

A Proposal for:

# State of Nebraska

Solicitation Number: RFP 5953 Z1

## REVISED PROPOSAL



Life Insurance Proposal

### Presented By:

**Ben LaBathe** - Director of Life & Disability National Account Sales  
20 Washington Ave South, Minneapolis, MN 55401  
Phone Number: 925-738-1603 | Email: Ben.LaBathe@voya.com

**Brett Lane** – Senior Sales Representative  
10740 Nall Avenue, Suite 120, Overland Park, KS 66211  
Phone Number: 913-661-3746 | Email: Brett.Lane@voya.com

December 12, 2018

Voya Employee Benefits

VOYA FINANCIAL  
20 WASHINGTON AVENUE SOUTH  
MINNEAPOLIS, MN 55401-2121

BEN LABATHE, DIRECTOR OF NATIONAL ACCOUNT SALES  
PHONE: (952) 738-1603 | EMAIL: BEN.LABATHE@VOYA.COM

Dec. 5<sup>th</sup>, 2018

State Purchasing Bureau  
Attn: Teresa Fleming  
1526 K Street, Suite 130  
Lincoln, NE 68508  
Phone: 402-471-6500

**Re: RFP # 5953 Z1 - Voya Financial Life/AD&D Proposal Response**

Dear Teresa:

Thank you for the opportunity to provide a proposal to the State of Nebraska. We know the time and effort required to determine and select the proper vendor can be considerable and we greatly appreciate this opportunity.

Voya Employee Benefits is proposing a **significant amount of savings** to both the employer paid basic life insurance and also the employee paid optional life plan. We have made every effort to duplicate the current plan with no material deviations. Our group life contract has a great deal of flexibility, is geared toward ease of administration, and is designed to promote the unbundling of Life and Disability coverages. Our goal at Voya is to **"Make Life Simple"**.

Voya Employee Benefits has offered numerous benefit enhancements. Overviews of the enhancements are as follows:

Our life insurance has an **accelerated death benefit rider with a continuous confinement provision**. This provision may allow employees access to their life benefits while institutionalized. A common use for these funds would be long term care. The employee can choose to have the proceeds paid on either a monthly basis or as a lump sum.

**Everest Funeral Planning and Concierge Services** have been included in our proposal. Everest is an independent consumer advocate who works on the employee/dependents behalf. Everest's sole purpose is to provide the information needed to make the most informed decisions about all funeral related issues, and then put those wishes into action.

We have also included **Travel Assistance** in our offering. Our Travel Assistance Program offers employees and their dependents protection when travelling more than 100 miles from home. Voya Travel

Assistance offers four types of services: Pre-Trip Information, Emergency Personal Services, Medical Assistance Services, and Emergency Transportation Services.

The State of Nebraska has been classified as a **national account** within Voya. Voya recognizes the importance of additional dedicated resources for our national account clients. As such, the State of Nebraska will receive designated resources from all required areas (IT, Claims, Service). The implementation, ongoing client satisfaction and renewal will be overseen by our Director of National Accounts, as well as, a dedicated National Account Executive. Our national accounts team is fully engaged from day one to ensure a smooth and seamless implementation for the State of Nebraska.

Thank you again for the opportunity to bid on your employee benefits. Enclosed please find our complete RFP response and supporting documentation. Please let us know if you have any questions or if there is anything else we can do to be of assistance.

Sincerely,

**Ben LaBathe** | Director, Life / Disability National Account Sales  
Voya Financial® Employee Benefits  
Mobile: 952.738.1603 | [Ben.LaBathe@voya.com](mailto:Ben.LaBathe@voya.com)

**Brett Lane, CEBS** | Senior Sales Rep  
Voya Financial® Employee Benefits  
Mobile: 913.991.1133 | [Brett.Lane@voya.com](mailto:Brett.Lane@voya.com)

NYSE: **VOYA**



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## Bidder Identification and Information

Voya Employee Benefits is a member of the Voya® family of companies. It has been offering group insurance products for more than 90 years and worksite voluntary insurance products for more than 60 years. Its pedigree includes roots in Northwestern Aid Association, established in 1885, which merged with National Mutual Life Association to form Northwestern National Life Insurance Company in 1901. That company went public in 1995 as ReliaStar Life Insurance Company, and was purchased in 2000 by ING Groep N.V. Voya Financial, Inc., which rebranded from ING U.S., announced its Initial Public Offering (IPO) price on May 1, 2013, and began trading under the NYSE ticker symbol VOYA as a standalone company on May 2, 2013.

ReliaStar Life Insurance Company is licensed to transact business in all 50 states, the District of Columbia, Guam, Puerto Rico and Canada.

Voya Employee Benefits Home Office: 20 Washington Ave S, Minneapolis, MN 55401  
Executive Headquarters: 230 Park Avenue, New York, NY 10169

Voya Employee Benefits is a Corporation.









# 2017 Annual Report



PLAN | INVEST | PROTECT

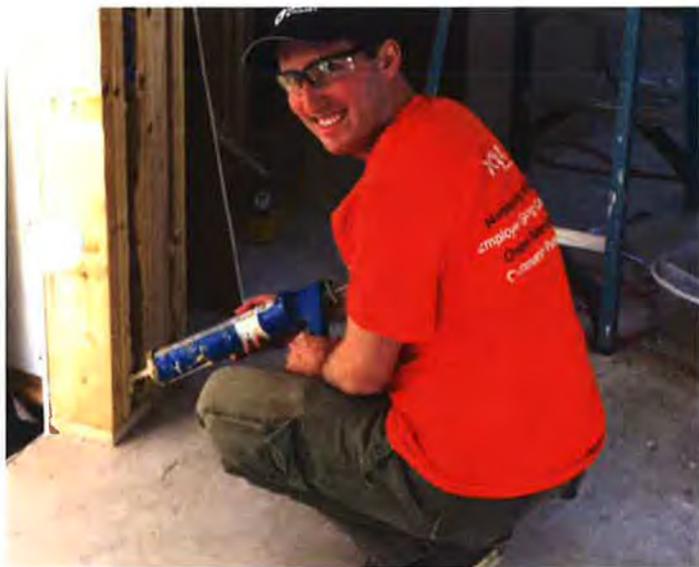
**VOYA**  
FINANCIAL

**\$555 billion**  
in assets under  
management and administration

**\$8.6 billion**  
in total revenues

**14.7 million**  
customers

**6,300**  
employees



In a sign of their generosity and willingness to give their time and energy, thousands of our employees participated in our 4th annual National Day of Service in 2017, volunteering 13,400 hours to local nonprofits.

# Letter to Shareholders

Dear Fellow Shareholders,

A little over five years ago, no one had yet heard the name “Voya Financial.” It was the name we were about to give to a company that was embarking on a challenging and promising journey. It also was the name of the company that would exemplify what it means to be different and stand for something that all Americans deserve and require: the ability to achieve financial independence and get ready to retire better.

In our first annual report and our very first materials that introduced our brand, a number of our employees joined me in saying, “We are ready.” Now – five years later – we have shown just how ready we were to take on the challenges before us, whether that meant doing more for our customers; managing through volatile equity markets and interest rates; or driving for and achieving gender equality among the leadership of our company, our board of directors and our employees.

As we approach the fifth anniversary of Voya Financial’s initial public offering, our company has made significant progress by several measures and in ways that now define the character of our brand. From the creation of an award-winning culture to a more than 150% increase in our share price – the results we have achieved are significant. Many of the recognitions of our success can be seen in the margins of this letter. In particular, earlier this year, Voya was recognized by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices, as one of the World’s Most Ethical Companies for the fifth consecutive year. We also were recently named to *Fortune* magazine’s 2018 list of the World’s Most Admired Companies – the first time that Voya was eligible for and appeared on the list. Voya was ranked as one of the most admired companies on the magazine’s list of securities and asset management companies.

One of the things we’ve achieved and that I am most proud of is our award-winning culture and workplace. In the pages of this annual report, you’ll see pictures



of the men and women of Voya Financial doing one of the things that we enjoy the most: giving back to the communities in which we live and work. This characteristic of our culture truly differentiates Voya and has been a key driver of the financial and operational results we've achieved.



Consider that – between the beginning of 2013 and the end of 2017 – we have:

- Achieved two return on equity targets ahead of schedule – first in 2014 and again in late 2017.
- Reached brand awareness that exceeds most of our peers and is close to some brands that have been around for decades.
- Garnered recognition in our industry and among the world's largest companies for the workplace we've created and the values that we bring to our customers and distributors, just a few of which are highlighted in the margins of this letter.
- Invested over \$300 million in new technologies, digital and analytics capabilities, and other resources to make Voya an easier company to work with and to help our clients achieve their goals.
- Returned approximately \$3.8 billion in excess capital to our shareholders.
- Introduced Continuous Improvement – which has been experienced by more than 95% of our employees.
- Launched an initiative – Voya Cares – to better serve the millions of Americans with special needs so we can, in line with our vision to be America's Retirement Company, help this under-served portion of the U.S. population.



I'm proud to say that, because of the commitment of our leadership team, our board of directors and our more than 6,000 employees, we could fill the pages of this report with many more accolades and milestones.



But – as I said in 2013 – we are really just getting started. Today, Voya is even more ready to continue its journey.



This year will be another transformational year for our company. In a few months, we expect to complete the sale of the majority of the variable annuities that made up our Closed Block Variable Annuity (CBVA) segment and the individual fixed and fixed indexed annuities in our Annuities business. This transaction will reduce risk; narrow our business focus so we can achieve greater things for our customers and our shareholders; and make us an even simpler company.



For the year ahead, we have three priorities:

- First, we are undertaking a significant effort to complete the annuities transaction. This requires a number of complex steps and initiatives to separate these businesses from Voya, create a new company that will manage the annuities, and ensure our customers see the change as being seamless. Voya will have a stake in this new company – Venerable – that



will enable us to benefit from its future success, while also eliminating the risk associated with the CBVA segment.

- Second, we are executing several capital initiatives to drive future earnings performance. On Dec. 21 when we announced the annuities transaction, we committed to repurchasing \$1 billion in Voya common shares. We undertook an accelerated share repurchase agreement to buy back \$500 million of shares in the fourth quarter of last year and, with \$1 billion remaining on our current authorization, we plan to continue to repurchase our shares. We also intend to utilize the deployable capital available following the close of the transaction for additional share repurchases. This will help us attain the earnings per share improvement that we have committed to achieving. In addition, we are taking actions to realize \$110 to \$130 million in cost savings in the 12 months following the close of the transaction.
- Third, we are intensely focused on driving growth in our Retirement, Investment Management and Employee Benefits businesses. These higher-growth, higher-return, capital-light businesses not only have broad, established presences in each of their markets, but we are also seeing how – by working together – they can achieve even more. As One Voya, we are focused on ways we can bring our collective expertise and knowledge to our customers to help them solve problems, improve the lives of their employees, and build a strong financial future.



The multiple efforts that are being undertaken at Voya today are significant. They are also achievable – and I have great confidence in our employees' ability to do something that we have done time and time again: execute. As you've heard me and other members of our leadership team say before, our plans are achievable because of our commitment to execution.

As we move forward, you have my commitment to ensuring we continue to execute on our plans. As proud as we are of all that we have achieved over the past five years, we know that there is more to do. Great companies are not built by resting on their laurels. As such, we will continue to challenge ourselves to do what's right for those who are counting on us; serve our customers when, where and how they want to do business; and strive for further growth in our financial results for you, our shareholders.



I look forward to updating you on our progress throughout 2018, and I am grateful for your continued support.

