services, legal and tax advice, sales support services, compliance support and back office and administrative services.



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### ***Distribution and Solicitation Agreements***

Several of our asset management subsidiaries are parties to distribution and/or solicitation agreements with non-U.S. asset management subsidiaries of ING Group through which these non-U.S. asset management subsidiaries of ING Group may distribute or sell our asset management products or strategies outside of the United States. Likewise, our U.S. asset management subsidiaries may distribute or sell products or strategies of ING Group's non-U.S. asset management subsidiaries to U.S.-based clients and investors.

### ***Allocated Expenses***

With respect to these asset management arrangements, we receive allocations of expenses from affiliates located outside of U.S. for staff and projects costs. For the years ended December 31, 2012, 2011 and 2010, we paid our non-U.S. affiliates \$0.4 million, \$2.9 million and \$9.1 million, respectively, under these arrangements.

### ***Reinsurance Agreements***

Three of our insurance subsidiaries, RLI, ReliaStar Life Insurance Company of New York, and SLD, are parties to life reinsurance treaties with ING Re (Netherlands) N.V. (ING Re), a wholly owned reinsurance subsidiary of ING Group. These reinsurance treaties are all either yearly or monthly renewable term reinsurance treaties, and all of these treaties were closed for new business as of December 31, 2010. Although there are no new additional risks ceded under these agreements, the reinsurance of the risks already ceded will continue until the underlying policies lapse. In connection with these reinsurance treaties, our subsidiaries together have paid premiums to ING Re of \$8.9 million, \$9.3 million and \$8.3 million for the years ended December 31, 2012, 2011 and 2010, respectively.

In 2000, SLDI entered into four standby assumption reinsurance agreements with ING Re related to certain Regulation XXX, AG38 and high net worth business written by SLDI. Three of those agreements remain in place but no liabilities have been ceded or are expected to be ceded under any of the agreements.

### ***Transfer Pricing Agreements***

We are a party to a transfer pricing agreement between the Company and ING Group, pursuant to which ING Group has charged us certain specified amounts for various services provided by the ING Group head office. These services include tax services, financial controls, acquisitions and divestments, vendor management, capital management general administrative services, human resources, corporate communications, and audit services among others. The total charges for the services provided pursuant to the transfer pricing agreement are a part of the administrative overhead allocation described below.

### ***Compensation and Other Arrangements Concerning Employees***

We maintain, or have maintained, human resources-related arrangements with ING Group in three primary areas: (i) long-term compensation for our employees, (ii) expatriate relationships and (iii) provision of services to employees of our former affiliates in Latin America (discussed below).

#### ***Incentive Compensation***

Our employees participate in certain of ING Group's long-term incentive compensation programs. On a semi-annual basis we are responsible for paying ING Group a recharge expense amount, which is an interest charge on a percentage of our outstanding stock options. This payment to ING Group was approximately \$2.1 million, \$3.1 million and \$6.7 million for the years ended December 31, 2012, 2011 and 2010, respectively.

When our employees or retirees receive payments through any of the long-term incentive plans managed by ING Group, ING Group reimburses the Company for amounts paid to employees. This reimbursement was approximately \$31.6 million, \$10.9 million and \$7.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.

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### ***Expatriate Relationships***

There are several employees originally hired by the Company that currently work at other affiliates within ING Group. Similarly, as of December 31, 2012, we hosted one employee originally hired elsewhere within ING Group. Any salary, tax and other expenses related to these expatriate arrangements are reimbursed to the entity incurring the cost. For the year ended December 31, 2012, we received approximately \$4.9 million in reimbursements for such expenses while paying out \$4.0 million; for the year ended December 31, 2011, we received \$10.4 million, while paying out \$9.3 million; and for the year ended December 31, 2010, we received \$9.7 million while paying out \$11.3 million.

### ***Affiliate Loan Transaction with Named Executive Officer***

One of our named executive officers has entered into an unsecured loan arrangement with a banking subsidiary of ING Group. Such loan was made in the ordinary course of business, was made on substantially the same terms, including interest rates, as those prevailing at the time for comparable loans made by the banking subsidiary with persons unrelated to it, and did not involve more than the normal risk of collectability or present other unfavorable features. We disclaim any participation in the transaction.

### ***Latin America Service Arrangements***

In 2009, the Company entered into an agreement with a Latin American subsidiary of ING Group, pursuant to which the Company agreed to provide a variety of services to its Latin American affiliates, including personnel, legal, compliance, IT, finance and accounting and other services. This agreement was terminated upon the divestiture of ING Group's Latin American businesses in December 2011, at which time the Company entered into a transition services agreement with a subsidiary of ING Group to continue providing these services. See *Transition Services Agreements*. We will continue to provide a limited number of these services during 2013. As part of this agreement, the Company was reimbursed \$30.1 million for expenses incurred during the year ended December 31, 2012. In addition, as a result of a separate understanding between the Company and ING Group, the Company was also reimbursed an additional \$22.0 million for expenses incurred by the Company during 2011.

### ***Sourcing/Procurement***

We contract directly for most of our strategic sourcing and procurement needs. In several instances, we have entered into consolidated global agreements with ING Bank as the contracting entity to achieve greater leverage. In some cases, we pay directly to vendors based on pricing negotiated by ING Group. In other cases, we pay fees to ING Bank in consideration for our participation in these global arrangements. These global arrangements cover a variety of sourcing needs, including software licenses, information technology service and support, audit services and market data services. We reimbursed ING Bank approximately \$3.2 million, \$7.1 million and \$8.1 million for the years ended December 31, 2012, 2011 and 2010, respectively. In many cases, we have existing relationships with these vendors and have begun to contract directly with them.

### ***Insurance Coverage***

The Risk Management Program ( RMP ) of ING Group is a self-insured insurance program that encompasses professional liability, fidelity/crime and employment practices liability exposures. The RMP insurance policies are issued directly by a third party insurer to the Company, which pays premiums directly to a non-affiliated broker which, in turn, remits such premiums directly to the insurer. The insurer, in turn, cedes 100% of the RMP risks, along with 100% of the remitted premiums, to ING Re. The annual premium charges due by the Company include taxes, fees and premiums. In addition, the Company has taken out an additional stand-alone insurance policy insuring professional liability, fidelity/crime and employment practices liability exposures. With respect to claims arising out of events occurring after this offering, the Company will cease to participate in the RMP and will replace coverage previously provided under the RMP with coverage provided by a third-party insurer. With respect to

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liabilities arising from events occurring prior to the completion of this offering, they will remain subject to the RMP until ING Re and the insurer reach a commutation settlement, at which time, the existing RMP insurance policies would be cancelled and the insurer would issue new insurance policies to the Company covering such liabilities.

The Company maintains a separate, standalone Directors and Officers Liability insurance policy and a separate, standalone Fiduciary Liability insurance policy, each of which is issued by non-affiliated providers. In addition, the directors and officers of the Company are eligible for excess coverage under the Side A Directors and Officers and Fiduciary Liability insurance policy issued to ING Group by non-affiliated providers. The Shareholder Agreement also contains provisions concerning D&O insurance. See Relationship with ING Group Following the Offering Shareholder Agreement Provisions Relating to Liability Insurance.

## **Intellectual Property**

We frequently make use of trademarks and other intellectual property owned by ING Group. While there are no formal, written license agreements in place between the Company and ING Group, and we have not historically paid license fees for the use of such intellectual property, we do follow brand guidelines as specified in the Trademark License Agreement concluded between ING Group and ING V. Following this offering, our use of trademarks and intellectual property owned by ING Group will be governed by the terms of the IP Agreement described under Relationships with ING Group Following the Offering.

## **ING Global Network**

Our Employee Benefits business, through our subsidiary, RLI, participates in a worldwide insurance network offering multinational pooling arrangements to global corporate clients. This network, called ING Global Network, is co-owned in equal portions by RLI, Nationale-Nederlanden Nederlanden B.V. (a subsidiary of ING Group) and an unaffiliated insurance company, and profits and losses of the network are split accordingly.

## **Administrative Overhead Allocations**

As a subsidiary of ING Group, we make use of various other administrative and corporate services provided by non-U.S. affiliates of ING Group. We do not reimburse our affiliate service providers pursuant to formal written agreements but through accounting allocations. The total net allocations were approximately \$6.6 million, \$25.6 million and \$21.7 million for the years ended December 31, 2012, 2011 and 2010, respectively.

**Table of Contents****Revenues and Expenses Associated with Related Party Transactions**

The approximate net fees and costs received or (paid), or intercompany charges, for our various arrangements with ING Group and its affiliates, including ING V, are presented in the table below.

(\$ in millions)	Year ended December 31,		
	2012	2011	2010
<b>Types of Related Party Transactions</b>			
Financing arrangements	\$ (111.2)	\$ (98.6)	\$ (197.8)
Fees related to Alt-A Back-up Facility	(6.1)	(8.3)	(9.4)
Revenues related to the Alt-A Back-up Facility	7.7		
Transition services arrangements with affiliates (excluding Latin America human resources-related services set forth below)	(3.9)	(5.4)	
Advisory, sub-advisory, distribution solicitation and portfolio management agreements fees	11.6	2.8	(3.0)
Reinsurance Transactions	(8.9)	(9.3)	(8.3)
Human resources services and compensation arrangements (not including Latin America Services Arrangements)	(2.1)	(3.1)	(6.7)
Latin America human resources services arrangements	22.0 <sup>(1)</sup>	(24.6) <sup>(1)</sup>	(18.0)
Sourcing/procurement services	(3.2)	(7.1)	(8.1)
Real estate		(0.1)	(0.1)
Insurance policies	(5.8)	(4.5)	(5.8)
Other administrative services, overhead allocations	(6.6)	(25.6)	(21.7)
Total	\$ (106.5)	\$ (183.8)	\$ (278.9)

<sup>(1)</sup> Based on agreements reached with ING Group (see Latin America Service Arrangements ) during 2012, the Company was reimbursed for expenses incurred in 2011 and 2012.

**Related Party Transaction Approval Policy**

Our Board of Directors will adopt, prior to completion of this offering, a written related party transaction approval policy pursuant to which an Independent Committee of our Board of Directors will review and approve or take such other action as it may deem appropriate with respect to the following transactions:

a transaction in which we or one or more of our subsidiaries is a participant and which involves an amount exceeding \$120,000 and in which any of our directors, officers, or 5% stockholders or any other related person as defined in Item 404 of Regulation S-K ( Item 404 ), has or will have a direct or indirect material interest;

any material amendment, modification or extension of the Shareholder Agreement, the Equity Administration Agreement, the Registration Rights Agreement or the Transitional Intellectual Property License Agreement; and

any other transaction that meets the related party disclosure requirements of the SEC as set forth in Item 404.

This policy will set forth factors to be considered by the Independent Committee in determining whether to approve any such transaction, including the nature of our and our subsidiaries involvement in the transaction, whether we or our subsidiaries have demonstrable business reasons to enter into the transaction, whether the transaction would impair the independence of a director and whether the proposed transaction involves any potential reputational or other risk issues.

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To simplify the administration of the approval process under this policy, an Independent Committee may, where appropriate, establish guidelines for certain types of related party transactions or designate certain types of such transactions that will be deemed pre-approved. This policy will also provide that the following transactions are deemed pre-approved:

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decisions on compensation or benefits or the hiring or retention of our or any of our subsidiaries' directors or executive officers, if approved by the applicable board committee;

the indemnification and advancement of expenses pursuant to our amended and restated certificate of incorporation, by-laws or an indemnification agreement; and

transactions where the related person's interest or benefit arises solely from such person's ownership of our securities and holders of such securities receive the same benefit on a pro rata basis.

An Independent Committee will be comprised of at least three independent directors. If at the applicable time our Board of Directors has designated an independent director as its lead director, he or she will be a member and the chairperson of the Independent Committee. A director on an Independent Committee who has an interest in a related party transaction being considered by an Independent Committee, will not participate in the consideration of that transaction unless requested by the chairperson of the Independent Committee.

This policy will not apply to the implementation or administration of intercompany agreements, including the Shareholder Agreement, the Equity Administration Agreement, the Registration Rights Agreement and the Transitional Intellectual Property License Agreement. Our directors who are also senior executives or directors of ING Group or any of its subsidiaries may participate in the negotiation, execution, implementation, amendment, modification, or termination of these intercompany arrangements, as well as in any resolution of disputes thereunder, on behalf of either or both of us and ING Group or any of its subsidiaries, in each case under the direction of an Independent Committee or the comparable committee of the board of directors of ING Group.

Our amended and restated certificate of incorporation contains limitations on the obligations of our directors who have certain relationships with ING Group with respect to certain corporate opportunities. See "Description of Capital Stock - Potential Business Opportunities."

**Table of Contents****BENEFICIAL OWNERSHIP OF COMMON STOCK AND SELLING STOCKHOLDER**

Prior to the completion of this offering, all the shares of our common stock have been owned by ING Insurance International B.V., a Netherlands private company that is an indirect, wholly owned subsidiary of ING Group. Immediately following the offering, ING Insurance International B.V. will own approximately 75% of our outstanding common stock, assuming no exercise by the underwriters of their option to purchase additional shares, and approximately 71% of our common stock if the underwriters exercise their option to purchase additional shares in full.

ING Insurance International B.V. is selling approximately 37,500,000 shares of our common stock in this offering, assuming no exercise by the underwriters of their option to purchase additional shares, and assuming an initial offering price of \$22.50 per share, which is the midpoint of the range listed on the cover page of this prospectus.

The following table presents information as of March 31, 2013 regarding the beneficial ownership of our common stock by:

all persons known by us to own beneficially more than 5% of our common stock;

each of our named executive officers and directors (including those who we expect will be our named executive officers and directors upon completion of the offering); and

all executive officers and directors as a group.

For purposes of the following table, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, which includes in a person's beneficial ownership any shares of common stock subject to options held by that person that are currently exercisable or are exercisable within 60 days of March 31, 2013 but does not deem such shares to be outstanding for purposes of calculating any other person's percentage ownership of common stock. This table also gives effect to the filing, on April 11, 2013, of our amended and restated certificate of incorporation.

Unless otherwise indicated, the address of each beneficial owner presented in the table below is c/o ING U.S., Inc., 230 Park Avenue, New York, New York 10169.

Name and Address of  Beneficial Owners and Selling Stockholders	Shares of Common Stock Beneficially Owned Before the Completion of the Offering		Shares Being Sold by Stockholder in the Offering	Shares of Common Stock Beneficially Owned After Completion of the Offering	
	Number of Shares	Percentage of Class	Number of Shares	Number of Shares	Percentage of Class
ING Insurance International B.V. <sup>(1)</sup>	230,000,000	100%	37,500,000	192,500,000	75%
<b>Named executive officers, directors and director nominees</b> (13 persons)					
Rodney O. Martin, Jr. <sup>(2)</sup>				177,778	*
Alain M. Karaoglan <sup>(3)</sup>				59,260	*
Ewout L. Steenbergen <sup>(4)</sup>				35,556	*
Mary E. Beams <sup>(5)</sup>				66,667	*
Jeffrey T. Becker <sup>(6)</sup>				35,556	*
Jan H.M. Hommen <sup>(7)</sup>					
Johannes ( John ) M.M. Boers <sup>(8)</sup>					
Patrick G. Flynn <sup>(9)</sup>					

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J. Barry Griswell		
Dirk ( Dick ) H. Harry <sup>(10)</sup>		
Frederick S. Hubbell <sup>(11)</sup>	2,223	*
Willem ( Wilfred ) F. Nagel <sup>(2)</sup>		
David Zwiener		
<b>All executive officers, directors and director nominees as a group (17 persons)<sup>(13)</sup></b>	<b>496,226</b>	<b>*</b>

\* Less than 1%



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- (1) ING Insurance International B.V.'s principal business address is Amstelveenseweg 500, 1081 KL Amsterdam, The Netherlands. ING Insurance International B.V. is the record holder of our outstanding shares, which it holds for the economic benefit of ING Verzekeringen N.V.
- (2) Shares beneficially owned after completion of this offering are based on a per-share price at the mid-point of the range set forth on the cover page of this prospectus. Mr. Martin will receive a number of shares of Company restricted stock equal to \$4,000,000 divided by the IPO price upon completion of the IPO. See Compensation of Executive Officers and Directors Employment Agreements Employment Agreement of Mr. Martin .
- (3) Shares beneficially owned after completion of this offering are based on a per-share price at the mid-point of the range set forth on the cover page of this prospectus. Mr. Karaoglan will receive a number of shares of Company restricted stock equal to \$1,333,333 divided by the IPO price upon completion of the IPO. See Compensation of Executive Officers and Directors Employment Agreements Employment Agreement of Mr. Karaoglan .
- (4) Shares beneficially owned after completion of this offering are based on a per-share price at the mid-point of the range set forth on the cover page of this prospectus. Mr. Steenbergen will receive a number of shares of Company restricted stock equal to \$800,000 divided by the IPO price upon completion of the IPO. See Compensation of Executive Officers and Directors Compensation of Named Executive Officers Grants of Plan Based Awards Deal Incentive Awards . As of April 3, 2013, Mr. Steenbergen was the beneficial owner of 61,918 shares of ING Group, our indirect parent, which represent less than 1% of the outstanding ordinary shares of ING Group. These shares consist of 284 ordinary shares and 61,634 shares issuable upon the exercise of currently exercisable options.
- (5) Shares beneficially owned after completion of this offering are based on a per-share price at the mid-point of the range set forth on the cover page of this prospectus. Ms. Beams will receive a number of shares of Company restricted stock equal to \$1,500,000 divided by the IPO price upon completion of the IPO. See Compensation of Executive Officers and Directors Employment Agreements Employment Agreement of Ms. Beams .
- (6) Shares beneficially owned after completion of this offering are based on a per-share price at the mid-point of the range set forth on the cover page of this prospectus. Mr. Becker will receive a number of shares of Company restricted stock equal to \$800,000 divided by the IPO price upon completion of the IPO. See Compensation of Executive Officers and Directors Compensation of Named Executive Officers Grants of Plan Based Awards Deal Incentive Awards . As of April 3, 2013, Mr. Becker was the beneficial owner of 151,332 shares of ING Group, our indirect parent, which represent less than 1% of the outstanding ordinary shares of ING Group. These shares consist of 33,511 ordinary shares, 33,389 restricted shares which remain subject to vesting and 84,432 shares issuable upon the exercise of currently exercisable options.
- (7) As of April 3, 2013, Mr. Hommen was the beneficial owner of 76,426 shares of ING Group, our indirect parent, which represent less than 1% of the outstanding ordinary shares of ING Group. These shares consist of ordinary shares.
- (8) As of April 3, 2013, Mr. Boers was the beneficial owner of 77,096 shares of ING Group, our indirect parent, which represent less than 1% of the outstanding ordinary shares of ING Group. These shares consist of 2,907 ordinary shares and 74,189 shares issuable upon the exercise of currently exercisable options.
- (9) As of April 3, 2013, Mr. Flynn was the beneficial owner of 85,084 shares of ING Group, our indirect parent, which represent less than 1% of the outstanding ordinary shares of ING Group. These shares consist of ordinary shares.
- (10) As of April 3, 2013, Mr. Harryvan was the beneficial owner of 190,088 shares of ING Group, our indirect parent, which represent less than 1% of the outstanding ordinary shares of ING Group. These shares consist of 8,250 ordinary shares and 181,838 shares issuable upon the exercise of currently exercisable options.
- (11) Shares beneficially owned after completion of this offering are based on a per-share price at the mid-point of the range set forth on the cover page of this prospectus. Mr. Hubbell will receive a number of shares of Company restricted stock equal to \$50,000 divided by the IPO price upon completion of the IPO. See Compensation of Executive Officers and Directors Compensation of Directors . As of April 3, 2013, Mr. Hubbell was the beneficial owner of 681,879 shares of ING Group, our indirect parent, which represent less than 1% of the outstanding ordinary shares of ING Group. These shares consist of 247,354 ordinary shares

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- owned directly by Mr. Hubbell, 270,502 ordinary shares owned indirectly by Mr. Hubbell through family and charitable trusts and 164,023 shares issuable upon the exercise of currently exercisable options.
- (12) As of April 3, 2013, Mr. Nagel was the beneficial owner of 144,650 shares of ING Group, our indirect parent, which represent less than 1% of the outstanding ordinary shares of ING Group. These shares consist of 50,865 ordinary shares, 77,447 shares issuable upon the exercise of currently exercisable options and 14,579 deferred shares that have vested (but with respect to which settlement of 10,036 shares was deferred until March 28, 2013, settlement of 2,207 shares has been deferred until March 28, 2014 and settlement of 2,336 shares has been deferred until May 16, 2017) and 1,759 shares that are eligible for vesting on May 16, 2013 (and with respect to which settlement has been deferred until May 16, 2017).
- (13) Shares beneficially owned after completion of this offering are based on a per-share price at the mid-point of the range set forth on the cover page of this prospectus. Certain of our directors and executive officers will receive a number of shares of Company restricted stock equal to \$11,158,333 divided by the IPO price upon completion of the IPO, which will represent less than 1% of our outstanding common stock. As of April 3, 2013, our directors, executive officers and director nominees were the beneficial owners of 2,169,386 shares of ING Group, our indirect parent, which represent less than 1% of the outstanding ordinary shares of ING Group. These shares consist of 497,349 directly owned ordinary shares, 270,502 ordinary shares owned indirectly through family and charitable trusts, 33,389 restricted units which remain subject to vesting, 300 ordinary shares owned by immediate family members, 1,351,508 shares issuable upon the exercise of currently exercisable options and 16,338 deferred shares.