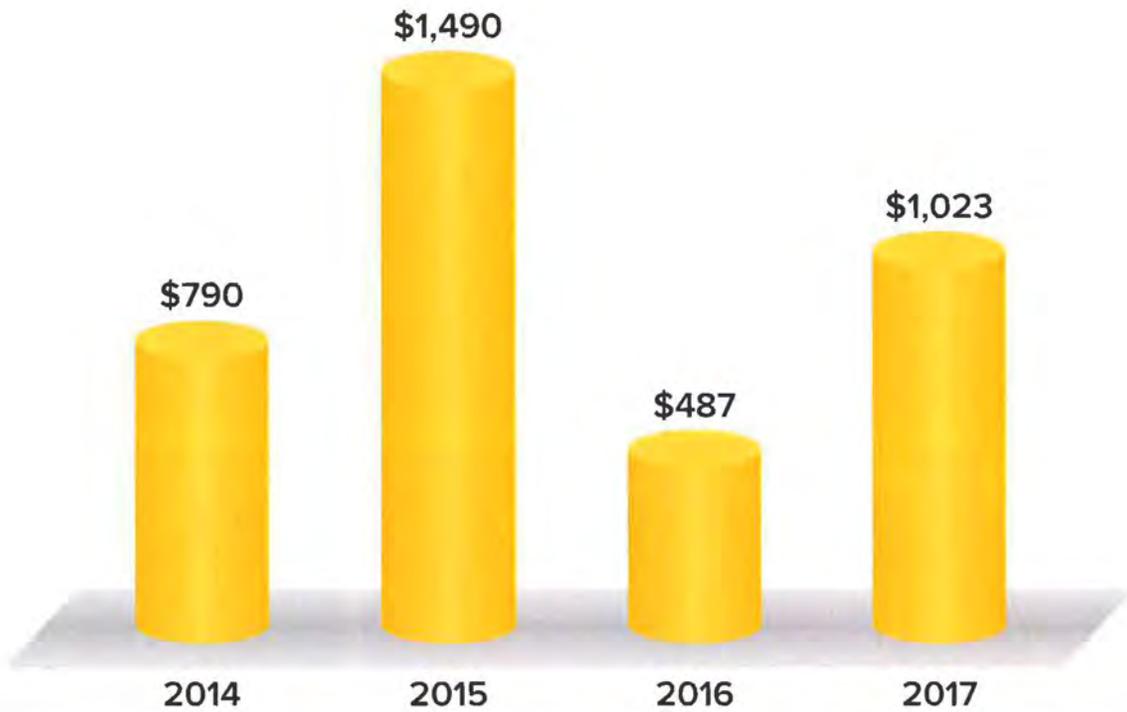
Sincerely,

Rodney O. Martin, Jr.  
Chairman of the Board and Chief Executive Officer  
Voya Financial, Inc.



April 5, 2018

## Common Stock Repurchased (\$ Millions)



## Stock Performance Since IPO



Source: Bloomberg. Performance since Voya Financial's May 1, 2013 initial public offering through Dec. 29, 2017.



## Community Involvement

With a clear mission to make a secure financial future possible — one person, one family, one institution at a time — Voya's vision is to be America's Retirement Company\*. We are equally committed to conducting business in a way that is ethically, economically, socially and environmentally responsible.

~\$5 million  
raised through our giving campaign\*



49,000 hours volunteered by employees\*  
\*twelve-month total as of December 31, 2017

# ATLANTA COMMUNITY FOOD BANK



# Greater Des Moines Habitat for Humanity



## Our 4 Pillars of Corporate Responsibility:

We are committed to driving support in

### Investing in Communities

Grants, employee-volunteer initiatives, employee-giving campaigns, employee-matching gift opportunities, cause-related marketing programs and disaster relief through Voya Foundation and other means

### Empowering our People

Workforce diversity initiatives, diverse business partnerships and sponsorships, employee resource groups and supply chain diversity

### Protecting the Environment

Reducing our ecological footprint (energy, waste, paper, travel and water), engaging employees and encouraging the greening of the supply chain

### Serving our Clients

Corporate values, a code of conduct, business principles, policy statements and responsible product and service development

## Executive Committee



**Nancy Ferrara**  
Executive Vice President,  
Operations and Continuous Improvement



**Christine Hutsellers**  
Chief Executive Officer,  
Investment Management



**Carolyn M. Johnson**  
Chief Executive Officer,  
Annuities and Individual Life



**Rodney O. Martin, Jr.**  
Chairman and Chief Executive Officer



**Charles P. Nelson**  
Chief Executive Officer,  
Retirement and Employee Benefits



**Maggie Parent**  
Chief Administrative Officer



**Chet S. Ragavan**  
Chief Risk Officer



**Kevin D. Silva**  
Chief Human Resources Officer



**Michael S. Smith**  
Chief Financial Officer



**Trish Walsh**  
Chief Legal Officer

## Board of Directors



**Lynne Biggar**  
Chief Marketing and Communications Officer,  
Visa Inc.



**Jane P. Chwick**  
Retired Co-Chief Operating Officer of Technology,  
The Goldman Sachs Group, Inc.



**Ruth Ann M. Gillis**  
Retired Executive Vice President  
and Chief Administrative Officer,  
Exelon Corporation



**J. Barry Griswell**  
Former Chairman and Chief Executive Officer,  
Principal Financial Group



**Rodney O. Martin, Jr.**  
Chairman and Chief Executive Officer,  
Voya Financial, Inc.



**Byron H. Pollitt, Jr.**  
Retired Executive Vice President  
and Chief Financial Officer,  
Visa Inc.



**Joseph V. Tripodi**  
Chief Marketing Officer,  
The Subway Corporation



**Deborah C. Wright**  
Former Chairman and Chief Executive Officer,  
Carver Bancorp, Inc.



**David Zwiener**  
(Lead Director)  
Operating Executive,  
The Carlyle Group





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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-35897

**Voya Financial, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

52-1222820  
(IRS Employer Identification No.)

230 Park Avenue  
New York, New York  
(Address of principal executive offices)

10169  
(Zip Code)

(212) 309-8200

(Registrant's telephone number, including area code)  
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name on each exchange on which registered</u>
Common Stock, \$.01 Par Value	New York Stock Exchange
<b>Securities registered pursuant to Section 12(g) of the Act: None</b>	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant (1) has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2017, the aggregate market value of the common stock of the registrant held by non-affiliates of the registrant was approximately \$6.6 billion. As of February 16, 2018, there were 172,003,659 shares of the registrant's common stock outstanding.

**Documents incorporated by reference:** Portions of Voya Financial, Inc.'s Proxy Statement for its 2018 Annual Meeting of Shareholders are incorporated by reference in the Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

**Voya Financial, Inc.**  
**Form 10-K for the period ended December 31, 2017**

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For the purposes of the discussion in this Annual Report on Form 10-K, the term *Voya Financial, Inc.* refers to *Voya Financial, Inc.* and the terms "Company," "we," "our," and "us" refer to *Voya Financial, Inc.* and its subsidiaries.

## NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Business," contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements relating to future developments in our business or expectations for our future financial performance and any statement not involving a historical fact. Forward-looking statements use words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," and other words 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, (x) changes in the policies of governments and/or regulatory authorities, (xi) our ability to successfully complete the Transaction (as defined below) on the expected economic terms or at all, and (xii) other factors described in the section "Item 1A. Risk Factors."

The risks included here are not exhaustive. Current reports on Form 8-K and other documents filed with the Securities and Exchange Commission ("SEC") include additional factors that could affect our businesses and financial performance. Moreover, we operate in a rapidly changing and competitive environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors.

## MARKET DATA

In this Annual Report on Form 10-K, 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 Annual Report on Form 10-K, 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* 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 participant accounts, sales (takeover assets and contributions), and the number of producing broker-dealer representatives.

**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 *Pension & Investments*. Investment Management tracks market segment leadership positions by AUM; and by benchmark or peer median metrics, which, as presented, measure each investment product based on (i) rank above the median of its peer category within Morningstar (mutual funds) or eVestment (institutional composites) for unconstrained and fully-active investment products; or (ii) outperformance against its benchmark index for "index like", rules based, risk-constrained, or client-specific investment products.

**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 most managed healthcare providers in their market positions survey. The *MyHealthguide* survey is a recurring publication that compiles a ranking of medical stop loss providers and their most recently sourced annual premium data. Employee Benefits tracks market segment leadership positions by new premiums and in-force premiums.

## PART I

### Item 1. Business

*For the purposes of this discussion, the term **Voya Financial, Inc.** refers to **Voya Financial, Inc.** and the terms "**Company**," "**we**," "**our**," and "**us**" refer to **Voya Financial, Inc.** and its subsidiaries.*

We are a premier retirement, investment and insurance company serving the financial needs of approximately 14.7 million individual and institutional customers in the United States as of December 31, 2017. Our vision is to be America's Retirement Company™. Our approximately 6,300 employees (as of December 31, 2017) 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 three essential financial goals, as they plan for, invest for and protect their retirement years.

- *Plan.* Our products enable our customers to save for retirement by establishing investment accounts through their employers or individually.
- *Invest.* We provide advisory programs, individual retirement accounts ("IRAs"), brokerage accounts, mutual funds and accumulation insurance products to help our customers achieve their financial objectives. Our income products such as target date funds, guaranteed income funds, IRAs, mutual funds and accumulation insurance products enable our customers to meet income needs through retirement and achieve wealth transfer objectives.
- *Protect.* Our specialized retirement and insurance products, such as stable value, indexed universal life ("IUL") and variable life products, allow our customers to protect against unforeseen life events and mitigate market risk.

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 a wide variety of offerings for the small-mid, large and mega market segments across all industries.

We provide our principal products and services through four segments: Retirement, Investment Management, Individual Life and Employee Benefits. Activities not related to our business segments such as our corporate operations, corporate-level assets and financial obligations are included in Corporate. As of the fourth quarter of 2017, substantially all of our former Annuities and Closed Block Variable Annuity ("CBVA") segments have been reclassified as "Business Held for Sale/Discontinued Operations". We continue to operate these businesses until the closing of the Transaction described further under "—Organizational History and Structure—CBVA and Annuity Transaction".

The following table presents a summary of our key individual and institutional markets, how we define those markets, and the key products we sell in such markets.

***Individual Markets***

<b><u>Market</u></b>	<b><u>Household Income Range</u></b>	<b><u>Investable Asset Range</u></b>	<b><u>Typical Customer Products</u></b>
Mass Market	\$50,000-\$100,000	<\$100,000	Mutual Funds IRAs
Middle Market & Mass Affluent	\$100,000-\$250,000	\$100,000-\$2,000,000	Universal Life Insurance Mutual Funds IRAs Financial Advisory
Affluent & Wealth Management Market	\$250,000-\$500,000	>\$2,000,000	Universal Life Insurance Mutual Funds Separately Managed Accounts Alternative Funds IRAs Financial Advisory

***Institutional Markets***

<b><u>Market</u></b>	<b><u>Employee Size</u></b>	<b><u>Asset Range</u></b>	<b><u>Typical Customer Products</u></b>
Small-Mid	26-1,000	\$0-\$75 million	Full Service Retirement Plans Retirement Recordkeeping Employee Benefits Investment Management Stable Value
Large	1,000-10,000	\$75 million-\$1 billion	Full Service Retirement Plans Retirement Recordkeeping Employee Benefits Investment Management Stable Value
Mega	>10,000	>\$1 billion	Full Service Retirement Plans Retirement Recordkeeping Employee Benefits Investment Management Stable Value

## Our Segments

**Retirement** is a leading provider of retirement services and products in the United States, offering tax-deferred, employer-sponsored (institutional) retirement savings plans and administrative services to approximately 48,600 plan sponsors covering approximately 5.2 million plan participant accounts in corporate, education, healthcare, other non-profit and government entities as of December 31, 2017. Our Retirement segment reaches customers through a broad distribution footprint comprising multiple sales channels, including affiliated representatives and thousands of non-affiliated sales agents, brokers and advisors as well as third-party administrators ("TPAs") and pension/specialty consultants. The segment serves a wide spectrum of employers ranging from small companies to the very largest corporations and government entities. Stable Value solutions are also offered to institutional plan sponsors where we may or may not be providing defined contribution plan services. Additionally, Retirement provides IRAs and other retail financial products as well as comprehensive financial planning and advisory services to individual customers. Retirement had \$382.7 billion of AUM and AUA as of December 31, 2017, of which \$122.6 billion was institutional full service business, \$256.5 billion was institutional recordkeeping, stable value and pension risk transfer business and \$3.6 billion was Retail Wealth Management business.