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**DESCRIPTION OF CAPITAL STOCK**

We filed our amended and restated certificate of incorporation with the Secretary of State of the State of Delaware on April 11, 2013, and prior to the completion of this offering, our Board of Directors will adopt our amended and restated bylaws. Our amended and restated certificate of incorporation and the form of our amended and restated bylaws are filed as exhibits to the registration statement of which this prospectus is a part. The provisions of our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon completion of the offering and relevant sections of the DGCL are summarized below. The following description of our capital stock and provisions of our amended and restated certificate of incorporation and our amended and restated bylaws are only summaries of such provisions and instruments and in each case are qualified by reference to our amended and restated certificate of incorporation and our amended and restated bylaws that are filed as exhibits to the registration statement of which this prospectus is a part.

**Authorized Capital Stock**

Our authorized capital stock consists of 1,000,000,000 shares, including: (i) 900,000,000 shares of our common stock, \$0.01 par value per share, and (ii) 100,000,000 shares of preferred stock, \$0.01 par value per share. As of immediately prior to this offering, we had outstanding 230,000,000 shares of our common stock, held of record by one stockholder, and no shares of preferred stock outstanding; and as of such time, but giving effect to the completion of the offering as if it had happened on such date, we had outstanding 256,666,667 shares of our common stock and no shares of preferred stock outstanding (assuming the issuance by us of 26,666,667 shares in this offering).

***Common Stock***

Holders of our common stock are entitled to one vote per share on all matters submitted to a vote of stockholders, including the election of directors. Our common stockholders will not be entitled to cumulative voting in the election of directors. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of our common stock will be entitled to receive ratably such dividends as may be declared by our Board of Directors out of funds legally available therefor if our Board of Directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that our Board of Directors may determine. Upon the liquidation, dissolution or winding-up of our Company, the holders of our common stock will be entitled to receive their ratable share of the net assets of our Company available after payment of all debts and other liabilities, subject to the prior preferential rights and payment of liquidation preferences, if any, of any outstanding shares of preferred stock. Holders of our common stock will have no preemptive, subscription or redemption rights. There will be no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

***Preferred Stock***

Our Board of Directors has the authority, subject to the limitations imposed by Delaware law, without any further vote or action by our stockholders, to issue preferred stock in one or more series and to fix the designations, powers, preferences, limitations and rights of the shares of each series, including:

dividend rates;

terms of, and conditions upon, dividends payable to holders;

conversion and exchange rights;

voting rights;

repurchase obligations of our Company;

terms of redemption and liquidation preferences; and

the number of shares constituting each series.

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Satisfaction of any dividend preferences of outstanding shares of preferred stock would reduce the amount of funds available for the payment of dividends on shares of our common stock. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of our liquidation, dissolution or winding-up before any payment is made to the holders of shares of our common stock.

Our Board of Directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

There are no current agreements or understandings with respect to the issuance of preferred stock, except as set forth under *Certain Relationships and Related Party Transactions* Relationship with ING Group following the Offering *Shareholder Agreement* *Consent Rights* , and our Board of Directors has no present intentions to issue any shares of preferred stock.

**Certain Anti-Takeover Provisions of our Amended and Restated Certificate of Incorporation, our Amended and Restated Bylaws and Applicable Law**

Certain provisions of our amended and restated certificate of incorporation, amended and restated bylaws, Delaware law and insurance regulations applicable to our business may discourage or make more difficult a takeover attempt that a stockholder might consider in his or her best interest. These provisions may also adversely affect prevailing market prices for our common stock. We believe that the benefits of increased protection give us the potential ability to negotiate with the proponent of an unsolicited proposal to acquire or restructure us and outweigh the disadvantage of discouraging those proposals because negotiation of the proposals could result in an improvement of their terms.

For example, our amended and restated certificate of incorporation and by-laws will prohibit stockholders from calling special meetings of our stockholders and, from and after such time as ING Group ceases to beneficially own at least 50% of our outstanding common stock, from taking action by written consent. Also, to the extent that our stockholders seek to amend our by-laws, our amended and restated certificate of incorporation requires the affirmative vote of not less than two-thirds of the outstanding shares entitled to vote on the matter.

***Section 203 of the Delaware General Corporation Law***

As a Delaware corporation, we will be subject to Section 203 of the DGCL. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation's voting stock. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

before the stockholder became interested, the Board of Directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation

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outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and officers; or

at or after the time the stockholder became interested, the business combination was approved by the Board of Directors of the corporation and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

A Delaware corporation may opt out of Section 203 with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from amendments approved by holders of at least a majority of the corporation's outstanding voting shares. We will not elect to opt out of Section 203.

***Board of Directors***

Our amended and restated certificate of incorporation provides that the number of directors of the Company will be established from time to time pursuant to the Company's bylaws. However, until such time as ING Group first ceases to own at least 20% of our outstanding common stock, the number of directors shall not be fewer than seven or greater than nine. See Certain Relationships and Related Party Transactions Relationship with ING Group Following the Offering Shareholder Agreement Board of Directors and ING Group Rights with Respect to Director Nominations.

***Exclusive Forum***

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or (iv) any action asserting a claim governed by the internal affairs doctrine.

***Insurance Regulations***

The insurance laws and regulations of the various states in which the Company's insurance subsidiaries are organized may delay or impede a business combination involving the Company. State insurance laws prohibit an entity from acquiring control of an insurance company without the prior approval of the domestic insurance regulator. Under most states' statutes, an entity is presumed to have control of an insurance company if it owns, directly or indirectly, 10% or more of the voting stock of that insurance company or its parent company. These regulatory restrictions may delay, deter or prevent a potential merger or sale of our Company, even if our Board of Directors decides that it is in the best interests of stockholders for us to merge or be sold. These restrictions also may delay sales by us or acquisitions by third parties of our subsidiaries.

***Limitation of Liability and Indemnification of Directors and Officers***

Our amended and restated certificate of incorporation includes provisions that limit the personal liability of our directors for monetary damages for breach of their fiduciary duties as directors, except to the extent that such limitation is not permitted under the DGCL. Such limitation shall not apply, except to the extent permitted by the DGCL, to (i) any breach of a director's duty of loyalty to us or our stockholders, (ii) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) any unlawful payment of a dividend or unlawful stock repurchase or redemption, as provided in Section 174 of the DGCL, or (iv) any transaction from which the director derived an improper personal benefit. These provisions will have no effect on the availability of equitable remedies such as an injunction or rescission based on a director's breach of his or her duty of care.

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Our amended and restated certificate of incorporation provides, and our amended and restated bylaws will provide, for indemnification, to the fullest extent permitted by the DGCL, of any person made or threatened to be made a party to any action, suit or proceeding by reason of the fact that such person is or was a director, officer, employee or agent of the Company, or, at the request of the Company, serves or served as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or any other enterprise, against all expenses, judgments, fines, amounts paid in settlement and other losses actually and reasonably incurred in connection with the defense or settlement of such action, suit or proceeding. In addition, we intend to enter into indemnification agreements with each of our executive officers and directors pursuant to which we will agree to indemnify each such executive officer and director to the fullest extent permitted by the DGCL.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

### **Potential Business Opportunities**

Our amended and restated certificate of incorporation provides that certain of our directors, who have also served or may serve as directors, officers, employees or agents of ING Group ( "Overlap Directors" ), are relieved of any obligation to refer potential business opportunities to the Company or to notify the Company of potential business opportunities of which they become aware, and they may instead refer such opportunities to ING Group at which time we will be deemed to have renounced any interest or right with respect to such potential business opportunity. The only exception to this waiver is in the case of a "Restricted Business Opportunity," which is defined to mean a business opportunity (i) expressly presented or offered in writing to the Overlap Director solely in his or her capacity as a director of the Company and for the benefit of the Company; (ii) for which the Overlap Director believed that the Company possessed, or would reasonably be expected to be able to possess, the resources necessary to exploit; and (iii) substantially all of which, at the time it is presented to the Overlap Director, is, and is expected to remain, an opportunity relating to the retirement solutions, investment management and insurance solutions businesses actively engaged in by the Company in the United States as of April 30, 2013, provided, that the Company is still directly engaged in that business at the time the business opportunity is presented or offered to the Overlap Director.

Our amended and restated certificate of incorporation provides that any person purchasing or otherwise acquiring shares of our common stock, or any interest therein, is deemed to have notice of the provisions described under this "Potential Business Opportunities" caption and to have consented to such provisions.

Our amended and restated certificate of incorporation also provides that no contract, agreement, arrangement or transaction entered into between us and ING Group prior to the completion of this offering shall be void or voidable or be considered unfair solely because ING Group is a party thereto or because any directors, officers or employees of ING Group were present at or participated in any meeting at which the contract, agreement, arrangement or transaction was authorized. To the extent permitted by law, no such contract, agreement, arrangement or transaction shall be considered to be contrary to any fiduciary duty of any Overlap Director and no Overlap Director shall have any fiduciary duty to us (or to any stockholder) to refrain from acting on behalf of the Company or ING Group in respect of any such contract, agreement, arrangement or transaction in accordance with its terms. Future contracts or transactions between the Company and ING Group shall not be void or voidable solely because a director or officer of ING Group is present at or participates in the meeting of the Company's board of directors which authorizes the contract or transaction or because his or her votes are counted toward such authorization, provided that (i) the board of directors is aware of the material facts and the board or a committee in good faith authorizes the contract or transaction by a majority vote of the disinterested directors, (ii) the stockholders entitled to vote on such matter are aware of the material facts and specifically approve in good faith such contract or transaction, or (iii) the contract or transaction is fair to the Company at the time it is authorized, approved or ratified by the board of directors, a committee thereof, or the stockholders.

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### **Ownership Limitations**

Certain transfers of our securities could result in an ownership change for purposes of Section 382, which would materially limit the use of certain of the Company's tax attributes, including certain NOLs and capital loss carryforwards. Although we expect that the contemplated continued divestment by ING Group of our common stock will ultimately result in an ownership change, our amended and restated certificate of incorporation includes provisions (the Ownership Limitations) designed to reduce the possibility of such an event from occurring prior to the time that such divestment would otherwise trigger the Section 382 limitation.

These provisions of our amended and restated certificate of incorporation generally restrict any direct or indirect transfer of a direct or indirect interest (including a securities entitlement) in our common stock or other classes of stock then outstanding, and including the warrants, rights or options discussed below (collectively Company Securities) (such as transfers of our securities that result from the transfer of interests in other entities that own our common stock) if the effect would be to:

increase the direct, indirect or constructive ownership by any Person (as defined below) to 4.99% or more of our common stock then outstanding or other classes of stock then outstanding (a Five Percent Shareholder); or

increase the percentage of our stock owned directly, indirectly or constructively by a Five Percent Shareholder.

Person means any individual, firm, partnership, limited liability company, trust, association, limited liability partnership, corporation or other entity within the meaning of U.S. Treasury Regulation §1.382-3(a)(1)(i), and includes any successor (by merger or otherwise) of such entity. Restricted transfers include sales to Persons whose resulting percentage ownership (direct, indirect or constructive) of Company Securities would equal or exceed the 4.99% threshold discussed above, or to Persons whose direct or indirect ownership of our common stock would by attribution cause another Person to equal or exceed such threshold. Complicated stock ownership rules prescribed by the U.S. Internal Revenue Code (and U.S. Treasury Regulations promulgated thereunder) apply in determining whether a Person is a Five Percent Shareholder for purposes of the Ownership Limitations.

These transfer restrictions may result in the delay or refusal of certain requested transfers of our common stock, or prohibit ownership (thus requiring dispositions) of our common stock due to a change in the relationship between two or more persons or entities or to a transfer of an interest in an entity that, directly or indirectly, owns our common stock. The transfer restrictions will also apply to proscribe the creation, transfer or exercise of certain warrants, rights or options (which are broadly defined by Section 382) with respect to our securities (other than the warrants to be issued to ING Group in conjunction with this offering) to the extent that, in certain circumstances, the creation, transfer or exercise of the warrant, right or option would result in a proscribed level of ownership.

Any direct or indirect transfer attempted in violation of the Ownership Limitations will be void as of the date of the prohibited transfer as to the purported transferee (or, in the case of an indirect transfer, the direct owner of our securities will be deemed to have disposed of, and required to dispose of, the excess stock (as defined below), with such disposition being deemed to occur simultaneously with the transfer), and the purported transferee (or in the case of any indirect transfer, the direct owner) will not be recognized as the owner of the securities owned in violation of the Ownership Limitations for any purpose, including for purposes of voting and receiving dividends or other distributions in respect of our Company Securities, or in the case of options, receiving our securities in respect of their exercise. We refer to the Company Securities purportedly acquired in violation of the Ownership Limitations as excess stock.

In addition to a prohibited transfer being void as of the date it is attempted, upon demand, the purported transferee must transfer the excess stock to our agent along with any dividends or other distributions paid with respect to such excess stock. Our agent is required to sell such excess stock in an arm's-length transaction (or



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series of transactions) that would not constitute a violation under the Ownership Limitations. The net proceeds of the sale, together with any other distributions with respect to such excess stock received by our agent, after deduction of all costs incurred by the agent, will be distributed first to the purported transferee in an amount, if any, up to the cost (or, in the case of gift, inheritance or similar transfer, the fair market value of the excess stock on the date of the prohibited transfer) incurred by the purported transferee to acquire such excess stock, and the balance of the proceeds, if any, will be distributed to the transferor in the prohibited transfer, or to a charitable beneficiary if the transferor cannot be readily identified. If the excess stock is sold by the purported transferee, such person will be treated as having sold the excess stock on behalf of our agent, and will be required to remit all proceeds to our agent (except to the extent we grant written permission to the purported transferee to retain an amount, not to exceed the amount such person otherwise would have been entitled to retain had our agent sold such shares for an amount equal to the proceeds of such sale (taking into account the actual costs incurred by our agent)).

The transfer restrictions in the Ownership Limitations do not apply to (i) any transfer for which, prior to such transfer being consummated (or, in the case of an involuntary transfer, as soon as practicable after the transfer is consummated), our Board of Directors has granted its approval, (ii) a transfer pursuant to any transaction, including, but not limited to, a merger, consolidation, mandatory share exchange or other business combination in which all holders of our stock and other specified securities receive, or are offered the same opportunity to receive, cash or other consideration for all such Company Securities, and upon the consummation of which the acquiror owns at least a majority of the outstanding shares of our common stock, (iii) a transfer to any employee stock ownership or other employee benefit plan of the Company (or any entity or trustee holding shares of our common stock for or pursuant to the terms of any such plan or for the purpose of funding any such plan or funding other employee benefits for our employees), (iv) a transfer by ING Group or any of its subsidiaries (including by means of a transfer to any underwriter, dealer or initial purchaser), and (v) the issuance of shares of our common stock upon exercise of the warrants to be issued to ING Group in conjunction with this offering. Transfers by underwriters, dealers or purchasers following any transfer referred to in clause (iv) remain subject to the Ownership Limitations.

The Ownership Limitations expire on the earliest of (i) the date of the occurrence of an ownership change resulting from the sale of our common stock by ING Group, (ii) the date on which our Board of Directors receives, at its request, a report from our advisors that the Ownership Limitations are no longer necessary for the preservation of our tax attributes described above because of the amendment or repeal of Section 382 or any other change in law, (iii) the first day of a taxable year to which our Board of Directors receives a report, at its request, from our advisors that the tax attributes described above may no longer be carried forward, and (iv) such other date as our Board of Directors determines.

In addition, the Board of Directors may determine that transfer and ownership restrictions shall not apply to any particular transaction or transactions and such determination may be made prospectively or retroactively.

**Warrants to be Issued to ING Group**

In conjunction with this offering, we will issue to ING Group warrants that will be exercisable for a number of shares of our common stock equal in the aggregate to 9.99% (or approximately 25,641,000 shares, assuming that we issue 26,666,667 shares in this offering) of the issued and outstanding shares of our common stock immediately following the completion of this offering. The initial exercise price of the warrants will be \$ \_\_\_\_\_ per share of common stock (which is equal to 250% of the per share public offering price), subject to adjustments, including for stock dividends, certain cash dividends, subdivisions, combinations, reclassifications and non-cash distributions. The warrants will also provide for, upon the occurrence of certain change of control events affecting the Company, an increase in the number of shares to which a warrant holder will be entitled upon payment of the aggregate exercise price of the warrant. The warrants will be exercisable starting on the first anniversary of the completion of this offering ( \_\_\_\_\_, 2014) and expire on the tenth anniversary of the completion of this offering ( \_\_\_\_\_, 2023). The warrants will be net share settled, which means that no cash will

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be payable by a warrant holder in respect of the exercise price of a warrant upon exercise. Such warrant holder will receive the number of shares of common stock equal to the number of shares into which the warrant is exercisable less the number of shares having a value equal to the aggregate exercise price. The value of the shares for purposes of the net share settlement will be determined based on the volume-weighted average prices of shares of common stock on the NYSE (or such other principal stock exchange on which such shares are traded at the time of exercise) during the ten consecutive trading day period beginning on and including the trading day immediately following the exercise date).

Warrant holders will not be entitled, by virtue of holding warrants, to vote, to consent, to receive dividends, if any, to receive notices as stockholders with respect to any meeting of stockholders or to exercise any rights whatsoever as our stockholders until they become holders of the shares of our common stock issued upon exercise of the warrants.

The warrants will not be subject to any contractual restrictions on transfer. However, initially, the warrants will be subject to the lock-up arrangement entered into by ING Group with the underwriters. See [Underwriting](#). The warrants will not be exercisable by ING Group or any of its affiliates before January 1, 2017, but will be exercisable in accordance with their terms before January 1, 2017, by holders other than ING Group or its affiliates, if any. For so long as ING Group holds warrants, ING Group will have registration rights under the registration rights agreement we expect to enter into with ING Group, with respect to such warrants and the shares to be issued upon exercise thereof. See [Shares Eligible for Future Sale](#) [Registration Rights Agreement](#).

## **Listing**

We have received approval to list our common stock on the NYSE under the symbol [VOYA](#). We expect to rebrand from ING U.S. to Voya Financial over time following this offering.

## **Transfer Agent and Registrar**

Upon the consummation of this offering, the transfer agent and registrar for our common stock will be Computershare Trust Company, N.A. The transfer agent's address is 250 Royall Street, Canton, MA 02021.

**Table of Contents****SHARES ELIGIBLE FOR FUTURE SALE**

Prior to this offering, there has been no market for our common stock. Future sales of substantial amounts of our common stock in the public market could adversely affect market prices prevailing from time to time. Furthermore, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, assuming a price per share at the mid-point of the price range set forth on the cover page of this prospectus, we will have 256,666,667 shares of common stock outstanding, excluding shares awarded pursuant to equity award arrangements with directors and employees. Of the shares of common stock outstanding following this offering, the 64,166,667 shares of common stock (73,791,667 shares of common stock if the underwriters exercise in full their option to purchase additional shares) sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any such shares of common stock held by our affiliates, as defined in Rule 144 under the Securities Act, which would be subject to the limitations and restrictions described below under Rule 144. The remaining shares of common stock that will be outstanding are restricted shares as defined in Rule 144. Restricted shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 of the Securities Act. As a result of the contractual lock-up period described below under and the provisions of Rule 144 these shares will be available for sale in the public market as presented below:

**Shares of Common Stock**  
0

192,500,000

**Shares Available for Public Sale**  
The date of this prospectus

180 days following the date of this prospectus, subject to volume and manner of sale limitations

**Rule 144**

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, our affiliates who have owned privately-purchased shares for at least six months or who own shares purchased in the open market are entitled to sell these shares as follows. Within any three-month period, each person may sell a number of shares that does not exceed the greater of 1% of our then-outstanding shares of common stock, which will equal approximately 2,566,667 shares immediately after this offering (assuming that we issue 26,666,667 shares in this offering), or the average weekly trading volume of our common stock on during the four calendar weeks preceding the filing of a notice of the sale on Form 144. Sales under Rule 144 by affiliates will also be subject to manner of sale provisions, notice requirements and the availability of current public information about us.

A person who is not deemed to have been one of our affiliates at any time during the three months preceding a sale, and who owns shares within the definition of restricted securities under Rule 144 that were purchased from us, or any affiliate, at least six months previously, would, beginning 90 days after this offering, also be entitled to sell shares under Rule 144. Such sales would be permitted without regard to the volume limitations, manner of sale provisions or notice requirements described above and, after one year, without any limits, including the public information requirement.

**Registration Statement on Form S-8**

We intend to file with the SEC, as soon as practicable following the completion of the offering, a Registration Statement on Form S-8 registering an aggregate of shares of common stock underlying equity awards we have made and will make to our employees and certain other qualifying individuals, and the resale of those shares of common stock. The Form S-8 will become effective upon filing and shares of common stock so registered will become freely tradable upon such effectiveness, subject to any restrictions imposed on such resale pursuant to the lock-up agreements entered into with the underwriters for the offering.

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### **Lock-Up Agreements**

We expect that we, ING Group and our directors and executive officers will enter into lock-up arrangements under which we and they will agree that we and they will not sell, directly or indirectly, any common stock for a period of 180 days from the date of this prospectus (subject to certain exceptions) without the prior written consent of Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Citigroup Global Markets Inc. See Underwriting.

### **Registration Rights Agreement**

Concurrently with the closing of this offering, we expect to enter into a registration rights agreement with ING Group, pursuant to which ING Group will be able to require us, beginning after the 180-day restricted period described under Underwriting, to file one or more registration statements with the SEC covering the public resale of registrable securities beneficially owned by ING Group. Registrable securities consist of shares of our common stock, warrants to purchase shares of our common stock and the shares of our common stock issuable upon the exercise of such warrants. We will not be obligated to effect more than one demand registration, in addition to any registration on a shelf registration statement, in any six month period. We will be obligated to file a shelf registration statement, upon any request made by ING Group subsequent to the date that is one year from the date of the registration rights agreement (or, if earlier, the date on which we become eligible to use Form S-3 for the registration of securities). In addition, ING Group will have certain piggyback registration rights, pursuant to which it will be entitled to register the resale of its registrable securities alongside any offering of securities that we may undertake, and the amount of securities we may offer may be subject to cutback in certain such cases. These registration rights are transferable by ING Group. We will be responsible for the expenses associated with any sale under the agreement by ING Group, except for its legal fees and underwriting discounts, selling commissions and transfer taxes applicable to such sale. The registration rights agreement will terminate at such time as no registrable securities remain outstanding.

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**MATERIAL U.S. FEDERAL TAX CONSIDERATIONS**

**FOR NON-U.S. HOLDERS OF OUR COMMON STOCK**

This section summarizes material U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock by a non-U.S. holder. You are a non-U.S. holder if you are, for U.S. federal income tax purposes, a beneficial owner of our common stock that is:

a nonresident alien individual,

a foreign corporation, or

an estate or trust that in either case is not subject to U.S. federal income tax on a net income basis on income or gain from common stock.

This section applies to you only if you acquire our common stock in this offering and you hold our common stock as a capital asset for U.S. federal income tax purposes.

This section does not consider the specific facts and circumstances that may be relevant to a particular non-U.S. holder and does not address the treatment of a non-U.S. holder under the laws of any state, local or foreign taxing jurisdiction and does not address the potential application of the Medicare contribution tax. This section is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, existing and proposed regulations, and administrative and judicial interpretations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds our common stock, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding our common stock should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in our common stock.

*You should consult a tax advisor regarding the U.S. federal tax consequences of acquiring, owning and disposing of our common stock in your particular circumstances, as well as any tax consequences that may arise under the laws of any state, local or foreign taxing jurisdiction.*

**Dividends**

Distributions on our common stock will generally be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined by U.S. federal income tax principles). Distributions in excess of current and accumulated earnings and profits will be treated first as a tax-free return of capital to the extent of your tax basis in our common stock and then as gain on the disposition of our common stock. Except as described below, if you are a non-U.S. holder of our common stock, dividends paid to you are subject to withholding of U.S. federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, we and other payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless you have furnished to us or another payor:

a valid IRS Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a non-U.S. person and your entitlement to the lower treaty rate with respect to such payments, or

in the case of payments made outside the United States to an offshore account (generally, an account maintained by you at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing your entitlement to the lower treaty rate in accordance with U.S. Treasury Regulations.



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If you are eligible for a reduced rate of U.S. federal withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the IRS.

If dividends paid to you are effectively connected with your conduct of a trade or business within the United States and, if required by a tax treaty, the dividends are attributable to a permanent establishment that you maintain in the United States, we and other payors generally are not required to withhold tax from the dividends, provided that you have furnished to us or another payor a valid IRS Form W-8ECI or an acceptable substitute form upon which you represent, under penalties of perjury, that:

you are a non-U.S. person, and

the dividends are effectively connected with your conduct of a trade or business within the United States and are includible in your gross income.

Effectively connected dividends are taxed at rates applicable to U.S. citizens, resident aliens and domestic U.S. corporations.

If you are a corporate non-U.S. holder, effectively connected dividends that you receive may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

### **Gain on Disposition of Common Stock**

If you are a non-U.S. holder, you generally will not be subject to U.S. federal income tax on gain that you recognize on a disposition of our common stock unless:

the gain is effectively connected with your conduct of a trade or business in the United States and, if required by a tax treaty, the gain is attributable to a permanent establishment that you maintain in the United States,

you are an individual, you hold the common stock as a capital asset, you are present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist, or

we are or have been a United States real property holding corporation for U.S. federal income tax purposes at any time within the five-year period preceding the disposition or your holding period, whichever period is shorter, you are not eligible for a treaty exemption, and, either (i) our common stock has ceased to be traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs, or (ii) you held (directly or indirectly) more than 5% of our common stock at any time during the five-year period preceding the disposition.

We have not been, are not and do not anticipate becoming a United States real property holding corporation for U.S. federal income tax purposes.

If you are a corporate non-U.S. holder, effectively connected gains that you recognize may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

### **Withholdable Payments to Foreign Financial Entities and Other Foreign Entities**

A 30% withholding tax will be imposed on certain payments to you or certain foreign financial institutions, investment funds and other non-U.S. persons receiving payments on your behalf if you or such institutions fail to comply with information reporting and due diligence requirements. Such payments will include U.S.-source dividends and the gross proceeds from the sale or other disposition of stock that can produce U.S.-source dividends. You could be affected by this withholding if you are subject to the information reporting and due





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diligence requirements and fail to comply with them or if you hold common stock through another person (e.g., a foreign bank or broker) that is subject to withholding because it fails to comply with these requirements (even if you would not otherwise have been subject to withholding). However, withholding will not apply to payments of dividends before January 1, 2014, and to payments of gross proceeds from a sale or other disposition of common stock before January 1, 2017.

### **Federal Estate Taxes**

Common stock held by a non-U.S. holder at the time of death will be included in the holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

### **Backup Withholding and Information Reporting**

If you are a non-U.S. holder, we and other payors are required to report payments of dividends on IRS Form 1042-S even if the payments are exempt from withholding. You are generally exempt from backup withholding and information reporting on IRS Form 1099 with respect to:

payment of dividends on our common stock and

payment of proceeds from the sale of our common stock effected at a U.S. office of a broker,  
in each case, as long as the income associated with such payments is otherwise exempt from U.S. federal income tax, and:

the payor or broker does not have actual knowledge or reason to know that you are a U.S. person and you have furnished to the payor or broker:

a valid IRS Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-U.S. person, or

other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury Regulations, or

you otherwise establish an exemption.

Payment of proceeds from the sale of our common stock effected at a foreign office of a broker generally will not be subject to backup withholding or information reporting. However, a sale of our common stock that is effected at a foreign office of a broker will be subject to backup withholding and information reporting if:

the proceeds are transferred to an account maintained by you in the United States,

the payment of proceeds or the confirmation of the sale is mailed to you at a U.S. address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury Regulations, unless the broker does not have actual knowledge or reason to know that you are a U.S. person and the documentation requirements described above are met or you otherwise establish an exemption.

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In addition, a sale of our common stock that is effected at a foreign office of a broker will be subject to information reporting if the broker is:

a U.S. person,

a controlled foreign corporation for U.S. federal income tax purposes,

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a U.S. trade or business for a specified three-year period, or

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a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons, as defined in U.S. Treasury Regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

the foreign partnership is engaged in the conduct of a U.S. trade or business, unless the broker does not have actual knowledge or reason to know that you are a U.S. person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a U.S. person.

You generally may obtain a refund (or a credit) of any amounts withheld under the backup withholding rules that exceed your income tax liability by timely filing a refund claim with the IRS.

**Table of Contents****UNDERWRITING**

Under the terms and subject to the conditions set forth in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Citigroup Global Markets Inc. are acting as representatives, have severally agreed to purchase, and we and the Selling Stockholder have agreed to sell to them, severally, the number of shares indicated below.

<b>Underwriters</b>	<b>Number of Shares</b>
Morgan Stanley & Co. LLC	
Goldman, Sachs & Co.	
Citigroup Global Markets Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Credit Suisse Securities (USA) LLC	
Deutsche Bank Securities Inc.	
J.P. Morgan Securities LLC	
ING Financial Markets LLC	
Barclays Capital Inc.	
RBC Capital Markets, LLC	
SunTrust Robinson Humphrey, Inc.	
Evercore Group L.L.C.	
Keefe, Bruyette & Woods, Inc.	
Raymond James Financial Inc.	
Sandler O'Neill & Partners, L.P.	
Wells Fargo Securities, LLC	
BNY Mellon Capital Markets, LLC	
Commerz Markets LLC	
HSBC Securities (USA) Inc.	
Mediobanca Banca di Credito Finanziario S.p.A.	
Piper Jaffray & Co.	
Samuel A. Ramirez & Company, Inc.	
The Williams Capital Group, L.P.	
Total	64,166,667

The underwriters and the representatives are collectively referred to as the underwriters and the representatives, respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and the Selling Stockholder and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' option to purchase additional shares described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at the public offering price less a concession not to exceed \_\_\_\_\_ per share. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

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The Selling Stockholder has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 9,625,000 additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

Because of the relationship between the Selling Stockholder and ING Group, on the one hand, and the Company, on the other hand, the Selling Stockholder and ING Group are deemed to be underwriters of the offering for purposes of the Securities Act.

The following table presents the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us and the Selling Stockholder. These amounts are presented assuming both no exercise and full exercise of the underwriters' option to purchase up to 9,625,000 additional shares of common stock.

	Per Share	No Exercise	Full Exercise
Public offering price	\$	\$	\$
Underwriting discounts and commissions to be paid by:			
Us	\$	\$	\$
The Selling Stockholder	\$	\$	\$
Proceeds, before expenses to us	\$	\$	\$
Proceeds, before expenses, to the Selling Stockholder	\$	\$	\$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are \$8.3 million. We have agreed to reimburse the underwriters for expenses relating to the production and distribution of a World Sky memorandum and the clearance of this offering with the Financial Industry Regulatory Authority up to \$ . In addition, ING Group will pay each of Morgan Stanley & Co. LLC and Goldman, Sachs & Co. a structuring fee, equal to an amount that is not less than \$1.0 million and not more than \$1.5 million, for the structuring services provided by each of Morgan Stanley & Co. LLC and Goldman, Sachs & Co. in connection with this offering.

Solebury Capital LLC, or Solebury, a FINRA member, is acting as our financial advisor in connection with the offering. Upon the successful completion of this offering, Solebury will be paid a fee of \$850,000 for its services, and, in our discretion, an additional incentive fee of up to \$250,000. Solebury is not acting as an underwriter and will not sell or offer to sell any securities and will not identify, solicit or engage directly with potential investors. In addition, Solebury will not underwrite or purchase any of the offered securities or otherwise participate in any such undertaking.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

Our common stock has been approved for listing on the NYSE under the symbol VOYA . We expect to rebrand from ING U.S. to Voya Financial over time following this offering.

We expect that we and all of our directors and officers and the Selling Stockholder will agree, subject to certain exceptions, that, without the prior written consent of Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Citigroup Global Markets Inc. on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus (the restricted period ):

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;

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file any registration statement with the SEC relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock,

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we and each such person will agree that, without the prior written consent of Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Citigroup Global Markets Inc. on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restricted period described in the preceding paragraph will be extended if:

during the last 17 days of the restricted period we issue an earnings release or a material news event relating to us occurs, or

prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the restricted period or provide notification to Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Citigroup Global Markets Inc. of any earnings release or material news or material event that may give rise to an extension of the initial 180-day restricted period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Morgan Stanley & Co. LLC, Goldman, Sachs & Co., and Citigroup Global Markets Inc. in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. When determining whether or not to release common stock and other securities from lock-up agreements, Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Citigroup Global Markets Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of shares of common stock and other securities for which the release is being requested and market conditions at the time.

At our request, the underwriters have reserved approximately two percent of the shares of common stock to be offered by this prospectus for sale, at the initial public offering price, to directors, officers, employees and business associates of the Company and certain employees of ING Group. The number of shares of common stock available for sale to the general public will be reduced to the extent these individuals purchase such reserved shares. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the option to purchase additional shares. The underwriters can close out a covered short sale by exercising the option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the option to purchase additional shares. The underwriters may also sell shares in excess of the option to purchase additional shares, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A

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naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We, the Selling Stockholder and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

Mediobanca Banca di Credito Finanziario S.p.A. is not registered with the Securities and Exchange Commission as a broker-dealer under Section 15 of the Exchange Act, and such underwriter will not make any offers to U.S. persons other than through registered broker-dealers in compliance with applicable U.S. securities laws.

## **Pricing of the Offering**

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations among us, the Selling Stockholder and the representatives of the underwriters. Among the factors expected to be considered in determining the initial public offering price are our future prospects and those of our industry in general, our revenues, earnings and certain other financial and operating information in recent periods, certain financial ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

## **Other Relationships**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or persons or entities with a relationship with us. They have received, or may in the future receive, customary fees and commissions for these transactions. In particular, certain of the underwriters or their affiliates have a lending relationship with us under our Revolving Credit Agreement and Term Loan Agreement and act as agents thereunder.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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### **Selling Restrictions**

#### ***Australia***

Neither this document nor any other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia (Corporations Act)) has been, or will be, lodged with the Australian Securities & Investments Commission (ASIC) and does not constitute an offer except to the following categories of exempt investors:

- (i) sophisticated investors under section 708(8)(a) or (b) of the Corporations Act;
- (ii) sophisticated investors under section 708(8)(c) or (d) of the Corporations Act who have provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before any offer has been made; or
- (iii) professional investors within the meaning of section 708(11)(a) or (b) of the Corporations Act.