**Investment Management.** We are a prominent full-service asset manager with approximately \$224.3 billion of AUM and \$50.0 billion of AUA as of December 31, 2017, delivering client-oriented investment solutions and advisory services, serving both individual and institutional customers. 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, 2017, we managed \$142.3 billion in our commercial business (comprising \$96.2 billion for third-party institutions and individual investors, and \$46.1 billion in separate account assets for our other businesses) and \$82.0 billion in general account assets for Voya Financial.
- As of December 31, 2017, 94%, 93%, and 79% of fixed income assets, 54%, 54%, and 57% of equity assets, and 88%, 96%, and 32% of Multi-Asset Strategies and Solutions ("MASS") assets outperformed benchmark or peer median returns on a 3-year, 5-year, and 10-year basis, respectively. Our retail mutual fund portfolio assets totaled \$27.0 billion as of December 31, 2017.

**Individual Life** provides wealth protection and transfer opportunities through universal and variable products, distributed primarily through a network of independent general agents and managing directors ("Aligned Distributors") to meet the needs of a broad range of customers from the middle-market through affluent market segments. We provide universal and variable life insurance products. Based on the LIMRA survey as of September 30, 2017, for premiums sold, our indexed universal life products ranked eighth. The rankings reflect our recent focus on selling more capital efficient products, such as IUL. As of December 31, 2017, the Individual Life distribution model is supported by approximately 100 Aligned Distributors with access to over 50,000 producers who are committed to promoting Voya products. As we announced in December 2017, we are currently conducting a strategic review of our Individual Life business.

**Employee Benefits** provides stop loss, group life, voluntary employee-paid and disability products to mid-sized and large businesses. Our products are distributed through national and regional benefits consultants, brokers, TPAs, enrollment firms and technology partners. We are a top tier provider of stop-loss insurance and currently rank eighth in the United States as reported by *MyHealthguide* through November 2017. We also hold top 20 positions in our voluntary and group life products as reported by LIMRA as of the third quarter of 2017.

## CBVA and Annuities Businesses

As described below under "Organizational History and Structure—CBVA and Annuity Transaction", in December 2017, we entered into a transaction to dispose of substantially all of our CBVA and Fixed and Fixed Indexed Annuities businesses and related assets (the "Transaction"). Until this Transaction closes, we remain responsible for the ongoing management of these businesses.

**Annuities** provides fixed and indexed annuities, investment-only products and payout annuities for pre-retirement wealth accumulation and post-retirement income management sold through multiple channels, and had \$29.0 billion of AUM as of December 31, 2017. Following the closing of the Transaction, we will retain a small portion of our existing Annuities business, including approximately \$6 billion in investment-only products.

**CBVA.** We previously separated CBVA business from our other operations, as part of a strategic decision to run-off, divest, or cease actively writing certain lines of business. Accordingly, CBVA was classified as a closed block and has been managed separately

from our other segments. In 2009, we decided to stop actively writing new retail variable annuity products with substantial guarantee features (the last policies were issued in early 2010) and placed this portfolio in run-off. We will retain a small stub of variable annuities business following the closing of the Transaction.

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As of December 31, 2017, on a consolidated basis, we had \$554.5 billion in total AUM and AUA and total shareholders' equity, excluding accumulated other comprehensive income/loss ("AOCI") and noncontrolling interests, of \$7.3 billion. In addition, we had \$(2,992) million of Net income (loss) available to Voya Financial, Inc.'s common shareholders for the year ended December 31, 2017 of which \$(2,580) million was related to Income (loss) from discontinued operations, net of tax.

For the year ended December 31, 2017, we generated \$528 million of Income (loss) from continuing operations before income taxes, and \$528 million of Adjusted operating earnings before income taxes. Adjusted operating earnings before income taxes is a non-GAAP financial measure. For a reconciliation of Adjusted operating earnings before income taxes to Income (loss) before income taxes, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations— Company Consolidated."

## **ORGANIZATIONAL HISTORY AND STRUCTURE**

### **Our History**

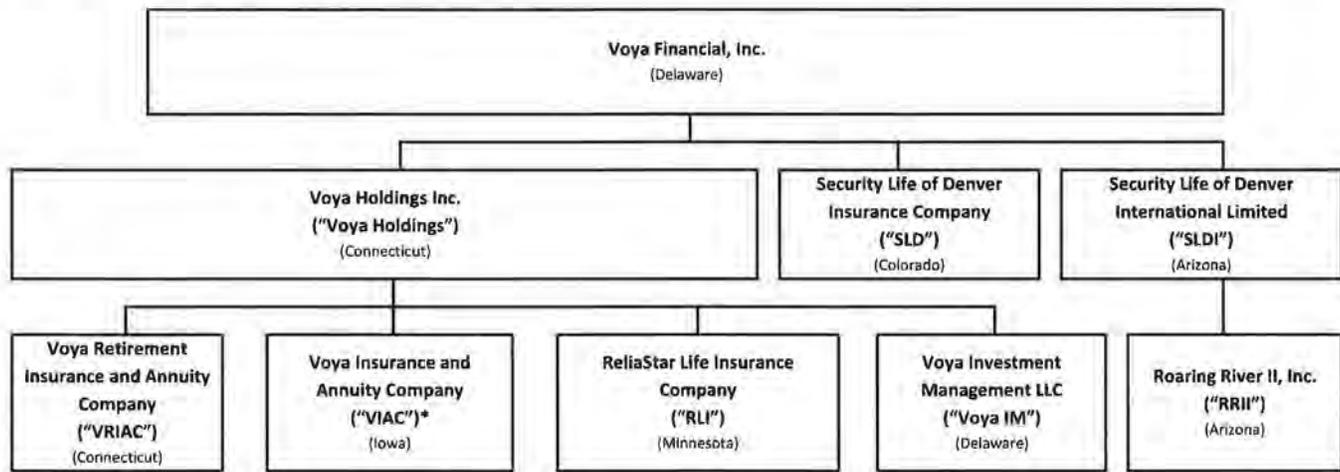
Prior to our initial public offering in May 2013, we were a wholly owned subsidiary of ING Groep N.V. ("ING Group"), a global financial institution based in the Netherlands.

Through ING Group, we entered the United States life insurance market in 1975 through the acquisition of Wisconsin National Life Insurance Company, followed in 1976 with ING Group's 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), Actna Life Insurance and Annuity Company (including Aeltus Investment Management) (2000) and CitiStreet (2008). As of March 2015, ING Group has completely divested its ownership of Voya Financial, Inc. common stock, although it continues to hold warrants to acquire a certain number of our shares.

For additional information on the separation from ING Group, see the "Business, Basis of Presentation and Significant Accounting Policies" section in Part II, Item 7. of this Annual Report on Form 10-K.

## 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 as of December 31, 2017:



\* VIAC to be divested upon the closing of the Transaction described below under "—CBVA and Annuity Transaction"

The chart above presents:

- Voya Financial, Inc.
- Our principal intermediate holding company, Voya Holdings, which is the direct parent of a number of our insurance and non-insurance operating entities.
- Our principal operating entities that are the primary sources of cash distributions to Voya Financial, Inc. Specifically, these entities are our principal insurance operating companies (VRIAC, VIAC, SLD and RLI) and Voya Investment Management LLC, the holding company for entities that operate our Investment Management segment.
- SLDI and RRII, our Arizona captives.

## CBVA and Annuity Transaction

On December 20, 2017, we entered into a Master Transaction Agreement (the "MTA") with VA Capital Company LLC, a newly formed Delaware limited liability company ("VA Capital"), and Athene Holding Ltd., a Bermuda limited company ("Athene"), pursuant to which VA Capital's wholly owned subsidiary Venerable Holdings Inc. ("Venerable") will acquire certain of our assets, including all of the shares of the capital stock of VIAC, our Iowa-domiciled insurance subsidiary, and all of the membership interests of Directed Services LLC, an indirect broker-dealer subsidiary ("DSL"). This transaction will result in our disposition of substantially all of our variable annuity and fixed and fixed indexed annuity businesses and related assets (collectively, the "Transaction").

VA Capital is a holding company formed by affiliates of Apollo Global Management LLC ("Apollo") and Athene (collectively, the "Sponsors"). Reverence Capital Partners, L.P. and Crestview Advisors, L.L.C. are also investors in VA Capital, along with us, and under the MTA, at closing, we will acquire a 9.99% equity interest in VA Capital. In addition, after the closing, our other insurance subsidiaries will continue to own surplus notes issued by VIAC in aggregate principal amount of \$350 million.

Following its acquisition of VIAC, Venerable will hold substantially all of the variable annuities in what was previously reported as our CBVA segment with account value of approximately \$35 billion based on June 30, 2017 balances. We separated CBVA from our other operations in 2009 and 2010 placing them in run-off as part of a strategic decision to stop actively writing new retail variable annuity products with substantial guarantee features. Accordingly, this segment was classified as a closed block and was managed separately from our other segments.

Concurrent with the sale of VIAC, we will sell via reinsurance to Athene our individual fixed and fixed indexed annuities policies with approximately \$19 billion of account value as of June 30, 2017, representing a significant majority of our fixed and fixed indexed annuities in force. We intend to cease manufacturing non-retirement-focused annuities after the Transaction closes. After the Transaction, VIAC or one of Venerable's other affiliates will administer most of the variable, fixed and fixed indexed annuities included in the Transaction, subject to some exceptions and transitional arrangements. Certain businesses in our former Annuities segment are not part of the transaction, including approximately \$6 billion in investment-only products (primarily Select Advantage) that will be retained by us. We will also retain a small amount of existing variable annuities business.

As a result of our entry into the Transaction, the operations that were reported in prior periods as our CBVA and Annuities segments have been reclassified as "Business Held for Sale and Discontinued Operations" in our financial statements and are no longer reported as individual segments. For additional information about this reclassification, see the Business Held for Sale and Discontinued Operations note in Part II, Item 8. of this Annual Report on Form 10-K.

The purchase price in the Transaction is equal to the difference between the Required Adjusted Book Value (as defined in the MTA) and the Statutory capital in VIAC at closing. The Required Adjusted Book Value is based on, subject to certain adjustments, the Conditional Tail Expectation ("CTE") 95 standard which is a statistical tail risk measure under the Standard & Poor's ("S&P") model which follows the Risk Based capital C-3 Phase II guidelines as stipulated by the National Association of Insurance Commissioners ("NAIC").

Under the terms of the Transaction, VIAC will, at or prior to the closing of the Transaction, undertake certain restructuring transactions with several current affiliates in order to transfer businesses and assets into and out of the Company. These restructuring transactions will include internal reinsurance of VIAC's life insurance and employee benefits businesses, the recapture of VIAC's variable annuity business from an affiliated reinsurer, the transfer of real and personal property and the settlement of outstanding amounts under existing affiliate agreements.