By purchasing shares of common stock, you warrant and agree that:

- (i) you are an exempt investor under one of the above categories; and
- (ii) you will not offer any shares of common stock issued or sold to you pursuant to this document for sale in Australia within 12 months of those shares being issued or sold unless any such sale offer is exempt from the requirement to issue a disclosure document (as defined in the Corporations Act) under sections 708 or 708A of the Corporations Act.

#### ***People's Republic of China***

This prospectus may not be circulated or distributed in the People's Republic of China (China) and the shares of common stock may not be offered or sold, and will not be offered or sold, to any person for re-offering or resale directly or indirectly to any resident of China except pursuant to applicable laws and regulations of China. For the purpose of this paragraph, China does not include Taiwan or the special administrative regions of Hong Kong and Macau.

#### ***Egypt***

The shares of common stock may not be offered or sold in any form of general solicitation or general advertising or in a public offering in Egypt, unless the pre-approval of the Egyptian Financial Supervisory Authority (EFSA) has been obtained. Shares of common stock offered and sold in the offering may only be offered or sold in Egypt through a private placement to Egyptian QIBs or Professional High Net Worth Investors (each as defined below) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments for the purposes of their business and only in accordance with applicable Egyptian law and regulations including the applicable provisions of the Capital Market Law (CMA) and the provisions of the CMA's Directives No. 31 for the year 2002 concerning private placements.

Each purchaser of the shares of common stock offered in the private placement in Egypt will be deemed to have represented that it is either an Egyptian QIB or a Professional High Net Worth Investor within the meaning of the CMA and the CMA's Directives No. 31 of the year 2002 concerning private placements.

An Egyptian QIB is an institutional investor having (i) a minimum asset book value of 20.0 million Egyptian Pounds (EGP); (ii) a minimum equity book value of EGP 10.0 million; (iii) a minimum investment in securities (excluding securities related to the offering) of EGP 5.0 million as of date of the placement; or (iv) a license to operate in the field of securities and permitted to acquire securities within its objects. In addition, an Egyptian QIB should also have at least five years experience in capital markets and stock exchanges locally and internationally.



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A Professional High Net Worth Investor is an individual investor: (i) who owns assets with a minimum value of EGP 2.0 million; (ii) with a minimum annual income of EGP 500,000; (iii) with a minimum bank

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savings account balance of EGP 500,000; (iv) who, as of the placement date, holds securities in two joint stock companies (excluding the offering) with a minimum value of EGP 2.0 million; or (v) who has at least five years experience in capital markets and stock exchanges locally or internationally.

### ***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), an offer to the public of any shares which are the subject of the offering contemplated by this Prospectus (the Securities) may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Securities may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are qualified investors as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 3(2) or Article 4(1) of the Prospectus Directive, provided that no such offer of Securities shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Securities to be offered so as to enable an investor to decide to purchase any Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State, and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

This EEA selling restriction is in addition to any other selling restrictions set out in this Prospectus.

### ***Hong Kong***

Shares of our common stock may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares of our common stock may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares of our common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

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*WARNING*

*The contents of this prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*

***Japan***

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

***Jordan***

The shares of common stock have not been presented to, or approved by, the Jordanian Securities Commission or the Board for Regulating Transactions in Foreign Exchanges. The underwriters have confirmed that they will not offer the shares of common stock to potential investors in Jordan except (i) pursuant to a prospectus that is filed and approved by the Jordanian Securities Commission and (ii) by persons licensed to do so pursuant to the Jordanian Securities Law and the Law Regulating Trading in Foreign Exchanges, or exemptions from such filing and licenses apply or have been obtained.

***Kuwait***

FOR RESIDENTS OF KUWAIT ONLY:

Unless all necessary approvals from the Kuwait Capital Markets Authority ( CMA ) pursuant to Law No. 7/2010, its Executive Regulations and the various Resolutions and Announcements issued pursuant thereto or in connection therewith have been given in relation to the marketing of, and sale of, the shares, these may not be offered for sale, nor sold in the State of Kuwait ( Kuwait ). Neither this prospectus nor any of the information contained herein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

With regard to the contents of this document we recommend that you consult a party licensed by the CMA to conduct securities activities in Kuwait and specialized in giving advice about the purchase of shares and other securities before making the subscription decision.

***The Netherlands***

No offer of any shares of our common stock, which are the subject of the offering contemplated by this document, has been made or will be made in the Netherlands, unless in reliance on Article 3(2) or Article 4(1) of the Prospectus Directive and provided that:

- (a) such offer is made exclusively to legal entities which are qualified investors (as defined in the Prospectus Directive) in the Netherlands; or
- (b) standard exemption logo and wording are disclosed as required by article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het Financieel Toezicht*, the FSA ); or
- (c) such offer is otherwise made in circumstances in which article 5:20(5) of the FSA is not applicable.

***Qatar***

Without the approval of the Qatar Financial Markets Authority (the QFMA ), the common shares will not be provided, promoted, offered, sold or delivered, at any time, directly or indirectly in the State of Qatar to any person.



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If the approval of the QFMA is obtained, the offer of the common shares in the State of Qatar will only be made through a private placement on an exclusive basis to the specifically intended professional and sophisticated identified recipient thereof, upon that person's request and initiative, for personal use only and will not be provided, promoted, offered, sold or delivered, at any time, directly or indirectly in the State of Qatar to any other person. Such an offer shall in no way be construed as a general public offer for the sale of securities to the public or an attempt to do business as a bank, an investment company or otherwise in the State of Qatar. Such promotion will not be approved by the Qatar Central Bank and will not be registered or licensed by any other regulator in the State of Qatar including the Qatar Financial Centre Regulatory Authority and the Qatar Exchange. If provided in the State of Qatar in accordance with the foregoing restrictions, the information contained in this prospectus shall be for the recipient only and may not be shared with any third party in Qatar. It shall not be for general circulation in the State of Qatar and any distribution or reproduction of this prospectus supplement by any recipient to third parties in Qatar is not permitted and shall be at the liability of such recipient only and no liability whatsoever shall apply to ING U.S., Inc. or the underwriters in this regard.

***Saudi Arabia***

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulation issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document you should consult an authorized financial adviser.

***Singapore***

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of our common stock may not be circulated or distributed, nor may the shares of our common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares of our common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within 6 months after that corporation or that trust has acquired the shares pursuant to an offer under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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***Taiwan***

Shares of common stock cannot be offered, distributed, sold or resold to the public in Taiwan unless prior approval from, or effective registration with, the Republic of China government authorities has been obtained pursuant to the applicable laws or a private placement exemption is available under the applicable securities laws.

***United Arab Emirates***

The offering contemplated hereunder has not been approved or licensed by the Central Bank of the United Arab Emirates ( UAE ), the Securities and Commodities Authority of the UAE and/or any other relevant licensing authority in the UAE including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the Dubai Financial Services Authority ( DFSA ), a regulatory authority of the Dubai International Financial Centre ( DIFC ). This offering does not constitute a public offer of shares in the UAE, DIFC and/or any other free zone in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended), or the DFSA Markets Rules, accordingly, or otherwise. The shares of common stock may not be offered to the public in the UAE and/or any of the free zones. The shares of common stock may be offered to the public in the UAE and/or any of the free zones.

The shares of common stock may be offered and issued only to a limited number of investors in the UAE or any of its free zones who qualify as sophisticated investors under the relevant laws and regulations of the UAE or the free zone concerned. We represent and warrant that the shares will not be offered, sold, transferred or delivered to the public in the UAE or any of its free zones.

*Dubai International Financial Centre.* This document relates to an Exempt Offer in accordance with the Markets Rules of the Dubai Financial Services Authority. This document is intended for distribution only to Persons of a type specified in those rules to whom Exempt Offers can be made. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares of common stock to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares of common stock offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorized financial adviser.

***United Kingdom***

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order ) or (iii) high net worth entities within Article 49(2)(a) to (d) of the Order or other persons to whom it may otherwise be lawfully communicated (all such persons together being referred to as relevant persons ). The shares are only available to, and any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Each underwriter has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the FSMA )) received by it in connection with the issue or sale of the shares which are the subject of the offering contemplated by this Prospectus (the Securities ) in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

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**Conflicts of Interest**

Because ING Financial Markets LLC, one of the participating underwriters, is an affiliate of ING U.S., Inc. as well as an affiliate of the Selling Stockholder, the Financial Industry Regulatory Authority, Inc., or FINRA, deems ING Financial Markets LLC to have a conflict of interest within the meaning of Rule 5121 of the FINRA Conduct Rules ( Rule 5121 ). Rule 5121 permits ING Financial Markets to participate in the offering notwithstanding this conflict of interest because Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Citigroup Global Markets Inc., the underwriters primarily responsible for managing the offering, satisfy the criteria required by Rule 5121(f)(12)(E) and none of Morgan Stanley & Co. LLC, Goldman, Sachs & Co., Citigroup Global Markets Inc. nor their respective affiliates have a conflict of interest with us. In accordance with Rule 5121, ING Financial Markets LLC will not sell our common stock to a discretionary account without receiving written approval from the account holder.

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**VALIDITY OF COMMON STOCK**

The validity of the shares of our common stock offered hereby will be passed upon for us by Sullivan & Cromwell LLP, New York, New York and for the underwriters by Davis Polk & Wardwell LLP, New York, New York.

**EXPERTS**

The Consolidated Financial Statements and schedules of ING U.S., Inc. as of December 31, 2012 and 2011, and for each of the three years in the period ended December 31, 2012, appearing in this prospectus and registration statement, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The review of our Closed Block Variable Annuity equity hedge programs referred to, and described in, this prospectus and registration statement was prepared by Milliman, Inc. and such references and descriptions are included on the authority of such firm as experts in actuarial and related services.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act for the shares of our common stock being offered by this prospectus. This prospectus, which is part of the registration statement, does not contain all of the information included in the registration statement and the exhibits. For further information about us you should refer to the registration statement and its exhibits. References in this prospectus to any of our contracts or other documents are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. You may read and copy any document that we file at the SEC's public reference room located at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. SEC filings are also available to the public at the SEC's website at [www.sec.gov](http://www.sec.gov).

Upon completion of this offering, we will be subject to the reporting and information requirements of the Exchange Act and, as a result, will file periodic and current reports, proxy statements and other information with the SEC. We expect to make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website at [ing.us](http://ing.us) as soon as reasonably practicable after those reports and other information are filed with or furnished to the SEC. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this prospectus. Additionally, these periodic reports, proxy statements and other information will be available for inspection and copying at the public reference room and website of the SEC referred to above.



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**GLOSSARY**

2018 Notes	\$1.0 billion principal amount of 2.9% Senior Notes due 2018 that we issued on February 11, 2013 in a private placement
2022 Notes	\$850.0 million principal amount of 5.5% Senior Notes due 2022 that we issued on July 13, 2012 in a private placement
ABS	Asset-backed securities
Aetna Notes	Approximately \$645.0 million of various debentures of Lion Holdings that were assumed by Lion Holdings in connection with the acquisition of Aetna's life insurance and related businesses in 2000
AG38	NAIC Actuarial Guideline XXXVIII, The Application of the Valuation of Life Insurance Policies Model Regulation ( Model ), which clarifies the application of XXX with respect to certain universal life insurance policies with secondary guarantees
AG43	NAIC Actuarial Guideline XLIII, Commissioners' Annuity Reserve Valuation Method for Variable Annuities, which clarifies the approach to determining additional reserves required for variable annuities and the guaranteed benefits embedded in them
ALM	Asset/liability management
AOCI	Accumulated other comprehensive income (loss)
ARO	NAIC acceptable rating organization providing credit quality and financial strength rating designations
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
AUA	Assets under administration. See Management's Discussion and Analysis of Results of Operations and Financial Condition Operating Measures Assets Under Management and Assets Under Administration.
AUM	Assets under management. See Management's Discussion and Analysis of Results of Operations and Financial Condition Operating Measures Assets Under Management and Assets Under Administration.
CAL	Company action level risk-based capital, as defined by the NAIC
CDS	Credit default swaps
CFTC	U.S. Commodity Futures Trading Commission
Capital Hedge Overlay program	See Business Closed Blocks Variable Annuity Hedge Program and Reinsurance Variable Annuity Capital Hedge Overlay Program.
CMBS	Commercial mortgage-backed securities
CMO	Collateralized mortgage obligation
CMO-B	A proprietary strategy to manage a portfolio of various CMO tranches in combination with financial derivatives. See Investments CMO-B Portfolio.
CRO	The Chief Risk Officer of ING U.S., Inc. or one of its businesses or segments
DAC	Deferred acquisition cost, representing the incremental costs related directly to the successful acquisition of new and renewal insurance and annuity contracts
DAC/VOBA and other intangibles	DAC, VOBA, DSI, and URR
Divestment Transaction	Any sale or other divestment of all or a portion of ING U.S., Inc. common stock by ING Group, including this offering

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DNB	Dutch Central Bank ( <i>De Nederlandsche Bank</i> )
DOL	U.S. Department of Labor
DSI	Deferred sales inducements, representing amounts that are credited to a policyholder's account balance that are higher than the expected credited rates on similar contracts without such an inducement and that are an incentive to purchase a contract
Dutch State loan obligation	The assignment by ING Support Holding of certain rights pursuant to participation agreements that certain subsidiaries of the Company entered into with ING Support Holding on January 26, 2009. See Certain Relationships and Related Party Transactions Alt-A Back-up Facility.
Dutch State Transactions	The state aid granted to ING Group by the Kingdom of the Netherlands in November 2008 and March 2009. See Regulation Dutch State Transactions and Restructuring Plan.
EC	European Commission
Exit price	The price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants
Favorable unlocking	See Management's Discussion and Analysis of Results of Operations and Financial Condition Results of Operations Segment by Segment Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles.
FIAAs	Fixed indexed annuities
FSB	Financial Stability Board
FSOC	Financial Stability Oversight Council
FVO	Fair value option
GAAP	Accounting principles generally accepted in the United States
GICs	Guaranteed investment contracts
GLWB	Guaranteed lifetime withdrawal benefits
GMAB	Guaranteed minimum accumulation benefits
GMDB	Guaranteed minimum death benefits
GMIB	Guaranteed minimum income benefits
GMWB	Guaranteed minimum withdrawal benefits
GMWBL	Guaranteed minimum withdrawal benefits for life
GRIP	Guaranteed retirement income portfolio
Guaranteed benefit derivatives	Embedded derivatives and derivatives related to product guarantees
Hannover Re	Hannover Life Reassurance Company of America and Hannover Life Reassurance (Ireland) Limited, collectively
ILIAC	ING Life Insurance and Annuity Company, a principal insurance subsidiary of ING U.S., Inc.
ING Bank	ING Bank N.V., a wholly owned subsidiary of ING Group

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ING Group	ING Groep N.V.
ING Re	ING Re (Netherlands) N.V., a wholly owned subsidiary of ING Group
ING Support Holding	ING Support Holding, B.V., a wholly owned subsidiary of ING Group
ING USA	ING USA Annuity and Life Insurance Company, a principal insurance subsidiary of ING U.S., Inc.
ING V	ING Verzekeringen N.V., a wholly owned subsidiary of ING Group
IRAs	Individual Retirement Accounts
IRS	U.S. Internal Revenue Service
LIHTC	Low Income Housing Tax Credits
Lion Holdings	Lion Connecticut Holdings Inc., our principal intermediate holding company, which is the parent of a number of our insurance and non-insurance operating entities
LOCs	Letters of credit
MAP-21	Moving Ahead for Progress in the 21st Century Act
MCG	Managed custody guarantee product
MGIR	Minimum Guaranteed Interest Rates
MPA	A master asset purchase agreement that the Company entered into, effective January 1, 2009, with Scottish Re and Hannover Re
MYGAs	Multi-Year Guarantee Annuities
NAIC	National Association of Insurance Commissioners
NAR	Net amount at risk
NAV	Net asset value
NOLs	Net operating loss carryforwards
Nonperformance risk	Risk that our obligations or the obligations of one of our subsidiaries will not be fulfilled
OCC	Office of the Comptroller of the Currency
Operating ROC	Operating return on capital. See Business Operating Return on Capital Goal.
Operating ROE	Operating return on equity. See Business Operating Return on Equity.
OTTI	Other-than-temporary impairment
PBGC	U.S. Pension Benefit Guaranty Corporation
PBR	A Principles-Based Reserving framework under which the NAIC has begun a process of redefining the U.S. statutory reserve methodology for certain of our insurance liabilities
RBC	Risk-based capital as defined by the NAIC
RBC ratio	Company action level risk-based capital ratio
Regulation XXX (XXX)	NAIC Model Regulation entitled Valuation of Life Insurance Policies , which requires insurers to establish additional statutory reserves for certain term life insurance policies with long-term premium guarantees and for certain universal life policies with secondary guarantees

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Restructuring Plan	A restructuring plan that ING Group submitted in October 2009 to the EC in order to receive approval for state aid granted to ING Group by the Dutch State in November 2008 and March 2009
Revolving Credit Agreement	A three-year committed revolving credit agreement, which provides for issuance of up to \$3.5 billion of letters of credit with a \$1.5 billion sublimit for cash borrowings (reduced, as required by the terms of the Revolving Credit Agreement, to \$1.075 billion in connection with the 2022 Notes), that we entered into on April 20, 2012 as part of the Senior Unsecured Credit Facility
RGA	Various subsidiaries of Reinsurance Group of America Incorporated, collectively
RLI	ReliaStar Life Insurance Company, a principal insurance subsidiary of ING U.S., Inc.
RMBS	Residential mortgage-backed securities
RMP	Risk Management Program
SAT	NAIC Suitability in Annuity Transactions Model Regulation
Scottish Re	Scottish Re Group Limited, Scottish Holdings, Inc., Scottish Re (U.S.), Inc., Scottish Re Life (Bermuda) Limited and Scottish Re (Dublin) Limited, collectively
Section 382	Section 382 of the U.S. Internal Revenue Code of 1986, as amended
Selling Stockholder	ING Insurance International B.V., a wholly owned subsidiary of ING Group
Senior Unsecured Credit Facility	A \$5.0 billion senior unsecured credit facility that we entered into on April 20, 2012 with a syndicate of banks, which replaced financing that was either internally funded or guaranteed by ING V. See <a href="#">Glossary Revolving Credit Agreement</a> and <a href="#">Term Loan Agreement</a> .
Shareholder Agreement	The shareholder agreement between ING U.S. and ING Group that will govern certain aspects of our continuing relationship. See <a href="#">Certain Relationships and Related Party Transactions Relationship with ING Group Following the Offering Shareholder Agreement</a> .
SLD	Security Life of Denver Insurance Company, a principal insurance subsidiary of ING U.S., Inc.
SLDI	Security Life of Denver International Limited, our insurance subsidiary domiciled in the Cayman Islands
SSDMF	U.S. Social Security Death Master File
Supervisory Board	Supervisory Board of ING Group
SVO	Securities Valuation Office of the NAIC
TAC	Total adjusted capital
Term Loan Agreement	A \$1.5 billion two-year syndicated term loan agreement that we entered into on April 20, 2012 as part of the Senior Unsecured Credit Facility
TPAs	Third-party administrators
Unfavorable unlocking	See <a href="#">Management's Discussion and Analysis of Results of Operations and Financial Condition Results of Operations Segment by Segment Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles</a> .
Unlocking event	See <a href="#">Management's Discussion and Analysis of Results of Operations and Financial Condition Results of Operations Segment by Segment Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles</a> .