The MTA contains limits on the amount of additional capital we could be required to contribute to meet any increases in the Required Adjusted Book Value and on the amount of capital in excess of such amount that VA Capital could be required to compensate us for if such excess capital were to become trapped in VIAC prior to Transaction closing, in each case subject to certain termination rights.

In connection with the closing of the Transaction, Voya IM or its affiliated advisors will enter into one or more agreements to perform asset management services for Venerable as part of the Transaction. As part of the agreements, Voya IM or its affiliated advisors will serve as the preferred asset management partner for Venerable. Under the agreements, subject to certain criteria, Voya IM or its affiliated advisors will manage certain assets, including, for a minimum of five years following the closing of the Transaction, certain general account assets. Voya has also agreed to provide certain transitional services to Venerable for up to 24 months after the closing of the Transaction.

The Transaction is expected to close in the second or third quarter of 2018, subject to conditions specified in the MTA, including the receipt of required regulatory approvals, and other conditions.

## **OUR BUSINESSES**

### **Retirement**

Our Retirement segment 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 planning and advisory services. We are well positioned in the marketplace, with our industry-leading Institutional Retirement Plans business and our Retail Wealth Management business having a combined \$382.7 billion of AUM and AUA as of December 31, 2017, of which \$66.3 billion were in proprietary assets.

Our Institutional Retirement Plans business offers tax-deferred employer-sponsored retirement savings plan and administrative services to corporations of all sizes, public and private school systems, higher education institutions, hospitals and healthcare facilities, not-for-profit organizations and state and local governments. We also offer stable value products to institutional plan sponsors where we may or may not be providing defined contribution plan services. 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 approximately 48,600 plan sponsors covering approximately 5.2 million plan participant accounts as of December 31, 2017.

Our Retail Wealth Management business, with AUM and AUA of \$3.6 billion as of December 31, 2017, focuses on the rapidly expanding retiree market as well as on pre-retirees within our defined contribution plans. This business offers retail financial products and comprehensive financial planning and advisory services to help individuals manage their retirement savings and income needs.

Our Retirement segment earns revenue principally from asset and participant-based advisory and recordkeeping fees. Retirement generated Adjusted operating earnings before income taxes of \$456 million for the year ended December 31, 2017. Our Investment Management segment also earns arm's-length market-based fees from the management of the general account and mutual fund assets supporting Institutional Retirement Plans and certain Retail Wealth Management rollover products and advisory solutions. Distribution of Investment Management products and services using the Retirement segment continues to present a growth opportunity for our Retirement and Investment Management segments.

We will continue to focus on growing our retirement platform by driving increases in our Institutional Retirement Plans business through focused sales and retention efforts, and by leveraging our Retail Wealth Management business to deepen relationships with our Institutional Retirement Plan participants. We will also continue to place a strong emphasis on capital and cost management while also growing our distribution platform and achieving a diversified retirement product mix.

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 Retail Wealth Management and Investment Management businesses. 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 enable us to offer such participant's individual retirement and investment management solutions both during and after the term of their plan participation.

### ***Institutional Retirement Plans***

#### *Products and Services*

We are one of only a few providers that offer tax-deferred institutional retirement savings plans, services and support to the full spectrum of businesses, ranging from small to mega-sized plans and across all markets and code sections. These plans may either be offered as full service options or recordkeeping services products. We also offer stable value investment options to institutional clients where we may or may not be providing defined contribution plan services.

Full-service retirement products provide recordkeeping and plan administration services, tailored award-winning participant communications and education programs, myOrangeMoney<sup>®</sup> digital capabilities for sponsors and plan participants (plus mobile capabilities for participants), trustee services and institutional and retail investments. Offerings include a wide variety of investment and administrative products for defined contribution plans for tax-advantaged retirement savings, as well as 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 150 fund families, including the Voya family of mutual funds managed by our Investment Management segment. Our full-service retirement plan offerings are also supported by financial planning and investment advisory services offered through our Retail Wealth Management 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 recordkeeping and plan administration support for a sponsor base that includes multi-employer corporate plans, large-mega corporations and state and local governments. Our recordkeeping retirement plan offerings are also supported by award-winning participant communications and education programs, myOrangeMoney<sup>®</sup> digital capabilities for sponsors and plan participants (plus mobile capabilities for participants), as well as financial planning and investment advisory services offered through our Retail Wealth Management business and Voya Retirement Advisors (our registered investment advisor group serving in-plan participants with the in-plan advisory services program).

Stable value investment options may be offered within our full service institutional plans, or as investment-only options within our recordkeeping services plans or within other vendor plans. Our product offering includes both separate account guaranteed investment contracts ("GICs") and synthetic GICs managed by either proprietary or outside investment managers.

Pension risk transfer group annuity solutions were previously offered to institutional plan sponsors who needed to transfer their defined benefit plan obligations to us. We discontinued sales of these solutions in late 2016 to better align our business activities to our strategic priorities, but continue to manage existing policies and assets.

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 Internal Revenue Code sections and core products offered for each market segment.

<u>Product/Service Model</u>	<u>AUM/AUA (as of December 31, 2017)</u>	<u>Key Market Segments/Product Lines</u>	<u>Primary Internal Revenue Code section</u>	<u>Core Products*</u>
Full Service Plans	\$122.6 billion	Small-Mid Corporate	401(k)	Voya MAP Select, Voya Framewor(k)
		K-12 Education	403(b)	Voya Custom Choice II, Voya Framewor(k)
		Higher Education	403(b)	Voya Retirement Choice II, Voya Retirement Plus II, Voya Framewor(k)
		Healthcare & Other Non-Profits	403(b)	Voya Retirement Choice II, Voya Retirement Plus II, Voya Framewor(k)
		Government (local and state)	457	RetireFlex-SA, RetireFlex-MF, Voya Health Reserve Account, Voya Framewor(k)
Recordkeeping and Stable Value Business	\$256.5 billion**	Small-Mid Corporate	401(k)	***
		Large-Mega Corporate	401(k)	***
		Government (local and state)	457	***
		Stable Value****	401(k) 403(b) 457(b)	Separate Account and Synthetic GICs

\* Core products actively being sold today.

\*\* Assets include a small block of pension risk transfer business which is no longer an active offering

\*\*\* Offerings include administration services and investment options such as mutual funds, commingled trusts and separate accounts.

\*\*\*\* Sold across all market segments with a strong focus on Large Corporate

In 2017, we launched an enhanced version of our *Voya Framewor(k)* product, making it the first product in the history of our business that can be sold across both full service corporate and tax-exempt markets. It is a mutual fund program offered to fund qualified retirement plans, and it gives plan advisors and third party administrators who work with us a uniform and consistent product experience across multiple plan markets. The product is distinguished by its flexible recordkeeping platform and contains over 200 funds from well-known fund families for smaller plans or can be provided as an open architecture investment platform for larger plans (which offers most funds for which trades are cleared through the National Securities Clearing Corporation). This product also includes our general account and various stable value investment options.

In addition to *Voya Framewor(k)*, we offer products customized to each of the full service corporate market and the full service tax exempt market.

For plans in the full service corporate market, our core product is *Voya MAP Select*, a group funding agreement/group annuity contract offered to fund qualified retirement plans. The product contains over 200 funds from well-known fund families for smaller plans or can be provided as an open architecture investment platform for larger plans (which offers most funds for which trades are cleared through the National Securities Clearing Corporation). This product also includes our general account and various stable value investment options.

For plans in the full service tax-exempt market, we offer a variety of products, that include the following:

- *Voya Retirement Choice II and RetireFlex-MF*, retail mutual fund products which provide flexible funding vehicles and are 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).
- *Voya Retirement Plus II and Voya 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.
- *RetireFlex-SA*, an unregistered group annuity product which features variable investment options held in a variable annuity separate account and a guaranteed option (available through a group fixed annuity contract or stable value product).

#### *Markets and Distribution*

Our Institutional Retirement Plans business can be categorized into two primary markets: Corporate and Tax Exempt. Both markets utilize our myOrangeMoney<sup>®</sup> participant-facing digital capabilities as a centerpiece to help shift the mindset of plan participants from focusing only on accumulation to focusing on both accumulation and adequate income in retirement. Additionally, a broad suite of financial wellness offerings, including retirement planning, guidance and advisory products, tools and services are offered to help our plan participants in all markets reach their retirement goals. A brief description of each market, including sub segments and areas of particular focus, are as follows:

##### *Corporate Markets:*

- *Small-Mid Corporate Market.* In this market we offer full service solutions to defined contribution plans of small-mid-sized corporations (i.e., typically less than 1,000 employees). Our comprehensive product offers an open architecture investment platform, comprehensive fiduciary solutions, dedicated and proactive service teams and product and service innovations leveraged from our expertise across multiple market segments (all sizes of plans as well as code sections). Furthermore, we offer a unique enrollment experience through our myOrangeMoney<sup>®</sup> digital capabilities that helps engage and inform plan participants with retirement savings and income goals.
- *Large-Mega 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 client relationship management, tailored communication campaigns and education and enrollment support to help employers prepare their employees for retirement. We are dedicated to providing engaging information through innovative technology-based tools and award winning print materials to help plan participants achieve a secure and dignified retirement.

##### *Tax Exempt Markets:*

- *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. In the United States, we rank fourth in both the K-12 and higher education markets by assets as of September 30, 2017. Our support to plan sponsors with solutions to reduce administrative burden, deep technical and regulatory expertise, and strong on-site service teams plus a broad suite of financial wellness products, tools, and services for participants, continue to strengthen our position as one of the top providers in this market.
- *Healthcare/Other Non Profits Market.* In this market we service hospitals, healthcare organizations and not-for-profit entities by offering full service solutions for a variety of plan types. We offer solutions that reduce sponsors' administrative burdens and provide them with deep technical and fiduciary expertise. Additionally, we offer on-site service teams to assist plan sponsors with their plans and to assist their employees with understanding and taking advantage of their plan benefits. We also provide tailored communications, education and enrollment support plus a broad suite of financial wellness products, tools and services in order to better prepare plan participants for retirement.
- *Government Market.* We provide both full service and recordkeeping services offerings to small and large governmental entities (e.g., state and local government) with a client base that spans all 50 states plus US territories. For large governmental sponsors, we offer recordkeeping services that meet the most complex of needs, while also offering extensive participant communication and retirement education support, including a broad suite of financial wellness products, tools and services. We also offer a broad range of proprietary, non-proprietary and stable value investment options. Our flexibility

and expertise help make us the fourth ranked provider in this market in the United States based on AUM and AUA as of September 30, 2017.

Products for Institutional Retirement Plans are distributed nationally through multiple unaffiliated channels supported by our employee wholesale field force and dedicated sales teams and via other affiliated distribution through our owned broker-dealer. We offer localized support to distribution partners and their clients during and after the sales process as well as a broad selection of investment options with flexibility of choice and comprehensive fiduciary solutions to help their clients meet or exceed plan guidelines and responsibilities.