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URR	Unearned revenue reserve, representing expense loads that are deducted from contract owner account balances and that are greater than the corresponding loads in subsequent contract years; the excess over the corresponding load in subsequent contract years is established as a liability when it is deducted and is amortized into revenue over the life of the associated contracts.
Variable Annuity Guarantee Hedging Program	See Business Closed Blocks Variable Annuity Hedge Program and Reinsurance Variable Annuity Guarantee Hedging Program.
VB	Voluntary Benefits
VIEs	Variable interest entities
VM	A new Valuation Manual for life insurance adopted by the NAIC in December 2012
VMCR	Value of management contract rights
VOBA	Value of business acquired, representing the present value of estimated cash flows embedded in acquired business, plus renewal commissions and certain other costs on such acquired business
VOCRA	Value of customer relationships acquired
VOEs	Voting interest entities
XXX	See Regulation XXX (XXX).

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**ING U.S., Inc.**

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors

ING U.S., Inc.

We have audited the accompanying consolidated balance sheets of ING U.S., Inc. as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, changes in shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2012. Our audits also included the financial statement schedules listed in the Index at Item 16b. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ING U.S., Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the financial statements, in response to new accounting standards, the Company changed its method of accounting for variable interest entities effective January 1, 2010.

/s/ Ernst & Young LLP

Atlanta, Georgia

March 19, 2013,

except for Note 20, as to which the date is

April 11, 2013

**Table of Contents****ING U.S., Inc.****Consolidated Balance Sheets****December 31, 2012 and 2011**

(In millions, except share data)

	<b>As of December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Assets:</b>		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$62,955.4 at 2012 and \$61,800.5 at 2011)	\$ 70,910.3	\$ 67,405.6
Fixed maturities, at fair value using the fair value option	2,771.3	3,010.3
Equity securities, available-for-sale, at fair value (cost of \$297.9 at 2012 and \$320.6 at 2011)	340.1	353.8
Short-term investments	5,991.2	3,572.7
Mortgage loans on real estate, net of valuation allowance of \$3.9 at 2012 and \$4.4 at 2011	8,662.3	8,691.1
Loan Dutch State obligation		1,792.7
Policy loans	2,200.3	2,263.9
Limited partnerships/corporations	465.1	599.6
Derivatives	2,374.5	2,660.9
Other investments	167.0	215.1
Securities pledged (amortized cost of \$1,470.0 at 2012 and \$2,068.7 at 2011)	1,605.5	2,253.5
Total investments	95,487.6	92,819.2
Cash and cash equivalents	1,786.8	638.0
Short-term investments under securities loan agreements, including collateral delivered	664.0	1,075.9
Accrued investment income	863.5	881.7
Reinsurance recoverable	7,379.3	7,723.4
Deferred policy acquisition costs, Value of business acquired	3,656.3	4,352.3
Sales inducements to contract holders	212.7	307.3
Current income taxes		26.0
Goodwill and other intangible assets	348.5	382.5
Other assets	1,362.5	1,476.3
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	2,931.2	2,860.3
Cash and cash equivalents	440.8	137.0
Corporate loans, at fair value using the fair value option	3,559.3	2,162.9
Other assets	34.3	15.5
Assets held in separate accounts	97,667.4	88,714.5
Total assets	\$ 216,394.2	\$ 203,572.8

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



**Table of Contents****ING U.S., Inc.****Consolidated Balance Sheets (Continued)****December 31, 2012 and 2011**

(In millions, except share data)

	<b>As of December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Liabilities and Shareholder's Equity:</b>		
Future policy benefits	\$ 15,493.6	\$ 15,626.7
Contract owner account balances	70,562.1	72,731.7
Payables under securities loan agreement, including collateral held	1,509.8	1,781.8
Short-term debt	1,064.6	1,054.6
Long-term debt	3,171.1	1,343.1
Funds held under reinsurance agreements	1,236.6	1,307.6
Derivatives	1,944.2	1,955.8
Pension and other post-employment provisions	903.2	797.7
Current income taxes	11.7	
Deferred income taxes	1,042.7	513.0
Other liabilities	1,604.2	1,563.6
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	3,829.4	2,057.1
Other liabilities	292.4	199.5
Liabilities related to separate accounts	97,667.4	88,714.5
<b>Total liabilities</b>	<b>200,333.0</b>	<b>189,646.7</b>
Shareholder's equity:		
Common stock (900,000,000 shares authorized, 230,000,000 issued and outstanding; \$0.01 par value per share)	2.3	2.3
Additional paid-in capital	22,917.6	22,865.2
Accumulated other comprehensive income	3,710.7	2,595.0
Retained earnings (deficit):		
Appropriated-consolidated investment entities	6.4	126.5
Unappropriated	(12,762.1)	(13,235.1)
<b>Total ING U.S., Inc. shareholder's equity</b>	<b>13,874.9</b>	<b>12,353.9</b>
Noncontrolling interest	2,186.3	1,572.2
<b>Total shareholder's equity</b>	<b>16,061.2</b>	<b>13,926.1</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 216,394.2</b>	<b>\$ 203,572.8</b>

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

**Table of Contents****ING U.S., Inc.****Consolidated Statements of Operations****For the Years Ended December 31, 2012, 2011 and 2010**

(In millions, except per share data)

	Years Ended December 31,		
	2012	2011	2010
<b>Revenues:</b>			
Net investment income	\$ 4,697.9	\$ 4,968.8	\$ 4,987.0
Fee income	3,515.4	3,603.6	3,516.5
Premiums	1,861.1	1,770.0	1,707.5
Net realized gains (losses):			
Total other-than-temporary impairments	(74.1)	(550.6)	(1,383.4)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(19.0)	(47.9)	(492.6)
Net other-than-temporary impairments recognized in earnings	(55.1)	(502.7)	(890.8)
Other net realized capital gains (losses)	(1,225.7)	(1,028.7)	(787.2)
Total net realized capital gains (losses)	(1,280.8)	(1,531.4)	(1,678.0)
Other revenue	378.5	428.2	547.0
Income (loss) related to consolidated investment entities:			
Net investment income (loss)	556.6	528.4	316.0
Changes in fair value related to collateralized loan obligations	(113.4)	(48.8)	(121.8)
<b>Total revenues</b>	<b>9,615.3</b>	<b>9,718.8</b>	<b>9,274.2</b>
<b>Benefits and expenses:</b>			
Policyholder benefits	2,613.5	3,286.5	2,466.7
Interest credited to contract owner account balance	2,248.1	2,455.5	2,560.6
Operating expenses	3,155.0	3,030.8	3,033.5
Net amortization of deferred policy acquisition costs and value of business acquired	722.3	387.0	746.6
Interest expense	153.7	139.3	332.5
Operating expenses related to consolidated investment entities:			
Interest expense	106.4	68.4	49.8
Other expense	10.3	73.5	46.7
<b>Total benefits and expenses</b>	<b>9,009.3</b>	<b>9,441.0</b>	<b>9,236.4</b>
Income (loss) before income taxes	606.0	277.8	37.8
Income tax expense (benefit)	(5.2)	175.0	171.0
Net income (loss)	611.2	102.8	(133.2)
Less: Net income (loss) attributable to noncontrolling interest	138.2	190.9	(10.3)
Net income (loss) available to ING U.S., Inc.'s common shareholder	\$ 473.0	\$ (88.1)	\$ (122.9)
Net income (loss) available to ING U.S., Inc.'s common shareholder per common share	\$ 2.06	\$ (0.38)	\$ (0.53)

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



**Table of Contents****ING U.S., Inc.****Consolidated Statements of Comprehensive Income****For the Years Ended December 31, 2012, 2011 and 2010**

(In millions)

	Years Ended December 31,		
	2012	2011	2010
Net income (loss)	\$ 611.2	\$ 102.8	\$ (133.2)
Other comprehensive income (loss), before tax:			
Unrealized gains/losses on securities	1,659.1	1,655.4	3,377.3
Other-than-temporary impairments	52.2	165.4	(44.7)
Pension and other post-employment benefit liability	(21.4)	78.9	(3.9)
Other comprehensive income (loss), before tax	1,689.9	1,899.7	3,328.7
Income tax benefit (expense) related to items of other comprehensive income (loss)	(574.2)	(278.0)	(1,012.5)
Other comprehensive income (loss), after tax	1,115.7	1,621.7	2,316.2
Comprehensive income (loss)	1,726.9	1,724.5	2,183.0
Less: Comprehensive income (loss) attributable to the noncontrolling interest	138.2	190.9	(10.3)
Comprehensive income (loss) attributable to ING U.S., Inc.'s common shareholder	\$ 1,588.7	\$ 1,533.6	\$ 2,193.3

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

**Table of Contents****ING U.S., Inc.****Consolidated Statements of Changes in Shareholder's Equity****For the Years Ended December 31, 2012, 2011 and 2010**

(In millions)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)		Total ING U.S., Inc. Shareholder Equity	Noncontrolling Interest	Total Shareholder's Equity
				Appropriated	Unappropriated			
Balance at January 1, 2010	\$ 2.3	\$ 15,331.7	\$ (1,342.9)	\$	\$ (13,024.1)	\$ 967.0	\$ 1,194.2	\$ 2,161.2
Cumulative effect of change in accounting principle				297.2		297.2		297.2
Comprehensive income (loss):								
Net income (loss)					(122.9)	(122.9)	(10.3)	(133.2)
Other comprehensive income (loss), after tax			2,316.2			2,316.2		2,316.2
Total comprehensive income (loss)						2,193.3	(10.3)	2,183.0
Reclassification of noncontrolling interest				(120.0)		(120.0)	120.0	
Contribution of capital		3,482.8				3,482.8		3,482.8
Employee related benefits		10.5				10.5		10.5
Contribution from (Distribution to) noncontrolling interest, net							(66.9)	(66.9)
Balance at December 31, 2010	2.3	18,825.0	973.3	177.2	(13,147.0)	6,830.8	1,237.0	8,067.8
Comprehensive income (loss):								
Net income (loss)					(88.1)	(88.1)	190.9	102.8
Other comprehensive income (loss), after tax			1,621.7			1,621.7		1,621.7
Total comprehensive income (loss)						1,533.6	190.9	1,724.5
Reclassification of noncontrolling interest				(50.7)		(50.7)	50.7	
Contribution of capital		3,979.7				3,979.7		3,979.7
Employee related benefits		60.5				60.5		60.5
Contribution from (Distribution to) noncontrolling interest, net							93.6	93.6
Balance at December 31, 2011	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)					473.0	473.0	138.2	611.2
Other comprehensive income (loss), after tax			1,115.7			1,115.7		1,115.7
Total comprehensive income (loss)						1,588.7	138.2	1,726.9

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Reclassification of noncontrolling interest				(120.1)		(120.1)	120.1		
Employee related benefits	52.4					52.4		52.4	
Contribution from (Distribution to) noncontrolling interest, net							355.8	355.8	
Balance at December 31, 2012	\$ 2.3	\$ 22,917.6	\$ 3,710.7	\$ 6.4	\$ (12,762.1)	\$ 13,874.9	\$ 2,186.3	\$ 16,061.2	

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

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**Table of Contents****ING U.S., Inc.****Consolidated Statements of Cash Flows****For the Years Ended December 31, 2012, 2011 and 2010**

(In millions)

	Years Ended December 31,		
	2012	2011	2010
<b>Cash Flows from Operating Activities:</b>			
Net income (loss)	\$ 611.2	\$ 102.8	\$ (133.2)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Capitalization of deferred policy acquisition costs, value of business acquired, and sales inducements	(642.7)	(692.2)	(713.9)
Net amortization of deferred policy acquisition costs, value of business acquired, and sales inducements	784.9	401.0	848.7
Net accretion/amortization of discount/premium	70.8	133.4	144.6
Future policy benefits, claims reserves, and interest credited	949.2	2,946.0	644.6
Deferred income tax (benefit) expense	(44.5)	236.6	600.1
Net realized capital losses	1,280.8	1,531.4	1,678.0
Depreciation and amortization	90.5	96.0	98.7
Loss on conversion of debt to equity			108.3
Gains on consolidated investment entities	(265.4)	(315.3)	(80.4)
Losses on limited partnerships/corporations	138.3	42.6	31.6
Loss on divestment of businesses			16.7
Change in:			
Accrued investment income	18.2	(35.9)	(71.4)
Reinsurance recoverable	344.1	35.0	(171.9)
Other receivables and assets accruals	125.4	12.1	7.8
Other payables and accruals	78.3	(293.2)	(548.0)
Funds held under reinsurance agreements	(71.0)	47.1	143.9
(Increase) decrease in cash held by consolidated investment entities	(303.8)	57.7	(123.8)
Other, net	117.8	51.9	69.3
<b>Net cash provided by operating activities</b>	<b>3,282.1</b>	<b>4,357.0</b>	<b>2,549.7</b>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from the sale, maturity, disposal or redemption of:			
Fixed maturities	\$ 17,015.2	\$ 17,312.4	\$ 20,554.6
Equity securities, available-for-sale	66.8	206.9	459.6
Mortgage loans on real estate	1,991.8	1,542.5	1,677.7
Loan Dutch State obligation	1,781.9	505.6	519.9
Limited partnerships/corporations	895.9	121.3	173.9
Acquisition of:			
Fixed maturities	(17,292.3)	(18,598.9)	(24,788.4)
Equity securities, available-for-sale	(41.8)	(52.7)	(149.0)
Mortgage loans on real estate	(1,969.0)	(2,057.9)	(627.2)
Limited partnerships/corporations	(178.9)	(156.4)	(182.0)
Short-term investments, net	(2,397.4)	(763.2)	2,525.8
Policy loans, net	63.6	127.9	47.7
Derivatives, net	(1,395.8)	(1,216.7)	(1,713.7)
Other investments, net	43.4	(8.4)	(33.7)
Sales from consolidated investment entities	1,781.7	2,422.8	1,063.2
Purchase of consolidated investment entities	(2,851.6)	(3,044.6)	(1,095.5)

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Collateral received (delivered), net	139.9	756.7	(16.1)
Divestment sale of businesses, net of cash disposed of \$57.5 in 2010			17.5
Purchases of fixed assets, net	(29.3)	(32.9)	(34.7)
Other, net		(16.1)	(55.8)
Net cash used in investing activities	(2,375.9)	(2,951.7)	(1,656.2)

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



**Table of Contents****ING U.S., Inc.****Consolidated Statements of Cash Flows (Continued)****For the Years Ended December 31, 2012, 2011 and 2010**

(In millions)

	Years Ended December 31,		
	2012	2011	2010
<b>Cash Flows from Financing Activities:</b>			
Deposits received for investment contracts	\$ 16,118.8	\$ 16,571.1	\$ 11,731.3
Maturities and withdrawals from investment contracts	(19,033.4)	(16,746.6)	(13,207.8)
Proceeds from issuance of debt with maturities of more than three months	3,049.6	606.5	265.1
Repayment of debt with maturities of more than three months	(902.5)	(573.8)	(1,538.2)
Short-term debt	(309.1)	(1,905.0)	707.7
Debt issuance costs	(38.8)		
Borrowings of consolidated investment entities	152.6	138.9	168.3
Repayments of debt of consolidated investment entities	(56.6)	(121.4)	(40.0)
Contributions from (distributions to) participants in consolidated investment entities	1,262.0	647.7	(8.5)
Contribution of capital			374.5
Net cash provided by (used in) financing activities	242.6	(1,382.6)	(1,547.6)
Net increase (decrease) in cash and cash equivalents	1,148.8	22.7	(654.1)
Cash and cash equivalents, beginning of year	638.0	615.3	1,269.4
Cash and cash equivalents, end of year	\$ 1,786.8	\$ 638.0	\$ 615.3
Supplemental cash flow information:			
Income taxes paid, net	\$ 3.5	\$ 17.6	\$ 42.3
Interest paid	114.9	191.4	585.0
Non-cash financing activities:			
Debt extinguishment	\$	\$ 3,979.7	\$ 3,000.0
Capital contribution		3,979.7	3,108.3

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

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**ING U.S., Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

**1. Business, Basis of Presentation and Significant Accounting Policies**

***Business***

ING U.S., Inc. is a wholly owned subsidiary of ING Insurance International B.V., which is a wholly owned subsidiary of ING Verzekeringen N.V. ( *ING V* ), which is a wholly owned subsidiary of ING Insurance Topholding N.V., which is a wholly owned subsidiary of ING Groep N.V. ( *ING Group* or *ING* ), the ultimate parent company. ING is a global financial services holding company based in The Netherlands, with American Depository Shares listed on the New York Stock Exchange under the symbol *ING*.

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.

ING has announced the anticipated separation of its global banking and insurance businesses. While all options for effecting this separation remain open, ING has announced that the base case for this separation includes an initial public offering ( *IPO* ) of ING U.S., Inc., which together with its subsidiaries, constitutes ING 's U.S.-based retirement, investment management, and insurance operations. ING U.S., Inc. filed a registration statement on Form S-1 with the U.S. Securities and Exchange Commission ( *SEC* ) on November 9, 2012, which was amended on January 23, 2013, in connection with the proposed IPO of its common stock.

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 Consolidated Financial Statements.

***Basis of Presentation***

The accompanying Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ( *U.S. GAAP* ).

The 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 Consolidated Financial Statements. Intercompany transactions and balances have been eliminated.

Certain revisions have been made to conform Future policy benefits and Contract owner balances for the year ended December 31, 2011 to current year classifications. Future policy benefits decreased by \$10.7 billion for the year ended December 31, 2011, with a corresponding increase of the same amount to Contract owner account balances. These revisions had no impact on Total Liabilities, Total Assets, Shareholder 's Equity, or the Statements of Operations, Comprehensive Income, or Cash Flows. Certain other reclassifications have been made to prior year financial information to conform to the current year classifications.

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**ING U.S., Inc.**

### **Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

#### ***Significant Accounting Policies***

##### *Estimates and Assumptions*

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 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 Company has identified the following accounts and policies as the most significant in that they involve a higher degree of judgment, are subject to a significant degree of variability, and/or contain significant accounting estimates:

Reserves for future policy benefits, valuation and amortization of deferred policy acquisition costs ( DAC ) and value of business acquired ( VOBA ), valuation of investments and derivatives, impairments, income taxes, contingencies, and employee benefit plans.

##### *Fair Value Measurement*

The Company measures the fair value of its financial assets and liabilities based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset, or nonperformance risk, which is the risk that the issuing subsidiary will not fulfill its obligation. The estimate of an exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability ( exit price ) in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability. The Company utilizes a number of valuation sources to determine the fair values of its financial assets and liabilities, including quoted market prices, third-party commercial pricing services, third-party brokers, industry-standard, vendor-provided software that models the value based on market observable inputs, and other internal modeling techniques based on projected cash flows.

##### *Investments*

The accounting policies for the Company's principal investments are as follows:

*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 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 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 Consolidated Statements of Operations.

Purchases and sales of fixed maturities and equity securities, excluding private placements, are recorded on the trade date. Purchases and sales of private placements and mortgage loans are recorded on the closing date. Investment gains and losses on sales of securities are generally determined on a first-in-first-out ( FIFO ) basis.

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Interest income on fixed maturities is recorded when earned using an effective yield method, giving effect to amortization of premiums and accretion of discounts. Dividends on equity securities are recorded when declared. Such dividends and interest income are recorded in Net investment income in the Consolidated Statements of Operations.

Included within fixed maturities are loan-backed securities, including residential mortgage-backed securities ( RMBS ), commercial mortgage-backed securities ( CMBS ), and asset-backed securities ( ABS ). Amortization of the premium or discount from the purchase of these securities considers the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received and currently anticipated. Prepayment assumptions for single class and multi-class mortgage-backed securities ( MBS ) and ABS are estimated by management using inputs obtained from third-party specialists, including broker-dealers, and based on management's knowledge of the current market. For prepayment-sensitive securities such as interest-only, principal-only strips, inverse floaters and credit-sensitive MBS and ABS securities, which represent beneficial interests in securitized financial assets that are not of high credit quality or that have been credit impaired, the effective yield is recalculated on a prospective basis. For all other MBS and ABS, the effective yield is recalculated on a retrospective basis.

*Short-term Investments:* Short-term investments include investments with remaining maturities of one year or less, but greater than three months, at the time of purchase. These investments are stated at fair value.

*Assets Held in Separate Accounts:* Assets held in separate accounts are reported at the fair values of the underlying investments in the separate accounts. The underlying investments include mutual funds, short-term investments, cash, and fixed maturities.

*Mortgage Loans on Real Estate:* The Company's mortgage loans on real estate are all commercial mortgage loans, which are reported at amortized cost, less impairment write-downs and allowance for losses. If a mortgage loan is determined to be impaired (i.e., when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement), the carrying value of the mortgage loan is reduced to the lower of either the present value of expected cash flows from the loan discounted at the loan's original purchase yield or fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure. The carrying value of the impaired loans is reduced by establishing a permanent write-down recorded in Other net realized capital gains (losses) in the Consolidated Statements of Operations. Property obtained from foreclosed mortgage loans is recorded in Other investments on the Consolidated Balance Sheets.

Mortgage loans are evaluated by the Company's investment professionals, including an appraisal of loan-specific credit quality, property characteristics, and market trends. Loan performance is continuously monitored on a loan-specific basis throughout the year. The Company's review includes submitted appraisals, operating statements, rent revenues, and annual inspection reports, among other items. This review evaluates whether the properties are performing at a consistent and acceptable level to secure the debt.

Mortgages are rated for the purpose of quantifying the level of risk. Those loans with higher risk are placed on a watch list and are closely monitored for collateral deficiency or other credit events that may lead to a potential loss of principal or interest. The Company defines delinquent mortgage loans consistent with industry practice as 60 days past due.

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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 Company records an allowance for probable losses incurred on non-impaired loans on an aggregate basis, rather than specifically identified probable losses incurred by individual loan.

*Loan - Dutch State Obligation:* The reported value of The State of the Netherlands (the Dutch State) loan obligation was based on the outstanding loan balance, plus any unamortized premium. This loan obligation was sold to a related party in November 2012.

*Policy Loans:* Policy loans are carried at an amount equal to the unpaid balance. Interest income on such loans is recorded as earned in Net investment income using the contractually agreed upon interest rate. Generally, interest is capitalized on the policy's anniversary date. Valuation allowances are not established for policy loans, as these loans are collateralized by the cash surrender value of the associated insurance contracts. Any unpaid principal or interest on the loan is deducted from the account value or the death benefit prior to settlement of the policy.

*Limited Partnerships/Corporations:* The Company uses the equity method of accounting for investments in limited partnership interests that are not consolidated, which consists primarily of private equities, hedge funds, and VIEs for which the Company is not the primary beneficiary. The Company records its share of earnings using a lag methodology, relying upon the most recent financial information available, generally not to exceed three months. The Company's earnings from limited partnership interests accounted for under the equity method are recorded in Net investment income.

*Other Investments:* Other investments are comprised primarily of Federal Home Loan Bank (FHLB) stock and property obtained from foreclosed mortgage loans, as well as other miscellaneous investments. The Company is a member of the FHLB system and is required to own a certain amount of stock based on the level of borrowings and other factors, the Company may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security within Other Investments on the Consolidated Balance Sheets and periodically evaluated for impairment based on ultimate recovery of par value.

*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 5% of the collateral deposited by the borrower and transfers the remaining 95% to the Company. For other portions of the program, the lending agent retains the cash collateral. 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.

*Corporate Loans:* Corporate loans held by consolidated collateralized loan obligations (CLO or CLO entities) are reported in Corporate loans, at fair value using the fair value option, on the Consolidated Balance Sheets. Changes in the fair value of the loans are recorded in Changes in fair value related to collateralized loan obligations in the Consolidated Statements of Operations. The fair values for corporate loans are determined using independent commercial pricing services. In the event that the third-party pricing source is unable to price an investment (which occurs in less than 2% of the loans), other relevant factors are considered including:

- i. Information relating to the market for the asset, including price quotations for and trading in the asset or in similar investments and the market environment and investor attitudes towards the asset and interests in similar investments;

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**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

- ii. The characteristics of and fundamental analytical data relating to the investment, including the cost, current interest rate, period until next interest rate reset, maturity and base lending rate, the terms and conditions of the corporate loan and any related agreements and the position of the corporate loan in the borrower's debt structure;
- iii. The nature, adequacy, and value of the corporate loan's collateral, including the CLO's rights, remedies and interests with respect to the collateral;
- iv. The creditworthiness of the borrower, based on an evaluation of its financial condition, financial statements and information about the business, cash flows, capital structure and future prospects;
- v. The reputation and financial condition of the agent and any intermediate participants in the corporate loan; and
- vi. General economic and market conditions affecting the fair value of the corporate loan.

*Other-than-temporary Impairments*

The Company periodically evaluates its available-for-sale investments to determine whether there has been an other-than-temporary decline in fair value below the amortized cost basis. Factors considered in this analysis include, but are not limited to, the length of time and the extent to which the fair value has been less than amortized cost, the issuer's financial condition and near-term prospects, future economic conditions and market forecasts, interest rate changes, and changes in ratings of the security. An extended and severe unrealized loss position on a fixed maturity may not have any impact on: (a) the ability of the issuer to service all scheduled interest and principal payments, and (b) the evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for certain equity securities, the Company gives greater weight and consideration to a decline in market value and the likelihood such market value decline will recover.

When assessing the Company's intent to sell a security or if it is more likely than not it will be required to sell a security before recovery of its amortized cost basis, management evaluates facts and circumstances such as, but not limited to, decisions to rebalance the investment portfolio and sales of investments to meet cash flow or capital needs.

When the Company has determined it has the intent to sell or if it is more likely than not that the Company will be required to sell a security before recovery of its amortized cost basis and the fair value has declined below amortized cost ( *intent impairment* ), the individual security is written down from amortized cost to fair value, and a corresponding charge is recorded in Net realized capital gains (losses) in the Consolidated Statements of Operations as an other-than-temporary impairment ( *OTTI* ). If the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, but the Company has determined that there has been an other-than-temporary decline in fair value below the amortized cost basis, the OTTI is bifurcated into the amount representing the present value of the decrease in cash flows expected to be collected ( *credit impairment* ) and the amount related to other factors ( *noncredit impairment* ). The credit impairment is recorded in Net realized capital gains (losses) and in the Consolidated Statements of Operations. The noncredit impairment is recorded in Other comprehensive income (loss).

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The Company uses the following methodology and significant inputs to determine the amount of the OTTI credit loss:

The Company performs a discounted cash flow analysis comparing the current amortized cost of a security to the present value of future cash flows expected to be received including estimated defaults and prepayments. The discount rate is generally the effective interest rate of the fixed maturity prior to impairment.

When determining collectability and the period over which the value is expected to recover, the Company applies the same considerations utilized in its overall impairment evaluation process, which incorporates information regarding the specific security, the industry and geographic area in which the issuer operates, and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from the Company's best estimates of likely scenario-based outcomes, after giving consideration to a variety of variables that includes, but is not limited to: general payment terms of the security; the likelihood that the issuer can service the scheduled interest and principal payments; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; and changes to the rating of the security or the issuer by rating agencies.

Additional considerations are made when assessing the unique features that apply to certain structured securities such as subprime, Alt-A, non-agency, RMBS, CMBS, and ABS. These additional factors for structured securities include, but are not limited to: the quality of underlying collateral; expected prepayment speeds; loan-to-value ratios; debt service coverage ratios; current and forecasted loss severity; and the payment priority within the tranche structure of the security.

When determining the amount of the credit loss for U.S. and foreign corporate securities, foreign government securities, and state and political subdivision securities, the Company considers the estimated fair value as the recovery value when available information does not indicate that another value is more appropriate. When information is identified that indicates a recovery value other than estimated fair value, the Company considers in the determination of recovery value the same considerations utilized in its overall impairment evaluation process, which incorporates available information and the Company's best estimate of scenarios-based outcomes regarding the specific security and issuer; possible corporate restructurings or asset sales by the issuer; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; fundamentals of the industry and geographic area in which the security issuer operates, and the overall macroeconomic conditions.

In periods subsequent to the recognition of the credit related impairment components of OTTI on a fixed maturity, the Company accounts for the impaired security as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis is accreted into net investment income over the remaining term of the fixed maturity in a prospective manner based on the amount and timing of estimated future cash flows.

#### *Derivatives*

The Company's use of derivatives is limited mainly to economic hedging to reduce the Company's exposure to cash flow variability of assets and liabilities, interest rate risk, credit risk, exchange rate risk, and market risk. It is the Company's policy not to offset amounts recognized for derivative instruments and amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement.





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The Company enters into interest rate, equity market, credit default, and currency contracts, including swaps, futures, forwards, caps, floors and options, to reduce and manage various risks associated with changes in value, yield, price, cash flow, or exchange rates of assets or liabilities held or intended to be held, or to assume or reduce credit exposure associated with a referenced asset, index, or pool. The Company also utilizes options and futures on equity indices to reduce and manage risks associated with its annuity products. Open derivative contracts are reported as Derivatives assets or liabilities on the Consolidated Balance Sheets at fair value. Changes in the fair value of derivatives are recorded in Net realized capital gains (losses) in the Consolidated Statements of Operations.

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge as either (a) a hedge of the exposure to changes in the estimated fair value of a recognized asset or liability or an identified portion thereof that is attributable to a particular risk ( fair value hedge ) or (b) a hedge of a forecasted transaction or of the variability of cash flows that is attributable to interest rate risk to be received or paid related to a recognized asset or liability ( cash flow hedge ). In this documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness and the method that will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the designated hedging relationship.

*Fair Value Hedge:* For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument, as well as the hedged item, to the extent of the risk being hedged, are recognized in Other net realized capital gains (losses).

*Cash Flow Hedge:* For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of AOCI and reclassified into earnings in the same periods during which the hedged transaction impacts earnings in the same line item associated with the forecasted transaction. The ineffective portion of the derivative's change in value, if any, along with any of the derivative's change in value that is excluded from the assessment of hedge effectiveness, are recorded in Other net realized capital gains (losses).

When hedge accounting is discontinued because it is determined that the derivative is no longer expected to be highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried on the Consolidated Balance Sheets at its estimated fair value, with subsequent changes in estimated fair value recognized immediately in Other net realized capital gains (losses). The carrying value of the hedged asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in Other comprehensive income (loss) related to discontinued cash flow hedges are released into the Consolidated Statements of Operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried on the Consolidated Balance Sheets at its estimated fair value, with changes in estimated fair value recognized currently in Other net realized capital gains (losses). Derivative gains and losses recorded in Other comprehensive income (loss) pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in Other net realized capital gains (losses).

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(Dollar amounts in millions, unless otherwise stated)

If the Company's current debt and claims paying ratings were downgraded in the future, the terms in the Company's derivative agreements may be triggered, which could negatively impact overall liquidity. For the majority of the Company's counterparties, there is a termination event should the Company's long-term debt ratings drop below BBB+/Baa1.

The Company also has investments in certain fixed maturities, and has issued certain annuity products, that contain embedded derivatives whose fair value is at least partially determined by levels of or changes in domestic and/or foreign interest rates (short-term or long-term), exchange rates, prepayment rates, equity markets, or credit ratings/spreads. Embedded derivatives within fixed maturities are included with the host contract on the Consolidated Balance Sheets and changes in fair value of the embedded derivatives are recorded in Other net realized capital gains (losses) in the Consolidated Statements of Operations. Embedded derivatives within certain annuity products are included in Future policy benefits on the Consolidated Balance Sheets and changes in the fair value of the embedded derivatives are recorded in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

In addition, the Company has entered into a coinsurance with funds withheld arrangement that contains an embedded derivative, the fair value of which is based on the change in the fair value of the underlying assets held in trust. The embedded derivative within the coinsurance arrangement is included in Funds held under reinsurance arrangements on the Consolidated Balance Sheets, and changes in the fair value of the embedded derivative are recorded in Policyholder benefits in the Consolidated Statements of Operations.

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, amounts due from banks, and other highly liquid investments, such as money market instruments and debt instruments with maturities of three months or less at the time of purchase. Cash and cash equivalents are stated at fair value. Cash and cash equivalents of VIEs and VOs are not available for general use by the Company.

*Property and Equipment*

Property and equipment are carried at cost, less accumulated depreciation and included in Other assets on the Consolidated Balance Sheets. Expenditures for replacements and major improvements are capitalized; maintenance and repair expenditures are expensed as incurred. As of December 31, 2012 and 2011, total cost basis was \$463.5 and \$501.7, respectively. As of December 31, 2012 and 2011, total accumulated depreciation was \$305.1 and \$316.1, respectively. For the years ended December 31, 2012, 2011 and 2010, depreciation expense was \$36.9, \$36.2 and \$34.2, respectively, and included in Operating expenses in the Consolidated Statements of Operations. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets with the exception of land and artwork, which are not depreciated.

The Company's property and equipment are depreciated using the following estimated useful lives:

	Estimated Useful Lives
Buildings	40 years
Furniture and fixtures	5 years
Leasehold improvements	10 years, or the life of the lease, whichever is shorter
Equipment	3 years

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*Deferred Policy Acquisition Costs and Value of Business Acquired*

DAC represents policy acquisition costs that have been capitalized and are subject to amortization and interest. Capitalized costs are incremental, direct costs of contract acquisition, as well as certain costs related directly to successful acquisition activities. Such costs consist principally of certain commissions, underwriting, sales, and contract issuance and processing expenses directly related to the successful acquisition of new and renewal business. Indirect or unsuccessful acquisition costs, maintenance, product development and overhead expenses are charged to expense as incurred. VOBA represents the outstanding value of in force business acquired and is subject to amortization and interest. The value is based on the present value of estimated net cash flows embedded in the insurance contracts at the time of the acquisition and increased for subsequent deferrable expenses on purchased policies.

**Amortization Methodologies**

Generally, the Company amortizes DAC and VOBA related to traditional contracts (term insurance, non-participating whole life insurance, and traditional group life insurance) and certain accident and health insurance over the entire premium payment period in proportion to the present value of expected gross premiums. Assumptions as to mortality, morbidity, persistency, and interest rates, which include provisions for adverse deviation, are consistent with the assumptions used to calculate reserves for future policy benefits. These assumptions are locked-in at issue and not revised unless the DAC or VOBA balance is deemed to be unrecoverable from future expected profits. DAC recoverability testing is performed for current issue year products to determine if net premiums are sufficient to cover estimated benefits and expenses. In subsequent periods, the recoverability of the DAC or VOBA balances are determined by assessing whether future gross profits are sufficient to amortize the DAC or VOBA balances as well as provide for expected future benefits and maintenance costs. If a premium deficiency is deemed to be present, charges will be applied against the DAC and VOBA balances before an additional reserve is established. Absent such a premium deficiency, variability in amortization after policy issuance or acquisition relates only to variability in premium volumes.

Generally, the Company amortizes DAC and VOBA related to fixed and variable universal life contracts, variable deferred annuity contracts, and fixed deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits. Assumptions as to mortality, persistency, interest crediting rates, fee income, returns associated with separate account performance, impact of hedge performance, expenses to administer the business, and certain economic variables, such as inflation, are based on the Company's experience and overall capital markets. At each valuation date, estimated gross profits are updated with actual gross profits and the assumptions underlying future estimated gross profits are evaluated for continued reasonableness. Adjustments to estimated gross profits require that amortization rates be revised retroactively to the date of the contract issuance (unlocking). For variable deferred annuity contracts within Closed Block Variable Annuity, the Company amortizes DAC and VOBA in relation to the emergence of estimated gross revenue.

**Assumptions**

Changes in assumptions can have a significant impact on DAC and VOBA balances and amortization rates. Amortization of deferred sales inducements and recognition of unearned revenue (URR) on these products (see respective sections below) may also be impacted by changes in assumptions.

Several assumptions are considered significant in the estimation of future gross profits associated with the Company's variable products. One significant assumption is the assumed return associated with the variable account performance. To reflect the volatility in the equity markets, this assumption involves a combination of

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near-term expectations and long-term assumptions regarding market performance. The overall return on the variable account is dependent on multiple factors, including the relative mix of the underlying sub-accounts among bond funds and equity funds, as well as equity sector weightings. The Company practice assumes that intermediate-term appreciation in equity markets reverts to the long-term appreciation in equity markets ( reversion to the mean ). The Company monitors market events and only changes the assumption when sustained deviations are expected. This methodology incorporates a 9% long-term equity return assumption, a 14% cap, and a five-year lookforward period. The reversion to the mean methodology was implemented prospectively on January 1, 2011.

Prior to January 1, 2011, the Company utilized a static long-term equity return assumption for projecting account balance growth in all future years. This return assumption was reviewed annually or more frequently, if deemed necessary. Actual returns that were higher than long-term expectations produced higher contract owner account balances, which increased future fee expectations and decreased future benefit payment expectations on minimum death and living benefit guarantees, resulting in higher expected gross revenues and gross profits. The opposite result occurred when returns were lower than long-term expectations.