*Unaffiliated Distribution:*

- *Independent Sales Agents.* As of December 31, 2017, we work with more than 5,000 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 K-12 education segment plans.
- *Brokers and Advisors.* Over 12,000 wirehouse and independent regional and local brokers, specialty retirement plan advisors plus registered investment advisors (as of December 31, 2017) are the primary distributors of our small-mid corporate market products, 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 and may also help with employee enrollment and education.
- *TPAs.* As of December 31, 2017, we have long-standing relationships with over 1,200 TPAs who work with a variety of retirement plan providers and are selling and/or service partners for our small-mid corporate markets and select tax exempt markets plans. 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:*

- *Voya Financial Advisors ("VFA").* Our owned broker-dealer is one of the top thirteen broker-dealers in the United States as determined by the total number of licensed and producing representatives. As of December 31, 2017, VFA provided licensing and operational support to approximately 1,800 field and phone-based representatives. The field based financial planning and advisory representatives support sales of products, financial planning and advisory services for the Retirement segment. A closely affiliated sub-set of the field-based channel focuses primarily on driving enrollment and contribution activity within our education, healthcare and government market institutional plans. They also provide in-plan education and guidance plus retail sold-financial advisory services to help individuals in these markets meet their retirement savings and income goals. The home office phone-based representatives focus on providing education, guidance and rollover support services to our institutional plan participants.
- *Wholesale Field Force.* Locally based employee wholesalers focus on expanding and strengthening relationships with unaffiliated distribution partners and third party administrators who sell and service our institutional plan offerings to employers across the nation.
- *Dedicated Voya Sales Teams.* We have employee sales teams that work with more than 80 different pension/specialty consulting firms that represent employers in corporate and tax-exempt markets seeking large-mega institutional plans and/or stable value solutions. Additionally, as mentioned above for VFA, we have salaried phone-based sales teams that focus on supporting our institutional plan participants across all markets.

## *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 few institutions are able to compete across all markets as we do. The following chart presents a summary of the current competitive landscape in the markets where we offer our Institutional Retirement Plans and stable value:

<b><u>Market/Product Segment</u></b>	<b><u>Competitive Landscape</u></b>	<b><u>Select Competitors</u></b>
Small-Mid Corporate	Primary competitors are mutual fund companies and insurance-based providers with third-party administration relationships	Empower Fidelity
K-12 Education	Competitors are primarily insurance-based providers that focus on school districts across the nation	AXA VALIC
Higher Education	Competitors are 403(b) plan providers, asset managers and some insurance-based providers	TIAA-CREF Fidelity
Healthcare & Other Non-Profits	Competition varies across 403(b) plan providers, asset managers and some insurance-based providers	Fidelity TIAA-CREF
Government	Compete primarily with insurance-based providers but also asset managers and 457 providers	Empower Nationwide
Recordkeeping	Primarily bid against asset managers and business consulting services firms, but also compete with some payroll firms and insurance-based providers	Fidelity Empower
Stable Value	Primarily compete with select insurance companies who are also dedicated to the Stable value market, but also with certain banking institutions	Prudential MetLife

Our full-service Institutional Retirement Plans business competes primarily based on pricing for value delivered, the breadth of our service and investment offerings, technical/regulatory expertise, industry experience, local enrollment and financial wellness support, investment flexibility 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 industry concentration in recent years as a result of mergers among several industry providers seeking to increase scale, improve cost efficiencies and enter new market segments. As a result, we emphasize our strong sponsor relationships, flexible value-added services, ability to customize recordkeeping and administration services to match client needs, and technical and regulatory expertise as our competitive strengths. Additionally, we compete across all institutional markets with our broad suite of products, tools, services, including myOrangeMoney<sup>®</sup> retirement income focused digital and mobile capabilities, to help employers support the retirement preparedness and financial needs of their employees. Our long standing experience in the retirement market underscored by strong stable value expertise allows us to effectively compete against existing and new providers.

## *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 returns are 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.

## ***Retail Wealth Management***

### *Products and Services*

Our Retail Wealth Management business offers a variety of investments and protection products, along with holistic advice and guidance delivered through field-based financial planning and advisory representatives and home office phone-based representatives. Our current investment solutions include a variety of mutual fund custodial IRA products, managed accounts and advisory programs, plus brokerage accounts.

The primary focus of our Retirement segment is to serve approximately 5.2 million defined contribution plan participant accounts (as of December 31, 2017). We also seek to capitalize on our access to these individuals through our Institutional Retirement Plans business by utilizing our Retail Wealth Management business to deepen our relationships with them for the long-term. We believe that our ability to offer an 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*

Retail Wealth Management products, financial planning and advisory services are primarily sold through our group of nearly 1,800 representatives licensed through our Voya Financial Advisors ("VFA") broker-dealer. These VFA representatives help provide cohesiveness between our Institutional Retirement Plans and Retail Wealth Management businesses and are grouped into two primary categories: field-based and home office phone-based representatives. Field-based representatives are registered sales and investment advisory representatives that drive both fee-based and commissioned sales. They provide face-to-face interaction with individuals seeking retail investment products (e.g., rollover products) as well as financial planning and advisory solutions. Home office phone-based representatives focus on assisting participants in our institutional retirement plans, primarily for our large recordkeeping plans. While these representatives offer more simplified rollover products and advisory services than offered by the field-based representatives, they 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 our VFA representatives to offer holistic retirement planning solutions to participants in our Institutional Retirement Plans, we partner with our institutional clients to engage, educate, advise and motivate their employees to take action that will better prepare them for successful retirement outcomes.

### *Competition*

Our Retail Wealth Management advisory services and product solutions compete for rollover and other asset consolidation opportunities against integrated financial services companies and independent 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 Retail Wealth Management business are, in the phone-based channel, Fidelity, Schwab, and Vanguard, and in the field-based channel, LPL Financial, Ameriprise, Commonwealth, Cambridge, Cetera, and Bank of America Merrill Lynch.

Our Retail Wealth Management advisory services and product solutions are competitively priced and 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 institutional plan participants, which allow 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 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 returns are 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.

### **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, 2017, our Investment Management segment managed \$96.2 billion for third-party institutions and individual investors, \$46.1 billion in separate account assets for our other segments (including CBVA) and \$82.0 billion in general account assets. Upon closing of the Transaction, our general account AUM will decline by approximately \$28 billion, a portion of which will be offset by approximately \$10 billion of additional third-party AUM associated with our management of the general account assets of Venerable. See "–Organizational History and Structure–CBVA and Annuity Transaction".

We are committed to reliable and responsible investing and delivering research-driven, risk-adjusted, client-oriented investment strategies and solutions and advisory services across asset classes, geographies and investment styles. Through our institutional distribution channel and our Voya-affiliate businesses, we serve a variety of institutional clients, including public, corporate and Taft-Hartley Act defined benefit and defined contribution retirement plans, endowments and foundations, and insurance companies. 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 hurdles. In addition, and to a lesser extent, Investment Management collects administrative fees on outside managed assets that are administered by our mutual fund platform, and distributed primarily by our Retirement segment. Investment Management also receives fees as the primary investment manager of our general account, which is managed on an arm's-length pricing basis. Finally, Investment Management generates revenues from a portfolio of capital investments. Investment Management generated Adjusted operating earnings before income taxes of \$248 million for the year ended December 31, 2017.

The success of our platform begins with providing our clients continued strong investment performance. In addition to investment performance, our focus is on client "solutions" and income and outcome-oriented products which include target date funds. We expect that strong investment performance combined with superior client service through a solution orientation will result in AUM growth.

- As of December 31, 2017, 94%, 93%, and 79% of fixed income assets, 54%, 54%, and 57% of equity assets, and 88%, 96%, and 32% of Multi-Asset Strategies and Solutions ("MASS") assets outperformed benchmark or peer median returns on a 3-year, 5-year, and 10-year basis, respectively. Our retail mutual fund portfolio assets totaled \$27.0 billion as of December 31, 2017.

We are also focused on capitalizing on the Retirement segment's leading market position and have established dedicated retirement resources within our Investment Management intermediary-focused distribution team to work with Retirement and have enhanced our MASS 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.

Other key strategic initiatives for growth include: improved distribution productivity, sub-advisory mandates for Investment Management capabilities on others' platforms; leveraging partnerships with financial intermediaries and consultants; long-term expansion of our international investment capabilities; opportunistic launching of capital markets products such as collateralized loan obligations ("CLOs") and Closed End Mutual Funds; and prudent expansion of our private equity business.

### **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 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, 2017, there were \$127.6 billion in AUM on the fixed income platform, of which \$82.0 billion were general account assets. Through the fixed income platform clients have access to money market funds, investment-grade corporate debt, government bonds, residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS"), asset-backed securities ("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, 2017, there were \$61.5 billion in AUM on the equities platform covering both domestic and international markets including Real Estate. Our fundamental equity capabilities are bottom-up and 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.

*MASS.* Investment Management's MASS platform offers a variety of investment products and strategies that combine multiple asset classes using asset allocation techniques. The objective of the MASS platform is to develop customized solutions that meet specific, and often unique, goals of investors and that dynamically change 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 segment 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 (c.g., portable alpha) for clients.

*Senior Bank Loans.* Investment Management's senior bank loan group is an 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 support 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 \$24.6 billion as of December 31, 2017.

*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, 2017, Pomona Capital managed assets totaling \$8.6 billion across a suite of eight limited partnerships and the Pomona Investment Fund, a registered investment fund launched in May, 2015 that is available to accredited investors. 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, 2017, broken out by Investment Management's five investment platforms as well as by major client segment:

	<b>AUM</b>		<b>Net Flows</b>	
	As of		Year Ended	
	December 31, 2017		December 31, 2017	
	<i>\$ in billions</i>		<i>\$ in millions</i>	
<b>Investment Platform</b>				
Fixed income . . . . .	\$	127.6	\$	2,518
Equities . . . . .		61.5		(4,724)
Senior Bank Loans . . . . .		24.6		1,923
Alternatives . . . . .		10.6		674
Total . . . . .	\$	224.3 <sup>(1)</sup>	\$	391
MASS <sup>(1)</sup> . . . . .		29.7		(1,183)
<b>Client Segment</b>				
Retail . . . . .	\$	69.8	\$	(5,878)
Institutional . . . . .		72.5		5,413
General Account . . . . .		82.0 <sup>(4)</sup>		N/A
Mutual Funds Manager Re-assignments <sup>(2)</sup> . . . . .		N/A		857
Total . . . . .	\$	224.3	\$	391
Voya Financial affiliate sourced, excluding CBVA <sup>(3)</sup> . . . . .	\$	35.8	\$	(120)
CBVA <sup>(3)</sup> . . . . .		20.7		(4,505)

<sup>(1)</sup> \$23.3 billion of MASS assets are included in the fixed income, equity and senior bank loan AUM figures presented above. The balance of MASS assets, \$6.4 billion, is managed by third parties and we earn only a modest, market-rate fee on these assets.

<sup>(2)</sup> Represents the re-assignment of mutual fund management contracts to Voya Investment Management from external managers. The AUM related to the re-assignments are included in the retail segment above.

<sup>(3)</sup> Assets sourced from Voya Financial, including CBVA, are also included in the retail and institutional markets segments above.

<sup>(4)</sup> Upon closing of the Transaction, our general account AUM will decline by approximately \$28 billion, a portion of which will be offset by approximately \$10 billion of additional third-party AUM associated with our management of the general account assets of Venerable. See "Organizational History and Structure-CBVA and Annuity Transaction".

### Markets and Distribution

We serve our institutional clients through a dedicated sales and service platform and for certain international regions, through selling agreements with a former affiliated party and for sponsored structured products through the arranger. We serve individual investors through an intermediary-focused distribution platform, consisting of business development and wholesale forces that 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 and structured products, 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 client 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, 2017, total AUM from these channels was \$69.8 billion. Historically, AUM derived from our CBVA business has been included in the total AUM from this retail client segment.
- Institutional client segment: Individual and pooled accounts, targeting defined benefit, defined contribution recordkeeping and retirement plans, Taft Hartley and endowments and foundations. As of December 31, 2017, Investment Management had approximately 319 institutional clients, representing \$72.5 billion of AUM primarily in separately managed accounts and collective investment trusts.