Other significant assumptions include estimated policyholder behavior assumptions, such as surrender, lapse, and annuitization rates. Estimated gross revenues and gross profits of variable annuity contracts are sensitive to these assumptions.

Contract owners may periodically exchange one contract for another, or make modifications to an existing contract. These transactions are identified as internal replacements. Internal replacements that are determined to result in substantially unchanged contracts are accounted for as continuations of the replaced contracts. Any costs associated with the issuance of the new contracts are considered maintenance costs and expensed as incurred. Unamortized DAC and VOBA related to the replaced contracts continue to be deferred and amortized in connection with the new contracts. Internal replacements that are determined to result in contracts that are substantially changed are accounted for as extinguishments of the replaced contracts, and any unamortized DAC and VOBA related to the replaced contracts are written off to Net amortization of deferred policy acquisition costs and value of business acquired in the Consolidated Statements of Operations.

*Sales Inducements*

Sales inducements represent benefits paid to contract owners for a specified period that are incremental to the amounts the Company credits on similar contracts and are higher than the contract s expected ongoing crediting rates for periods after the inducement. The Company defers sales inducements and amortizes them over the life of the policy using the same methodology and assumptions used to amortize DAC. The amortization of sales inducements is included in Interest credited to contract owner account balances in the Consolidated Statements of Operations. Each year, or more frequently if circumstances indicate a potentially significant recoverability issue exists, the Company reviews deferred sales inducements to determine the recoverability of these balances.

For the years ended December 31, 2012, 2011 and 2010, the Company capitalized \$35.1, \$39.9 and \$55.0, respectively, of sales inducements. For the years ended December 31, 2012, 2011 and 2010, the Company amortized \$62.6, \$14.0 and \$102.1, respectively, of deferred sales inducements.

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*Future Policy Benefits and Contract Owner Accounts*

**Future Policy Benefits**

The Company establishes and carries actuarially-determined reserves that are calculated to meet its future obligations under insurance policies, including individual and group life insurance, guaranteed benefits on annuity contracts, payout contracts with life contingencies, and certain accident and health insurance. Reserves also include estimates of unpaid claims as well as claims that the Company believes have been incurred but have not yet been reported as of the balance sheet date. The principal assumptions used to establish liabilities for future policy benefits are based upon Company experience and periodically reviewed against industry standards. These assumptions include mortality, morbidity, policy lapse, contract renewal, payment of subsequent premiums or deposits by the contract owner, retirement, investment returns, inflation, benefit utilization and expenses. Changes in, or deviations from, the assumptions used can significantly affect the Company's reserve levels and related results of operations.

Reserves for individual and group life insurance contracts (mainly term insurance, non-participating whole life insurance, and traditional group life insurance) and accident and health insurance represent the present value of future benefits to be paid to or on behalf of contract owners and related expenses, less the present value of future net premiums. Assumptions as to interest rates, mortality, expenses, and persistency are based upon the Company's estimates of anticipated experience at the period the policy is sold or acquired, including a provision for adverse deviation. Interest rates used to calculate the present value of these reserves ranged from 2.5% to 7.7%.

Reserves for payout contracts with life contingencies are equal to the present value of expected future payments. Assumptions as to interest rates, mortality, and expenses are based upon the Company's experience at the period the policy is sold or acquired, including a provision for adverse deviation. Such assumptions generally vary by annuity plan type, year of issue, and policy duration. Interest rates used to calculate the present value of future benefits ranged from 3.0% to 7.75%.

Although assumptions are "locked-in" upon the issuance of individual and group life insurance, payout contracts with life contingencies, and certain accident and health insurance, significant changes in experience or assumptions may require the Company to provide for expected future losses on a product by establishing premium deficiency reserves. Premium deficiency reserves are determined based on best estimate assumptions that exist at the time the premium deficiency reserve is established and do not include a provision for adverse deviation.

**Contract Owner Accounts**

Contract owner account balances relate to investment-type contracts, such as guaranteed investment contracts and funding agreements, universal life-type contracts, fixed annuities and payout contracts without life contingencies, and fixed-indexed annuity ( FIA ) contracts.

Account balances for guaranteed investment contracts and funding agreements are calculated using the amount deposited with the Company, less withdrawals, plus interest accrued to the ending valuation date. Interest on these contracts is accrued by a predetermined index, plus a spread or a fixed rate, established at the issue date of the contract.

Account balances for universal life-type contracts, including variable universal life and indexed universal life contracts, are equal to cumulative deposits, less charges and withdrawals and account values released upon death, plus credited interest thereon.

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Account balances for fixed annuities and payout contracts without life contingencies are equal to cumulative deposits, less charges and withdrawals, plus credited interest thereon. Credited interest rates vary by product and ranged up to 8.0% for the years 2012, 2011, and 2010. Account balances for group immediate annuities without life contingent payouts are equal to the discounted value of the payment at the implied break-even rate.

For FIAs, the aggregate initial liability is equal to the deposit received, plus a bonus, if applicable, and is split into a host component and an embedded derivative component. Thereafter, the host liability accumulates at a set interest rate, and the embedded derivative liability is recognized at fair value.

**Guarantees and Additional Reserves**

The Company establishes and carries liabilities for product guarantees, which are described below. The Company periodically evaluates its estimates and adjusts the additional liability balance, with a related charge or credit to benefit expense, if actual experience or other evidence suggests that earlier assumptions should be revised. Changes in, or deviations from, the assumptions used can significantly affect the Company's reserve levels and related results of operations.

*Universal and Variable Life:* Reserves for universal and variable life secondary guarantees and paid-up guarantees are calculated by estimating the expected value of death benefits payable and recognizing those benefits ratably over the accumulation period based on total expected assessments. The reserve for such products recognizes the portion of contract assessments received in early years used to compensate the Company for benefits provided in later years. Assumptions used, such as the interest rate, lapse rate, and mortality, are consistent with assumptions used in estimating gross profits for purposes of amortizing DAC. Reserves for universal and variable life secondary guarantees and paid up guarantees are recorded in Future policy benefits on the Consolidated Balance Sheets.

The Company also calculates a benefit ratio for each block of business that meets the requirements for additional reserves and calculates an additional reserve by accumulating amounts equal to the benefit ratio multiplied by the assessments for each period, reduced by excess benefits during the period. The additional reserve is accumulated at interest rates consistent with the DAC model for the period. The calculated reserve includes a provision for universal life contracts with patterns of cost of insurance charges that produce expected gains from the insurance benefit function followed by losses from that function in later years. Additional reserves are recorded in Future policy benefits on the Consolidated Balance Sheets.

URR relates to variable universal life and universal life products and represents policy charges for services to be provided in future periods (see the Recognition of Insurance Revenue and Related Benefits section below). The URR balance is recorded in Future policy benefits on the Consolidated Balance Sheets.

*GMDB and GMIB:* Reserves for annuity guaranteed minimum death benefits ( GMDB ) and guaranteed minimum income benefits ( GMIB ) are determined by estimating the value of expected benefits in excess of the projected account balance and recognizing the excess ratably over the accumulation period based on total expected assessments. Expected experience is based on a range of scenarios. Assumptions used, such as the long-term equity market return, lapse rate, and mortality, are consistent with assumptions used in estimating gross revenues for purposes of amortizing DAC. The assumptions of investment performance and volatility are consistent with the historical experience of the appropriate underlying equity index, such as the Standard & Poor's ( S&P ) 500 Index. In addition, the reserve for the GMIB guarantee incorporates assumptions for the likelihood and timing of the potential annuitizations that may be elected by the contract owner. In general, the Company assumes that GMIB annuitization rates will be higher for policies with more valuable guarantees ( in

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the money guarantees where the notional benefit amount is in excess of the account value). Reserves for GMDB and GMIB are recorded in Future policy benefits on the Consolidated Balance Sheets. Changes in reserves for GMDB and GMIB are reported in Policyholder benefits in the Consolidated Statements of Operations.

Most contracts issued on or before December 31, 1999 with enhanced death benefit guarantees were reinsured to third-party reinsurers to mitigate the risk associated with such guarantees. For contracts issued after December 31, 1999, the Company instituted a variable annuity guarantee hedging program to mitigate the risks associated with these guarantees, for which the Company did not seek hedge accounting. The variable annuity guarantee hedging program is based on the Company entering into derivative positions to offset such exposures to GMDB and GMIB due to adverse changes in the equity markets.

*GMAB, GMWB, GMWBL and FIA:* The Company also issues certain products which contain embedded derivatives that are measured at estimated fair value separately from the host contracts. These products include annuity Guaranteed minimum accumulation benefits ( GMAB ), guaranteed minimum withdrawal benefits ( GMWB ), guaranteed minimum withdrawal benefits with life payouts ( GMWBL ) and FIAs. Embedded derivatives associated with GMAB, GMWB and GMWBL are recorded in Future policy benefits on the Consolidated Balance Sheets. Embedded derivatives associated with FIA are recorded in Contract owner account balances on the Consolidated Balance Sheets. Changes in estimated fair value, along with attributed fees collected or payments made, are reported in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

At inception of the GMAB, GMWB, and GMWBL contracts, the Company projects a fee to be attributed to the embedded derivative portion of the guarantee equal to the present value of projected future guaranteed benefits. After inception, the estimated fair value of the GMAB, GMWB, and GMWBL contracts is determined based on the present value of projected future guaranteed benefits, minus the present value of projected attributed fees. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk free rates. The projection of future guaranteed benefits and future attributed fees require the use of assumptions for capital markets (e.g., implied volatilities, correlation among indices, risk-free swap curve, etc.) and policyholder behavior (e.g., lapse, benefit utilization, mortality, etc.). Risk margins are established to capture uncertainties related to policyholder behavior assumptions. The margin represents additional compensation a market participant would require to assume these risks.

The estimated fair value of the FIA contracts is based on the present value of the excess of interest payments to the contract owners over the minimum guaranteed interest rate ( MGIR ). The excess interest payments are determined as the excess of projected index driven benefits over the projected guaranteed benefits. The projection horizon is over the anticipated life of the related contracts which takes into account best estimate actuarial assumptions, such as partial withdrawals, full surrenders, deaths, annuitizations and maturities.

*Stabilizer and Managed Custody Guarantees:* Products with guaranteed credited rates treat the guarantee as an embedded derivative for Stabilizer products and a stand-alone derivative for Managed custody guarantee ( MCG ) products. These derivatives are measured at estimated fair value and recorded in Contract owner account balances on the Consolidated Balance Sheets. Changes in estimated fair value along with attributed fees collected are reported in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

The estimated fair value of the Stabilizer and MCG contracts is determined based on the present value of projected future claims, minus the present value of future guaranteed premiums. At inception of the contract the Company projects a guaranteed premium to be equal to the present value of the projected future claims. The income associated with the contracts is projected using actuarial and capital market assumptions, including

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benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are projected under multiple capital market scenarios using observable risk-free rates and other best estimate assumptions.

The GMAB, GMWB, GMWBL, FIA, and Stabilizer embedded derivative liabilities and the stand-alone derivative for MCG include a risk margin to capture uncertainties related to policyholder behavior assumptions. The margin represents additional compensation a market participant would require to assume these risks.

#### *Separate Accounts*

Separate account assets and liabilities generally represent funds maintained to meet specific investment objectives of contract owners or participants who bear the investment risk, subject, in limited cases, to minimum guaranteed rates. Investment income and investment gains and losses generally accrue directly to such contract owners. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the Company.

Separate account assets supporting variable options under variable annuity contracts are invested, as designated by the contract owner or participant under a contract, in shares of mutual funds that are managed by the Company, or in other selected mutual funds not managed by the Company.

The Company reports separately, as assets and liabilities, investments held in the separate accounts and liabilities of separate accounts if:

Such separate accounts are legally recognized;

Assets supporting the contract liabilities are legally insulated from the Company's general account liabilities;

Investments are directed by the contract owner or participant; and

All investment performance, net of contract fees and assessments, is passed through to the contract owner.

The Company reports separate account assets that meet the above criteria at fair value on the Consolidated Balance Sheets based on the fair value of the underlying investments. Separate account liabilities equal separate account assets. Investment income and net realized and unrealized capital gains (losses) of the separate accounts, however, are not reflected in the Consolidated Statements of Operations. The Consolidated Statements of Cash Flows do not reflect investment activity of the separate accounts.

#### *Short-term and Long-term Debt*

Short-term and long-term debt are carried at an amount equal to the unpaid principal balance, net of any remaining unamortized discount or premium attributable to issuance. Direct and incremental costs to issue the debt are recorded in Other assets on the Consolidated Balance Sheets and are recognized as a component of Interest expense in the Consolidated Statements of Operations over the life of the debt, using the effective interest method of amortization.





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*Collateralized Loan Obligations Notes*

CLO notes issued by consolidated CLO entities are recorded as Collateralized loan obligations notes, at fair value using the fair value option, on the Consolidated Balance Sheets. Changes in the fair value of the notes are recorded in Changes in fair value related to collateralized loan obligations in the Company's Consolidated Statements of Operations.

*Repurchase Agreements*

The Company engages in dollar repurchase agreements with MBS ( dollar rolls ) and repurchase agreements with other collateral types to increase its return on investments and improve liquidity. Such arrangements meet the requirements to be accounted for as financing arrangements.

The Company enters into dollar roll transactions by selling existing MBS and concurrently entering into an agreement to repurchase similar securities within a short time frame at a lower price. Under repurchase agreements, the Company borrows cash from a counterparty at an agreed upon interest rate for an agreed upon time frame and pledges collateral in the form of securities. At the end of the agreement, the counterparty returns the collateral to the Company, and the Company, in turn, repays the loan amount along with the additional agreed upon interest.

Company policy requires that at all times during the term of the dollar roll and repurchase agreements that cash or other collateral types obtained is sufficient to allow the Company to fund substantially all of the cost of purchasing replacement assets. Cash received is invested in Short-term investments, with the offsetting obligation to repay the loan included as an Other liability on the Consolidated Balance Sheets. The carrying value of the securities pledged in dollar rolls and repurchase agreement transactions and the related repurchase obligation are included in Securities pledged and Short-term debt, respectively, on the Consolidated Balance Sheets.

The primary risk associated with short-term collateralized borrowings is that the counterparty will be unable to perform under the terms of the contract. The Company's exposure is limited to the excess of the net replacement cost of the securities over the value of the short-term investments. The Company believes the counterparties to the dollar rolls and repurchase agreements are financially responsible and that the counterparty risk is minimal.

*Recognition of Insurance Revenue and Related Benefits*

Premiums related to traditional individual and group life policies are recognized in Premiums in the Consolidated Statements of Operations when due from the contract owner. When premiums are due over a significantly shorter period than the period over which benefits are provided, any gross premium in excess of the net premium (i.e., the portion of the gross premium required to provide for all expected future benefits and expenses) is deferred and recognized into revenue in a constant relationship to insurance in force. Benefits are recorded in Policyholder benefits in the Consolidated Statements of Operations when incurred.

Revenues from investment-type, universal life-type, fixed annuities and payout contracts without life contingencies, and FIA consist primarily of fees assessed against the contract owner account balance for mortality and policy administration and are reported in Fee income. In addition, the Company earns investment income from the investment of contract deposits in the Company's general account portfolio which is reported in Net investment income in the Consolidated Statements of Operations. Fees assessed that represent compensation to the Company for services to be provided in future periods and certain other fees are established as a URR liability and amortized into revenue over the expected life of the related contracts in proportion to estimated

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gross profits in a manner consistent with DAC for these contracts. URR is reported in Future policy benefits and amortized into Fee income. Benefits and expenses for these products include claims in excess of related account balances, expenses of contract administration, and interest credited to contract owner account balances.

#### *Income Taxes*

The Company files a consolidated federal income tax return, which includes many of its subsidiaries, in accordance with the Internal Revenue Code of 1986, as amended.

The Company's deferred tax assets and liabilities resulting from temporary differences between financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.

Deferred tax assets represent the tax benefit of future deductible temporary differences and, operating loss and tax credit carryforwards. The Company evaluates and tests the recoverability of its deferred tax assets. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. Considerable judgment and the use of estimates are required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance, the Company considers many factors, including:

The nature and character of the deferred tax assets and liabilities;

The nature and character of income by life and non-life subgroups;

Income in non-U.S. companies;

Taxable income in prior carryback years;

Projected future taxable income, exclusive of reversing temporary differences and carryforwards;

Projected future reversals of existing temporary differences;

The length of time carryforwards can be utilized;

Any prudent and feasible tax planning strategies the Company would employ to avoid a tax benefit from expiring unused.

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The nature, frequency, and severity of cumulative losses in recent years; and

Any tax rules that would impact the utilization of the deferred tax assets.

In establishing unrecognized tax benefits, the Company determines whether a tax position is more likely than not to be sustained under examination by the appropriate taxing authority. The Company also considers positions that have been reviewed and agreed to as part of an examination by the appropriate taxing authority. Tax positions that do not meet the more likely than not standard are not recognized in the Consolidated Financial Statements. Tax positions that meet this standard are recognized in the Consolidated Financial Statements. The Company measures the tax position as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate resolution with the tax authority that has full knowledge of all relevant information.

### *Reinsurance*

The Company utilizes reinsurance agreements in most aspects of its insurance business to reduce its exposure to large losses. Such reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Company as direct insurer of the risks reinsured.

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For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk. The Company reviews all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

For reinsurance of long-duration contracts that transfer significant insurance risk, the difference, if any, between the amounts paid and benefits received related to the underlying contracts is included in the expected net cost of reinsurance which is recorded as a component of the reinsurance asset or liability. Any difference between actual and expected net cost of reinsurance is recognized in the current period and included as a component of profits used to amortize DAC.

For prospective reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid are recorded as ceded premiums and ceded unearned premiums and are reflected as a component of Premiums in the Consolidated Statements of Operations and Other assets on the Consolidated Balance Sheets, respectively. Ceded unearned premiums are amortized through premiums over the remaining contract period in proportion to the amount of protection provided.

For retroactive reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid in excess of the related insurance liabilities ceded are recognized immediately as a loss. Any gains on such retroactive agreements are deferred and recorded in Other liabilities. The gains are amortized over the remaining life of the underlying contracts.

The assumptions used to account for both long and short-duration reinsurance agreements are consistent with those used for the underlying contracts. Ceded future policy benefits and contract owner liabilities are reported gross on the Consolidated Balance Sheets.

Only those reinsurance recoverable balances deemed probable of recovery are recognized as assets on the Company's Consolidated Balance Sheets and are stated net of allowances for uncollectible reinsurance. Amounts currently recoverable under reinsurance agreements are included in Reinsurance recoverable and amounts currently payable are included in Other liabilities. Such assets and liabilities relating to reinsurance agreements with the same reinsurer are recorded net on the Consolidated Balance Sheets if a right of offset exists within the reinsurance agreement.

Premiums, Fee income, and Policyholder benefits are reported net of reinsurance ceded. Amounts received from reinsurers for policy administration are reported in Other revenue.