Investment Management manages a variety of variable portfolio, mutual fund and stable value assets, sold through our Retirement, Individual Life and Employee Benefits segments, together with our Annuities business. As of December 31, 2017, total AUM

from these channels and our CBVA business was \$56.5 billion with the majority of the assets gathered through our Retirement segment.

As described above under "Organizational History and Structure—CBVA and Annuity Transaction" as a result of the Transaction, Voya IM or its affiliated advisors will enter into one or more agreements to serve as the preferred asset management partner for Venerable for at least five years following the closing of the Transaction.

### ***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 the basis of, among other things, investment performance, investment philosophy and process, product features and structure and client service. Our principal competitors 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.

### ***Individual Life***

Our Individual Life segment has a broad independent distribution footprint and manufactures competitive products, with a focus on indexed universal life. We offer indexed, fixed, and variable universal life insurance products targeted to the middle market through the mass affluent markets. We continually evaluate changes to our product portfolio in light of market conditions and in recent years have suspended sales of our Term Life and Indexed Universal Life-Guaranteed Death Benefit ("IUL-GDB") products. Applications for these products were accepted through the end of 2016. These changes reflect our continued effort to focus on capital efficient products and drive greater value to our shareholders. As we announced in December 2017, we are currently conducting a strategic review of our Individual Life business.

As of September 30, 2017, we were the eighth largest writer of indexed universal life products in the United States based on premiums sold or written. Our strong market positions have allowed us to properly scale our business to achieve greater profitability. As of December 31, 2017, Individual Life's in-force book comprised nearly 1 million policies and gross premiums and deposits of approximately \$1.8 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. Our Individual Life segment generated Adjusted operating earnings before income taxes of \$92 million for the year ended December 31, 2017.

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 that meet our profit and capital requirements, combined with effectively managing our in-force block to meet our profitability objectives. They also include focusing on improving our investment margins, growing our mortality profits and fully exploiting our technological capability in order to continue to reduce 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. We also look to transfer certain blocks of business through reinsurance in order to more effectively manage our capital. For example, in 2015 and 2014 we reinsured two in-force blocks comprising approximately 325,000 term life insurance policies, representing approximately \$190.0 billion of life insurance in-force and backed by approximately \$2.7 billion in statutory reserves, to a third-party reinsurer.

### ***Products and Services***

Our Individual Life segment currently offers products that include IUL, universal life ("UL"), and variable universal life ("VUL") 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.

*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. 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.

*UL.* Accumulation-focused universal life products feature the opportunity to build tax-deferred cash value that can be accessed by customers 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.

*VUL.* 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 by product:

<i>(\$ in millions)</i>	<b>In-Force Face</b>	<b>Total gross premiums</b>
	<b>Amount</b>	<b>and deposits</b>
	<b>As of</b>	<b>Year Ended</b>
<b><u>Individual Life Product</u></b>	<b>December 31, 2017</b>	<b>December 31, 2017</b>
Term Life <sup>(1)</sup> .....	\$ 225,370	\$ 541
Indexed Universal Life .....	21,196	406
Other Universal Life .....	\$ 59,859	\$ 710
Variable Universal Life .....	\$ 21,695	\$ 150

<sup>(1)</sup> Term Life offerings were discontinued in late 2016.

### **Markets and Distribution**

Our Individual Life segment distributes our product offerings primarily through a network of Aligned Distributors who are committed to promoting Voya products to independent agents and advisors. Aligned Distributors receive higher levels of service, and access to proprietary tools and training. Through this channel, we partner with approximately 100 Aligned Distributors with access to over 50,000 producers as of December 31, 2017. These producers utilize our brand and sell a wide range of our products, including life, annuity and mutual funds. We also support other independent general agents and marketing organizations who sell a broad portfolio of products from various carriers including Voya branded life, annuity and mutual fund offerings. Our distribution organization boasts a comprehensive sales support, sales technology, marketing support and illustration system. We offer service solutions to meet the diverse and changing requirements of our customers and distribution partners.

The following table presents a breakdown of Individual Life sales by distribution channel:

<i>(\$ in millions)</i>	<b>Sales</b>	<b>% of Sales</b>
	<b>Year Ended</b>	<b>Year Ended</b>
	<b>December 31, 2017</b>	<b>December 31, 2017</b>
<b><u>Channel</u></b>		
Aligned Distribution Sales .....	\$ 74	90.7%
Non-Aligned .....	\$ 7	8.3%
Direct-Term Writers .....	\$ 1	1.0%

## ***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, Brighthouse Financial, National Life Group, North American Company, American General, 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 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.

## ***Reinsurance***

In general, our reinsurance strategy is designed to limit our mortality risk and effectively manage capital. We partner with highly rated, well regarded reinsurers and set up pools to share our excess mortality risk.

As of January 1, 2013, for term business, we retain 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 retain the first \$5 million of risk and reinsure 100% of the excess over \$5 million among a pool of reinsurers. For policies sold to foreign nationals, we retain 20% of risk and the remaining 80% of risk is shared among a pool of reinsurers. Our maximum overall retained risk on any one life is \$5 million. Prior to January 1, 2013, our retention limits for most of the universal life product portfolio and the maximum overall retained risk on any one life were higher than the current limits.

Currently, reinsurance for new business is on a monthly renewable term basis, which only transfers mortality risk and limits our counterparty risk exposure. See "Item 7A. Quantitative and Qualitative Disclosures 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 stop loss coverage in the United States, currently ranking eighth on a premium basis with approximately \$969 million of in-force premiums. We also hold top 20 positions in the group life and voluntary benefits markets on a premium basis as of September 30, 2017. As of December 31, 2017, Employee Benefits total in-force premiums were \$1.8 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. Our Employee Benefits segment generated Adjusted operating earnings before income taxes of \$127 million for the year ended December 31, 2017.

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 voluntary benefits 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. 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.

### **Products and Services**

Our Employee Benefits segment offers stop loss insurance, group life, voluntary benefits, and group disability 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. 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, and accident insurance. This product lineup is mostly employee-paid through payroll deduction. New products have been introduced that 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 annualized in-force premiums for each product:

*(\$ in millions)*

#### **Employee Benefits Products**

#### **Annualized In-Force Premiums** **Year Ended December 31, 2017**

Stop Loss .....	\$	969
Group Life .....	\$	491
Voluntary Benefits .....	\$	264
Group Disability .....	\$	125

### **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 benefit package. In addition, we market stop-loss coverage to employer sponsors of self-funded employee health benefit plans. Voya Employee Benefits breadth of distribution gives us access to and the products to meet the needs of employers and their employees. 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:

*(\$ in millions)*

<b>Channel</b>	<b>Sales</b>	<b>% of Sales</b>
	Year Ended December 31, 2017	Year Ended December 31, 2017
Brokerage (Commissions Paid) . . . . .	\$ 324	73.5%
Benefits Consulting Firms (Fee Based Consulting) . . . . .	\$ 108	24.5%
Worksite Sales . . . . .	\$ 9	2.0%

### **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, Tokio Marine HCC (formerly Houston Casualty), Symetra and Sun Life in Stop Loss, and Unum, Allstate and Transamerica in voluntary benefits.

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.

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 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 reinsurer. Group Long Term Disability cedes substantially all of the risk including the claims servicing, to a TPA and reinsurer. As of January 1, 2018, Excess Stop Loss has a reinsurance program in place that limits our exposure on any one specific claim to \$3 million, with aggregate stop loss reinsurance that limits our exposure to \$3 million over the Policyholder's Aggregate Excess Retention. For policies issued in 2017, the limit on any one specific claim is \$2.25 million. For policies issued in 2016, the limit on any one specific claim is \$2 million. For both 2017 and 2016 circumstances, there is aggregate stop loss reinsurance that limits our exposure to \$2 million over the Policyholders Aggregate Excess Retention. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Risk Management". We also use an annually renewable reinsurance transaction which lowers required capital of the Employee Benefits segment.

### **CBVA and Annuities Businesses**

As described under "—Organizational History and Structure—CBVA and Annuity Transaction", in December 2017, we entered into a transaction to dispose of substantially all of our CBVA and Fixed and Fixed Indexed Annuities businesses and related assets. Until this Transaction closes, we remain responsible for the ongoing management of these businesses.

### **Annuities**

The Annuities business provides fixed and indexed annuities, investment-only products and payout annuities for pre-retirement wealth accumulation and postretirement 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. Following the closing of the Transaction, we will retain the investment-only products and certain other small blocks of Annuities business. We report the related results in continuing operations within Corporate.

We have historically sought to achieve our risk-adjusted return objectives in Annuities through a disciplined approach, with a focus on preserving margins in low interest rate environments. Our mutual fund custodial products business correlates with equity markets, but is not sensitive to interest rate conditions and, as such, is focused on growth. We seek to meet our risk management objectives by continuing to hedge market risks associated with the indexed crediting strategies selected by clients on our FIA contracts. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk—Risk Management."

#### *Products and Services*

Our Annuities 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.

*FIAs.* 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 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 Standard & Poor's 500 Index (the "S&P 500"), an interest rate benchmark, such as the change in London Interbank Offered Rates ("LIBOR"), or a volatility-controlled strategy such as the Citi Dynamic Asset Selector Index. 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 contain guaranteed withdrawal benefit features 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.

*Annual Reset and Multi-Year Guarantee Annuities ("MYGAs").* Our in-force block includes Annual Reset and MYGA products, which provide guaranteed minimum rates of up to 4.5% and with crediting rate terms from one year to 10 years. These products are in run-off.

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.

*Investment-Only Products.* Our Annuities business offers tax-qualified mutual fund custodial products, which provide flexible investment options across mutual fund families on a no-load basis. We will retain this business following the closing of the Transaction. 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. These products are designed to be streamlined, simple rollover solutions providing continued tax deferrals on retirement assets. No minimum guarantees are offered for these products.

Although not currently a significant portion of new sales, we also offer an investment-only non-qualified complement, which provides flexible investment options across mutual fund families on a no-load basis. Similar to our mutual fund custodial product, 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. No minimum guarantees are offered for this product.

The following chart presents the key in-force annuity and investment-only products within Annuities, along with data on AUM for each product, excluding payout annuities:

<i>(\$ in billions)</i>	<b>AUM</b>	
	<u>As of December 31, 2017</u>	
<b>Annuity Product</b>		
Fixed Indexed Annuities (FIA) . . . . .	\$	14.9
Multi-Year Guarantee Annuities (MYGA) & other Fixed Annuities . . . . .	\$	4.7
Investment-Only Products <sup>(1)</sup> . . . . .	\$	6.2

<sup>(1)</sup> Includes Separate account and mutual funds. We will retain this business following the closing of the Transaction.

### *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 broker-dealers, independent insurance agents / independent marketing organizations, affiliated broker-dealers, and banks.

The Transaction has had a significant effect on our Annuities distribution. Distributors have, in some cases, elected to suspend, alter or reduce their distribution relationships with us due to the Transaction, including as a result of potential adverse rating agency actions with respect to VIAC or concerns about market-related risks.

Our investment-only products are distributed nationally, primarily through relationships with independent brokers, financial planners and agents. New sales are obtained from either a "rollover" from an existing retirement account, a 1035-exchange or funded through non-qualified after-tax dollars.

### *Competition*

Our Annuities business faces competition from banks, mutual fund companies and traditional insurance carriers such as AIG, Allianz, Athene, 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.

Investment-only products compete with brokerage accounts and other financial service and asset allocation offerings.

### *Underwriting and Pricing*

We generally do not underwrite individual lives in Annuities. 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 also take into account capital requirements, hedging costs and operating expenses.

Our investment-only products are fee-based recordkeeping products 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 investment-only products do not generate investment margins, do not expose us to significant mortality risk and no hedging is required.

### *Closed Block Variable Annuity*

In 2009, we separated our CBVA business 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). Accordingly, the CBVA business has been classified as a closed block and is managed separately from our other businesses.

Our CBVA business 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 guaranteed minimum withdrawal benefits for life ("GMWBL"), guaranteed minimum income benefits ("GMIB"), guaranteed minimum accumulation benefits ("GMAB") and guaranteed minimum withdrawal benefits ("GMWB"). All deferred variable annuity contracts included guaranteed minimum death benefits ("GMDB").

The financial crisis of 2008-09 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.

Following the financial crisis, we made a strategic decision to stop actively writing new 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. Since that time, we have strengthened our balance sheet, and refined our hedge program to dynamically protect regulatory and rating agency capital from market changes in equity, interest rate, volatility, credit spreads and foreign exchange rates. U.S. 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 U.S. GAAP financial statements.

Our risk management program is focused on balancing key factors including regulatory reserves, rating agency capital, risk-based capital ("RBC"), liquidity, earnings, and economic value. There is significant operational scale (approximately 269,000 variable policy holders and \$30.8 billion in AUM in our CBVA business, excluding contracts in payout status, as of December 31, 2017) which ensures ongoing hedging, financial reporting and information technology maintenance expense efficiencies.

Our risk management program seeks to mitigate market risk exposures on our regulatory and rating agency capital. Our primary measure of our rating agency capital is based on a CTE, which is a statistical tail risk measure used to assess the adequacy of assets supporting variable annuity contract liabilities. Our goal is to support CBVA with assets at least equal to a "CTE95" standard under the S&P model, which is an aggregate measure across all of our subsidiaries that have written or provided captive reinsurance for deferred variable annuity contracts. In general, the requirements for the S&P model follow the Risk Based Capital C-3 Phase II guidelines, as stipulated by the NAIC. The calculated amount of assets required to meet the CTE95 standard under this model is substantially determined by the outcome of 1,000 stochastic capital market scenarios that we run for modeling purposes. Although the NAIC does not specify the scenarios, the 1,000 scenarios we select must comply with guidelines promulgated by the NAIC. Under the CTE95 measure, the calculated required assets must be at least equal to the average amount of assets needed to satisfy policyholder obligations in the worst 5% of these 1,000 scenarios.

The block continues to generate revenue from asset-based fees. On a U.S. GAAP basis, we continue to amortize capitalized acquisition costs over estimated gross revenues and we incur operating costs and benefit expenses in support of the business.

Our focus in managing CBVA continues to be on protecting regulatory and rating agency capital, and our hedging program is primarily designed to mitigate the impacts of market movements on capital resources, rather than mitigating earnings volatility. We have in recent years taken steps to accelerate the run-off of the block, such as through enhanced income offers under which policyholders of eligible GMIB policies could elect early annuitization. In 2017, we completed two enhanced surrender value offers to eligible GMIB policyholders, which provided an enhancement to contract surrender value for policyholders who opted to surrender their contracts. Because of our entry into the Transaction, we do not currently plan to make additional enhanced income or enhanced surrender offers.

#### *Nature of Liabilities*

Substantially all of our CBVA products were issued by one of our operating subsidiaries, VIAC, which we are selling to VA Capital in the Transaction. See "Organizational History and Structure—CBVA and Annuity Transaction".

Each of our CBVA deferred variable annuity products include some combination of the following features which the customer elected when purchasing the product:

#### *Guaranteed Minimum Death Benefits (GMDB)*

- *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, adjusted for 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 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 annually or quarterly, depending on versions). The rollup ceases 10 years after purchase of the rider, or in the year when withdrawals occur. 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% 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, adjusted for 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.

Variable annuity GMAB, GMWB, and GMWBL are considered embedded derivatives, which are measured at estimated fair value separately from the host annuity contract and recorded in Future policy benefits. Changes in estimated fair value that are not related to attributed fees or premiums collected or payments made are reported in Other net realized capital gains (losses).

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.

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.). 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 and account value by type of deferred variable annuity benefits:

(*\$ in millions, unless otherwise specified*)

	<b>As of December 31, 2017</b>		
	<b>Policy Count</b>	<b>Account Value<sup>(1)</sup></b>	
		<b>\$</b>	<b>%</b>
Guaranteed Death Benefits: . . . . .	268,892	30,772	
Standard . . . . .	114,846	13,846	44%
Ratchet . . . . .	62,510	5,720	19%
Rollup . . . . .	19,077	1,704	6%
Combo . . . . .	72,459	9,502	31%
Guaranteed Living Benefits: . . . . .	268,892	\$ 30,772	
GMIB . . . . .	71,075	7,541	25%
GMAB/GMWB/GMWBL . . . . .	100,239	14,437	46%
No Living Benefit . . . . .	97,578	8,794	29%

<sup>(1)</sup> Account value excludes \$5.3 billion of Payout, Policy Loan and life insurance business which is included in consolidated account values.

#### *Capital Management Considerations*

The focus of the management of CBVA is on regulatory reserve and capital requirements. As of December 31, 2017, we held an estimated \$3.0 billion of assets available to support the guarantees in the variable annuity block, including assets backing regulatory reserves of \$2.5 billion.

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 our CBVA business. The section below on "Variable Annuity Hedge Program and Reinsurance" describes the Variable Annuity Hedge program, which is designed to mitigate the effect of adverse market movements on our regulatory capital and rating agency capital positions. Additionally, the section on "CBVA 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.

#### *Variable Annuity Hedge Program and Reinsurance*

**Variable Annuity Hedge Program.** We primarily mitigate CBVA market risk exposures through a hedging program referred to as our "Variable Annuity Hedge Program". Market risk arises primarily from the minimum guarantees within the CBVA products, whose economic costs are primarily dependent on future equity market returns, interest rate levels, equity volatility levels and policyholder behavior. The objective of the Variable Annuity Hedge Program is to protect regulatory and rating agency capital from immediate market movements. The hedge program is executed through the purchase and sale of various instruments (described below), and is designed to limit the reserve and rating agency capital increases and certain rebalancing costs resulting from an immediate change in equity markets, interest rates, volatility, credit spread and foreign exchange rates to an amount we believe prudent for a company of our size and scale. The hedge targets may change over time with market movements, changes in regulatory and rating agency capital, available collateral and our risk tolerance. While the Variable Annuity Hedge Program does not explicitly hedge statutory or U.S. 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 U.S. GAAP reserve changes due to market movements.

The types of instruments employed in the execution of our Variable Annuity Hedge Program to mitigate market impacts on policyholder-directed investments are as follows:

- Equity index futures, options and total return swaps are used to mitigate the risk of equity market changes.

- Interest rate swaps and options are used to mitigate the risk of changes in interest rates.
- Credit default swaps and total return swaps are used to mitigate the risk of credit spread changes.
- Variance swaps and equity options are used to mitigate the risk of changes in volatility.

### Hedging instruments

The following table presents notional and fair value for hedging instruments:

	Notional Amount			Fair Value		
	As of December 31, 2017	As of December 31, 2016	As of December 31, 2015	As of December 31, 2017	As of December 31, 2016	As of December 31, 2015
Variable Annuity Hedge Program						
Equity Futures <sup>(1)</sup>	\$ 6,619	\$ 6,632	\$ 6,461	\$ 18	\$ 22	\$ 58
Equity Total Return Swaps	2,278	2,257	2,582	(16)	(9)	(1)
Equity Options <sup>(2)(3)</sup>	4,981	6,194	4,978	30	75	88
Variance Swaps	3	2	—	(9)	(1)	—
Credit Based Instruments	2,656	2,533	1,550	(5)	(7)	(7)
Currency Forwards <sup>(2)</sup>	—	1,031	794	—	16	13
Interest Rate Swaps <sup>(2)(4)</sup>	16,700	12,481	14,022	386	368	394
Interest Rate Options <sup>(2)</sup>	—	12,220	—	—	28	—
Total				\$ 404	\$ 492	\$ 545

<sup>(1)</sup> Fair Value equals last day's cash settlement.

<sup>(2)</sup> Offsetting contracts have not been netted, therefore total notional of all outstanding contracts is shown.

<sup>(3)</sup> Notional amounts include options used to manage volatility of \$713 million, \$759 million and \$1,955 million as of December 31, 2017, 2016, and 2015, respectively.

<sup>(4)</sup> Notional shown is a combination of pay-fix and pay-float contracts.

**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 hedge 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 CBVA. 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.

### CBVA 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 will continue to bear these risks until the closing of the Transaction, or indefinitely, if the Transaction fails to close. 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 affiliate reinsurance, external reinsurance, and experience studies. For more information on the reinsurance arrangements, see the *Reinsurance* Note in our Consolidated Financial Statements in Part II, Item 8, in this Annual Report on Form 10-K.

**Market Risk Related to Equity Market Price and Interest Rates.** Our variable products are significantly influenced by 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.

Our CBVA business is also subject to interest rate risk, 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 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 our guaranteed benefits are reinsured or covered under our Variable Annuity Hedge Program, 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, and other factors and less on the earnings impact of guarantees, resulting in materially lower or more volatile U.S. GAAP earnings in periods of changing 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 experience, 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 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 CBVA business 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 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. It is possible that future assumption changes could produce reserve changes that could be material. 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.

*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.

*Risks Related to the Transaction.* While the Transaction is expected to close in the second or third quarter of 2018, various factors could cause the closing to be delayed or to not occur at all. The strategic realignment and restructuring actions we are undertaking may not proceed as planned and could lead to disruptions in our business. Further, we may not achieve certain of the benefits that we expect from the Transaction.

In 2014 we entered into an agreement to outsource the actuarial valuation, modeling and hedging functions of our CBVA business to Milliman, Inc. ("Milliman"). Under this agreement, Milliman performs the calculation of financial reporting and risk metrics,

along with the analytics used to determine hedge positions. We will continue to oversee and manage the CBVA business and retain full accountability for assumptions and methodologies, as well as the setting of the hedge objectives and the execution of hedge positions. This agreement allows us to create a more variable cost structure for the CBVA business.

For additional information, see "Part I. Item 1A. Risk Factors-Risks Related to our CBVA Business."

## **Employees**

As of December 31, 2017, we had approximately 6,300 employees, with most working in one of our ten major sites in nine states.

## **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, contract owners and other customers 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. Following is a description of certain legal and regulatory frameworks to which we or our subsidiaries are or may be subject.

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.

### **Insurance Regulation**

Our 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 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 affiliate transactions, the payment of dividends and change of control transactions are discussed in greater detail below.

Our four principal insurance subsidiaries (SLD, VRIAC, VIAC and RLI, and collectively, the "Principal Insurance Subsidiaries") are domiciled in Colorado, Connecticut, Iowa and Minnesota, respectively. 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 Annual Report on Form 10-K for purposes of discussions of U.S. insurance regulatory matters. In addition, we have special purpose life reinsurance captive insurance company subsidiaries domiciled in Missouri that provide reinsurance to our insurance subsidiaries in order to facilitate the financing of statutory reserve requirements associated with the NAIC Model Regulation entitled "Valuation of Life Insurance Policies" (commonly known as "Regulation XXX" or "XXX"), or NAIC Actuarial Guideline 38 (commonly known as "AG38" or "AXXX"), and to fund statutory Stable Value reserves in excess of the economic reserve level. Our special purpose life reinsurance captive insurance company subsidiaries domiciled in Missouri are collectively referred to as "captive reinsurance subsidiaries" in this Annual Report on Form 10-K. For more information on our use of captive reinsurance structures, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Facilities and Subsidiary Credit Support Arrangements". We also have captive reinsurance subsidiaries domiciled in Arizona that primarily provide reinsurance to our insurance subsidiaries. Our captive reinsurance subsidiaries domiciled in Arizona are referred to as "our Arizona captives" in this Annual Report on Form 10-K.