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance. The Company also evaluates the financial strength of potential reinsurers and continually monitors the financial condition of reinsurers. The S&P ratings for the Company's reinsurers with the largest reinsurance recoverable balances are all A rated or better. These reinsurers are: Lincoln National Corporation ( Lincoln ), Hannover Life Reassurance Company of America and Hannover Re (Ireland) Plc (collectively, Hannover Re ), and various subsidiaries of Reinsurance Group of America Incorporated (collectively, RGA ).

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#### *Employee Benefits Plans*

Certain subsidiaries of the Company sponsor and/or administer various plans that provide defined benefit pension and other postretirement benefits covering eligible employees, sales representatives, and other individuals. The plans are generally funded through payments, determined by periodic actuarial calculations, to trustee-administered funds.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and compensation. The liability recognized in respect of defined benefit pension plans is the present value of the projected pension benefit obligation ( PBO ) at the balance sheet date, less the fair value of plan assets, together with adjustments for unrecognized past service costs. This liability is included in Pension and other post-employment provisions on the Consolidated Balance Sheets. The PBO is defined as the actuarially calculated present value of vested and non-vested pension benefits accrued based on future salary levels. The Company recognizes the funded status of the PBO for pension plans and the accumulated postretirement benefit obligation ( APBO ) for other postretirement plans on the Consolidated Balance Sheets.

Net periodic benefit cost is determined using management estimates and actuarial assumptions to derive service cost, interest cost, and expected return on plan assets for a particular year. The obligations and expenses associated with these plans require use of assumptions, such as discount rate, expected rate of return on plan assets, rate of future compensation increases, and healthcare cost trend rates, as well as assumptions regarding participant demographics such as age of retirements, withdrawal rates, and mortality. Management determines these assumptions based upon a variety of factors such as historical performance of the plan and its assets, currently available market and industry data, and expected benefit payout streams. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics. These differences may have a significant effect on the Company's Consolidated Financial Statements and liquidity. Differences between the expected return and the actual return on plan assets and actuarial gain/loss changes are immediately recognized in Operating expenses in the Consolidated Statements of Operations.

For post-retirement healthcare and other benefits to retirees, the entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued in Other liabilities over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gain/loss changes are immediately recognized in Operating expenses in the Consolidated Statements of Operations.

#### *Share-based Compensation*

Employees of the Company participate in various ING share-based compensation plans. The Company records compensation expense associated with stock options and other forms of equity compensation based on their fair values over the vesting period. Share-based compensation expense includes direct costs of employees of the Company.

#### *Consolidation, Business Combinations, and Noncontrolling Interests*

The Company consolidates entities in which it, directly or indirectly, is determined to have a controlling financial interest.

*VIEs:* The Company consolidates VIEs for which it is the primary beneficiary. An entity is a VIE if it has equity investors who lack the characteristics of a controlling financial interest or it does not have sufficient

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equity at risk to finance its expected activities without additional subordinated financial support from other parties. The primary beneficiary (i) has the power to direct the activities of the entity that most significantly impact the entity's economic performance and (ii) has the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity.

*VOEs:* For entities determined not to be VIEs, the Company consolidates entities in which it has an equity investment of greater than 50% and has control over significant operating, financial and investing decisions of the entity. Additionally, the Company consolidates entities in which the Company is a substantive, controlling general partner, and the limited partners have no substantive rights to impact ongoing governance and operating activities of the partnership.

The Company provides investment management services to, and has transactions with, various CLO entities, private equity funds, real estate funds, fund-of-hedge funds, single strategy hedge funds, insurance entities, securitizations, and other investment entities in the normal course of business. In certain instances, the Company serves as the investment manager, making day-to-day investment decisions concerning the assets of these entities. These entities are considered to be either VIEs or VOEs, and the Company evaluates its involvement with each entity to determine whether consolidation is required.

For certain investment funds after January 1, 2010, and all entities prior to January 1, 2010, the determination is based on previous consolidation guidelines that require an analysis to determine whether (a) an entity in which the Company holds a variable interest is a VIE and (b) the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management fees), would be expected to absorb a majority of the entity's expected losses or receive a majority of residual returns in the entity, or both.

The determination of whether an entity in which the Company holds a variable interest is a VIE requires judgments, which include (1) determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support; (2) evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity; (3) determining whether two or more parties' equity interests should be aggregated; and (4) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity. The Company determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE. Consolidation conclusions are reviewed quarterly to identify whether any reconsideration events have occurred, which would require detailed reassessment of the VIE status.

The Company has elected to apply the FVO for financial assets and financial liabilities held by consolidated CLO entities and continues to measure these assets (primarily senior bank and corporate loans) and liabilities (debt obligations issued by CLO entities) at fair value in subsequent periods. The Company has elected the FVO to more closely align its accounting with the economics of its transactions. This election allows the Company to more effectively align changes in the fair value of CLO assets with a commensurate change in the fair value of CLO liabilities.

The Company recognizes the fair values of assets acquired, liabilities assumed and any noncontrolling interests acquired in a business combination. The Company did not have any business combinations for the years ended December 31, 2012, 2011, and 2010.

Noncontrolling interest represents the interests of shareholders, other than the Company, in consolidated entities. In the Consolidated Statements of Operations, net earnings and losses attributable to noncontrolling interest represents such shareholders' interests in the earnings and losses of those entities, or the attribution of results from consolidated VIEs or VOEs to which the Company is not economically entitled.

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*Contingencies*

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Examples of loss contingencies include pending or threatened adverse litigation, threat of expropriation of assets, and actual or possible claims and assessments. Amounts related to loss contingencies are accrued and recorded in Other liabilities on the Consolidated Balance Sheets if it is probable that a loss has been incurred and the amount can be reasonably estimated, based on the Company's best estimate of the ultimate outcome. If determined to meet the criteria for a reserve, the Company also evaluates whether there are external legal or other costs directly associated with the resolution of the matter and accrues such costs if estimable.

*Adoption of New Pronouncements*

*Financial Instruments*

**Reconsideration of Effective Control for Repurchase Agreements**

In April 2011, the FASB issued ASU 2011-03, Transfers and Servicing (ASC Topic 860): Reconsideration of Effective Control for Repurchase Agreements (ASU 2011-03), which removes from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms and (2) the collateral maintenance implementation guidance related to that criterion.

The provisions of ASU 2011-03 were adopted by the Company on January 1, 2012. The Company determined that there was no effect on the Company's financial condition, results of operations or cash flows, as the guidance is consistent with that previously applied by the Company.

**A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring**

In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-02, Receivables (Accounting Standards Codification (ASC) Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring (ASU 2011-02), which clarifies the guidance on a creditor's evaluation of whether it has granted a concession and whether the debtor is experiencing financial difficulties, as follows:

If a debtor does not have access to funds at a market rate for similar debt, the restructuring would be considered to be at a below-market rate;

An increase in the contractual interest rate does not preclude the restructuring from being considered a concession, as the new rate could still be below the market interest rate;

A restructuring that results in a delay in payment that is insignificant is not a concession;

A creditor should evaluate whether it is probable that the debtor would be in payment default on any of its debt without the modification to determine if the debtor is experiencing financial difficulties; and



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A creditor is precluded from using the effective interest rate test.

Also, ASU 2011-02 requires disclosure of certain information about troubled debt restructuring, which was previously deferred by ASU 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20 ( ASU 2011-01 ).

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The provisions of ASU 2011-02 were adopted by the Company on July 1, 2011, and applied retrospectively to January 1, 2011. The Company determined, however, that there was no effect on the Company's financial position, results of operations or cash flows upon adoption, as there were no troubled debt restructurings between January 1, 2011 and July 1, 2011. The disclosures required by ASU 2011-02 are included in the Investments (excluding Consolidated Investment Entities) note to these Consolidated Financial Statements.

#### **Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses**

In July 2010, the FASB issued ASU 2010-20, *Receivables (ASC Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (ASU 2010-20), which requires certain existing disclosures to be disaggregated by class of financing receivable, including the rollforward of the allowance for credit losses, with the ending balance further disaggregated on the basis of impairment method. For each disaggregated ending balance, an entity also is required to disclose the related recorded investment in financing receivables, the nonaccrual status of financing receivables, and impaired financing receivables.

ASU 2010-20 also requires new disclosures by class of financing receivable, including credit quality indicators, aging of past due amounts, the nature and extent of troubled debt restructurings and related defaults, and significant purchases and sales of financing receivables disaggregated by portfolio segment.

In January 2011, the FASB issued ASU 2011-01, which temporarily delayed the effective date of the disclosures about troubled debt restructurings in ASU 2010-20.

The provisions of ASU 2010-20 were adopted by the Company on December 31, 2010, and are included in the Investments (excluding Consolidated Investment Entities) note to these Consolidated Financial Statements, as well as the *Reinsurance* section above, except for the disclosures about troubled debt restructurings included in ASU 2011-02 that were adopted by the Company on July 1, 2011 (see above). The disclosures that include information for activity that occurs during a reporting period were adopted by the Company on January 1, 2011 and are included in the Investment note to these Consolidated Financial Statements. As this pronouncement only pertains to additional disclosure, the adoption had no effect on the Company's financial condition, results of operations, or cash flows.

#### **Scope Exception Related to Embedded Credit Derivatives**

In March 2010, the FASB issued ASU 2010-11, *Derivatives and Hedging (ASC Topic 815): Scope Exception Related to Embedded Credit Derivatives* (ASU 2010-11), which clarifies that the only type of embedded credit derivatives that are exempt from bifurcation requirements are those that relate to the subordination of one financial instrument to another.

The provisions of ASU 2010-11 were adopted by the Company on July 1, 2010. The Company determined, however, that there was no effect on the Company's financial condition, results of operations, or cash flows upon adoption, as the guidance is consistent with that previously applied by the Company.

#### ***Consolidation and Business Combinations***

#### **Consolidation Analysis of Investments Held through Separate Accounts**

In April 2010, the FASB issued ASU 2010-15, *Financial Services-Insurance (ASC Topic 944): How Investments Held through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments* (ASU 2010-15), which clarifies that an insurance entity generally should not consider any separate account



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interests in an investment held for the benefit of policy holders to be the insurer's interests, and should not combine those separate account interests with its general account interest in the same investment when assessing the investment for consolidation.

The provisions of ASU 2010-15 were adopted by the Company on January 1, 2011; however, the Company determined that there was no effect on its financial condition, results of operations or cash flows upon adoption, as the guidance is consistent with that previously applied by the Company.

**Improvements to Financial Reporting by Enterprises Involved in Variable Interest Entities**

In December 2009, the FASB issued ASU 2009-17, *Consolidations (ASC Topic 810): Improvements to Financial Reporting by Enterprises Involved in Variable Interest Entities* (ASU 2009-17), which amends the consolidation guidance for VIEs, as follows:

Eliminates the quantitative-based assessment for consolidation of VIEs and, instead, requires a qualitative assessment of whether an entity has the power to direct the VIEs activities and whether the entity has the obligation to absorb losses or the right to receive benefits that could be significant to the VIE;

Requires an ongoing reassessment of whether an entity is the primary beneficiary of a VIE; and

Requires enhanced disclosures, including (i) presentation on the balance sheet of assets and liabilities of consolidated VIEs that meet the separate presentation criteria and disclosure of assets and liabilities recognized on the balance sheet and (ii) the maximum exposure to loss for those VIEs in which a reporting entity is determined to not be the primary beneficiary but in which it has a variable interest.

In addition, in February 2010, the FASB issued ASU 2010-10, *Consolidations (ASC Topic 810): Amendments for Certain Investment Funds* (ASU 2010-10), which defers to ASU 2009-17 for a reporting entity's interests in certain investment funds that have attributes of investment companies, for which the reporting entity does not have an obligation to fund losses and that are not structured as securitization entities. The Company has determined that all of its managed funds, with the exception of certain CLOs, qualify for the deferral.

The provisions of ASU 2009-17 and ASU 2010-10 were adopted, prospectively, by the Company on January 1, 2010. As a result of adoption, the Company consolidated certain CLO entities managed by the Company on January 1, 2010, which increased total assets and total liabilities by \$1.7 billion and \$1.4 billion, respectively, on the Consolidated Balance Sheets. The CLO assets cannot be used by the Company, nor is the Company obligated for the CLO debt. The difference in the fair value of assets and liabilities on January 1, 2010 of \$297.2 was recorded in Appropriated retained earnings, which reflects elimination of the fair value of interests held by the Company. See the Consolidated Investment Entities note for additional disclosures relating to the Company's involvement with VIEs and the impact of the consolidation to these Consolidated Financial Statements.

*Fair Value*

**Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS)**

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (ASC Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (ASU 2011-04), which includes the following amendments:

The concepts of highest and best use and valuation premise are relevant only when measuring the fair value of nonfinancial assets;

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The requirements for measuring the fair value of equity instruments are consistent with those for measuring liabilities;

An entity is permitted to measure the fair value of financial instruments managed within a portfolio at the price that would be received to sell or transfer a net position for a particular risk; and

The application of premiums and discounts in a fair value measurement is related to the unit of account for the asset or liability. ASU 2011-04 also requires additional disclosures, including use of a nonfinancial asset in a way that differs from its highest and best use, categorization by level for items in which fair value is required to be disclosed and further information regarding Level 3 fair value measurements.

The provisions of ASU 2011-04 were adopted, prospectively, by the Company on January 1, 2012. 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 2011-04 are included in the Fair Value Measurements note to these Consolidated Financial Statements.

**Improving Disclosures about Fair Value Measurements**

In January 2010, the FASB issued ASU 2010-06, Fair Value Measurements and Disclosure (ASC Topic 820): Improving Disclosures about Fair Value Measurements (ASU 2010-06), which requires several new disclosures, as well as clarification to existing disclosures, as follows:

Significant transfers in and out of Level 1 and Level 2 fair value measurements and the reason for the transfers;

Purchases, sales, issuances, and settlement, in the Level 3 fair value measurements reconciliation on a gross basis;

Fair value measurement disclosures for each class of assets and liabilities (i.e., disaggregated); and

Valuation techniques and inputs for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3 fair value measurements.

The provisions of ASU 2010-06 were adopted by the Company on January 1, 2010, except for the disclosures related to the Level 3 reconciliation that were adopted by the Company on January 1, 2011. 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 2010-06 are included in the Fair Value Measurements note to these Consolidated Financial Statements.

*Deferred Policy Acquisition Costs*

**Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts**

In October 2010, the FASB issued ASU 2010-26, Financial Services - Insurance (ASC Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (ASU 2010-26), which provides new guidance related to acquisition costs of new or renewal

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insurance contracts that qualify for deferral. Costs that should be capitalized include (1) incremental direct costs of successful contract acquisition and (2) certain costs related directly to successful acquisition activities (underwriting, policy issuance and processing, medical and inspection, and sales force contract selling) performed by the insurer for the contract. Advertising costs should be included in DAC only if the capitalization criteria for direct-response advertising guidance is met. All other acquisition-related costs should be charged to expense as incurred.

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The Company early adopted the provisions of ASU 2010-26 on January 1, 2011, and applied the provisions retrospectively. If the Company's Consolidated Balance Sheet as of December 31, 2010 had been issued prior to implementation, the impact to the Company's January 1, 2011 Retained earnings, as a result of implementation, would have been a decrease of \$1.2 billion, net of income taxes of \$300.8.

#### *Goodwill and Intangibles*

##### Testing Goodwill for Impairment

In September 2011, the FASB issued ASU 2011-08, Intangibles-Goodwill and Other (ASC Topic 350): Testing Goodwill for Impairment (ASU 2011-08), which provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that it is not more likely than not that the reporting unit is impaired, then performing the two-step impairment test is unnecessary. If, however, an entity concludes otherwise, it is required to perform the two-step impairment test.

The provisions of ASU 2011-08 were adopted by the Company on January 1, 2012; however, there was no effect on the Company's financial condition or results of operations, as there were no impairments.

##### When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts

In December 2010, the FASB issued ASU 2010-28, Intangibles-Goodwill and Other (ASC Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (ASU 2010-28), which modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the test if qualitative factors indicate that it is more likely than not that a goodwill impairment exists.

The provisions of ASU 2010-28 were adopted by the Company on January 1, 2011; however, there was no effect on the Company's financial condition or results of operations, as the goodwill reporting unit did not have a zero or negative carrying amount at the October 1 testing date.

##### Presentation of Comprehensive Income

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income (ASU 2011-05), which states that an entity has the option to present total comprehensive income and the components of net income and other comprehensive income either in a single, continuous statement of comprehensive income or in two separate, consecutive statements.

In December 2011, the FASB issued ASU 2011-12, which defers the ASU 2011-05 requirements to present, on the face of the financial statements, the effects of reclassification out of AOCI on the components of net income and other comprehensive income.

The Company early adopted provisions of ASU 2011-05 and ASU 2010-12 on December 31, 2011, and applied the provisions retrospectively. The Consolidated Statement of Comprehensive Income, with corresponding revisions to the Consolidated Statements of Changes in Shareholder's Equity, is included in the Consolidated Financial Statements. In addition, the required disclosures are included in the Accumulated Other Comprehensive Income (Loss) note to these Consolidated Financial Statements.



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***Future Adoption of Accounting Pronouncements***

**Disclosures about Offsetting Assets and Liabilities**

In December 2011, the 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 (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 are effective retrospectively for annual reporting periods beginning on or after January 1, 2013 and periods within those annual reporting periods. The Company will adopt the provisions of these ASUs in the first quarter of 2013 which will include additional disclosure of the gross and net information instruments deemed in scope, including any related collateral received or posted.

**Disclosures about Amounts Reclassified out of AOCI**

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 are effective prospectively for reporting periods beginning after December 15, 2012. The Company will adopt the provisions of ASU 2013-02 in the first quarter of 2013 to provide additional information about amounts reclassified out of accumulated other comprehensive income by component.

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**2. Investments (excluding Consolidated Investment Entities)***Fixed Maturities and Equity Securities*

Available-for-sale and fair value option ( FVO ) fixed maturities and equity securities were as follows as of 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>

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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 Consolidated Statements of Operations.

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

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Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2011:

	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	\$ 5,283.8	\$ 688.7	\$	\$	\$ 5,972.5	\$
U.S. government agencies and authorities	643.1	84.7			727.8	
State, municipalities and political subdivisions	375.1	21.2	2.4		393.9	
U.S. corporate securities	30,486.5	3,095.6	109.0		33,473.1	
Foreign securities <sup>(1)</sup> :						
Government	834.9	92.9	9.9		917.9	
Other	13,207.0	1,078.0	135.5		14,149.5	0.1
Total foreign securities	14,041.9	1,170.9	145.4		15,067.4	0.1
Residential mortgage-backed securities:						
Agency	5,754.8	865.4	11.9	182.2	6,790.5	1.7
Non-Agency						