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 ("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 U.S. GAAP are usually different from those reflected in financial statements prepared under SAP.

The insurance laws and regulations of the State of Missouri, which govern our captive reinsurance subsidiaries, require such entities to file financial statements with the Missouri Insurance Department, including statutory financial statements. The insurance laws and regulations of the State of Arizona, which govern our Arizona captives, require those entities to file financial statements with the Arizona Department of Insurance ("ADOI") and permit the filing of such financial statements on either a statutory basis or a U.S. GAAP basis. The ADOI has agreed to permit our Arizona captives to prepare their financial statements on a U.S. GAAP basis, modified for certain prescribed practices outlined in the Arizona insurance statutes. In addition, our Arizona captives obtained approval from the ADOI for certain permitted practices, including, for SLDI, taking reinsurance credit for certain ceded reserves where the trust assets backing the liabilities are held by one of our wholly owned insurance companies. SLDI has recorded a receivable for these assets held in trust by its affiliate. Additionally, RRII obtained approval from the ADOI to present the U.S. GAAP deferred liability resulting from its assumption of business from a Principal Insurance Subsidiary net of related federal income taxes, as a separate component of shareholder's equity.

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 captive reinsurance subsidiaries and our Arizona captives are subject to periodic financial examinations by their respective domiciliary state insurance regulators.

### ***Captive Reinsurer Regulation***

State insurance regulators, the NAIC and other regulatory bodies are also investigating the use of affiliated captive reinsurers and offshore entities to reinsure insurance risks, and the NAIC has made recent advances in captives reform.

In 2014, the NAIC considered a proposal to require states to apply NAIC accreditation standards, applicable to traditional insurers, to captive reinsurers. In 2015, the NAIC adopted such a proposal, in the form of a revised preamble to the NAIC accreditation standards (the "Standard"), with an effective date of January 1, 2016 for application of the Standard to captives that assume XXX or AXXX business. Under the Standard, a state will be deemed in compliance as it relates to XXX or AXXX captives if the applicable reinsurance transaction satisfies the NAIC's Actuarial Guideline 48 ("AG48"), which limits the type of assets that may be used as collateral to cover the XXX and AG38 statutory reserves. In addition, the Standard applies prospectively, so that XXX or AXXX captives will not be subject to the Standard if reinsured policies were issued prior to January 1, 2015 and ceded so that they were part of a reinsurance arrangement as of December 31, 2014. The NAIC left for future action application of the Standard to captives that assume variable annuity business. As drafted, it appears that the Standard would apply to our Arizona captives.

At various times in the past several years, the NAIC has indicated that it might pursue changes to the current reserve and capital framework that applies to insurers, including several of our Insurance Subsidiaries, who write or reinsure variable annuity ("VA") policies. Since 2015, the NAIC's Variable Annuity Issues Working Group ("VAIWG") has been considering general proposals for VA reserve and capital reform that would create more uniformity in VA reserving practices and reduce incentives for the use of captive reinsurance arrangements for VA business. These proposals, if adopted, could change the reserves and capital we are required to hold with respect to VA business, particularly in our CBVA business.

During 2016, VAIWG engaged Oliver Wyman ("OW") to conduct an initial quantitative impact ("QIS1") study involving industry participants, including Voya Financial, of possible revisions to the current VA reserve and capital framework. In late 2016, OW provided the VAIWG a QIS1 report that included preliminary findings and recommended a second quantitative impact study be conducted so that testing can inform the proper calibration for certain conceptual and/or preliminary parameters set out in the QIS1 report. The second quantitative impact study ("QIS2") began in February 2017 and OW provided the VAIWG a QIS 2 report in late 2017. The NAIC deliberations on QIS2 results and proposed VA reserve and capital reforms began during the fourth quarter of 2017. It is unlikely that any changes adopted by the NAIC would be effective prior to 2019, although timing remains uncertain. The outcome of QIS2, and the parameters of any VA reserve and capital reform to be proposed by OW or adopted by the VAIWG, is uncertain at this time. Certain proposals under consideration as part of QIS2, if adopted as a component of any final VA reserve and capital reform, could negatively impact VA reserve and capital calculations for our CBVA business and potentially result in increased collateral requirements at RRII, our Arizona captive that reinsures CBVA living benefit guarantees. It is possible that any negative impacts to statutory reserves or rating agency capital requirements as a result of VA reserve and capital reform could be material to our capital position. If we are required to increase reserves or collateral, we believe it is likely that such increases would be subject to a multiyear grade-in period. At the present time, we cannot predict what, if any, of these proposals may become part of any VA framework reform proposal or what impact any final VAIWG VA framework reform would have on our CBVA reserves, capital or captive collateralization requirements. See "Item 1A. Risk Factors—Risks Related to Regulation—Our insurance businesses are heavily regulated, and changes in regulation in the United States, enforcement actions and regulatory investigations may reduce profitability".

### ***Insurance Holding Company Regulation***

Voya Financial, 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 captive reinsurance subsidiaries and our Arizona captives 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.

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 captive reinsurance subsidiaries provide that any change of control requires the approval of such company's domiciliary state insurance regulator. For our Arizona captives, a change of control requires the approval of the ADOI. Although our captive reinsurance subsidiaries and our Arizona captives are not subject to insurance holding company laws, their domiciliary state insurance regulators may use all or a part of the holding company law framework described above in determining whether to approve a proposed change of control.

*NAIC Amendments.* In 2010, the NAIC adopted significant changes to the insurance holding company model act and regulations (the "NAIC Amendments"). The NAIC Amendments include 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. The NAIC Amendments also include a provision requiring a controlling person to submit prior notice to its domiciliary insurance

regulator of a divestiture of control. Each of the states of domicile for our insurance subsidiaries has adopted its version of the NAIC Amendments.

In addition, the NAIC has proposed a "Solvency Modernization Initiative" which focuses on: (1) capital requirements; (2) corporate governance and risk management; (3) group supervision; (4) statutory accounting and financial reporting; and (5) reinsurance. This initiative has resulted in the adoption by the NAIC in September 2012 of the Risk Management and Own Risk and Solvency Assessment Model Act ("ORSA"), which has been enacted by our insurance subsidiaries' domiciliary states. ORSA requires that insurers maintain a risk management framework and conduct an internal own risk and solvency assessment of the insurer's material risks in normal and stressed environments. The assessment must be documented in a confidential annual summary report, a copy of which must be made available to regulators as required or upon request. In accordance with statutory requirements, Voya Financial has prepared and submitted ORSA summary reports since 2015. This initiative also resulted in the adoption by the NAIC in August 2014 of the Corporate Governance Annual Filing Model Act, which requires insurers to make an annual confidential filing regarding their corporate governance policies. This new model has been enacted by several of our insurance subsidiaries' domiciliary regulators and Voya submitted its first filing in 2016.

*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. In addition, under the insurance laws applicable to our insurance subsidiaries domiciled in the states of Connecticut, Iowa and Minnesota, 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 (the "positive earned surplus requirement"). Finally, under applicable domiciliary insurance regulations, each of our Principal Insurance Subsidiaries must deduct any distributions or dividends paid in the preceding twelve months in calculating dividend capacity.

For a summary of ordinary dividends and extraordinary distributions paid by each of our Principal Insurance Subsidiaries to Voya Financial or Voya Holdings in 2016 and 2017, and a discussion of ordinary dividend capacity for 2017, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Restrictions on Dividends and Returns of Capital from Subsidiaries". Our Principal Insurance Subsidiaries domiciled in Colorado, Connecticut and Iowa each have ordinary dividend capacity for 2018. However, as a result of the extraordinary dividends it paid in 2015 and 2016, together with statutory losses incurred in connection with the recapture and cession to one of our Arizona captives of certain term life business in the fourth quarter of 2016, our Principal Insurance Subsidiary domiciled in Minnesota currently has negative earned surplus and therefore does not have capacity at this time to make ordinary dividend payments to Voya Holdings and cannot make an extraordinary dividend payment without domiciliary insurance regulatory approval which can be granted or withheld in the discretion of the regulator.

If any of our Principal Insurance Subsidiaries subject to the positive earned surplus requirement do not succeed in building up sufficient positive earned surplus to have ordinary dividend capacity in future years, such subsidiary would be unable to pay dividends or distributions to our holding companies absent prior approval of our domiciliary insurance regulators, which can be granted or withheld in the discretion of the regulator. In addition, if our Principal Insurance Subsidiaries generate capital in excess of our target combined estimated RBC ratio of 425% and our individual insurance company ordinary dividend limits in future years, then we may also seek extraordinary dividends or distributions. There can be no assurance that our Principal Insurance Subsidiaries will receive approval for extraordinary distribution payments in the future.

Our captive reinsurance subsidiaries 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 license orders. Likewise, our Arizona captives may not declare or pay dividends in any form to us other than in accordance with their annual capital and dividend plans as approved by the ADOI which include minimum capital requirements. 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.

## ***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.* In recent years the NAIC has undertaken a process to redefine 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 was the adoption of the new Valuation Manual ("VM"), which defines PBR for life insurance policies. The full NAIC membership adopted the new VM in December 2012. The model law that enables the new VM became effective January 1, 2017 after its adoption by the requisite number of jurisdictions that make up the NAIC. The PBR approach for life insurance policies has a three year phase in period. At our discretion, PBR may be applied to new life business beginning as early as January 1, 2017, and must be applied for all new life business issued on or after January 1, 2020. Our life insurance subsidiaries may select different implementation dates for different products. The PBR approach for life policies will not apply to policies in force prior to January 1, 2017. We are currently assessing the impact of, and appropriate implementation plan for, the PBR approach for life policies. Its provisions may require us to make changes to certain of our life insurance policies. For the life product types currently available for sale, PBR may add some volatility to our financial results but we anticipate that this will be minimal.

*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 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, 2017, the RBC of each of our insurance subsidiaries exceeded statutory minimum RBC levels that would require any regulatory or corrective action.

The NAIC is currently working with the American Academy of Actuaries as they consider possible updates to the asset factors that are used to calculate the RBC requirements for investment portfolio assets. The NAIC review may lead to an expansion in the number of NAIC asset class categories for factor-based RBC requirements and the adoption of new factors, which could increase capital requirements on some securities and decrease capital requirements on others. We cannot predict what, if any, changes may result from this review or their potential impact on the RBC ratios of our insurance subsidiaries that are subject to RBC requirements. We will continue to monitor developments in this area.

*IRIS Tests.* The NAIC has developed a set of financial relationships or tests known as the Insurance Regulatory Information System ("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.

Management does not anticipate regulatory action as a result of the 2017 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.

### ***Marketing and Sales***

State insurance regulators have become 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. Many states have already taken action to adopt provisions based on the SAT.

### ***Cybersecurity Regulatory Activity***

The NAIC, numerous state and federal regulatory bodies and self-regulatory organizations like FINRA are focused on cybersecurity standards both for the financial services industry and for all companies that collect personal information, and have proposed legislation, regulations, and issued guidance regarding cybersecurity standards and protocols. For example, in February 2017, the New York Department of Financial Services ("NYDFS") issued final Cybersecurity Requirements for Financial Services Companies that will require banks, insurance companies, and other financial services institutions regulated by the NYDFS, including us, to establish and maintain a cybersecurity program "designed to protect consumers and ensure the safety and soundness of New York State's financial services industry". The regulation became effective on March 1, 2017 and has transition periods ranging up to two years from that date. We continue to evaluate this regulation and its potential impact on our operations, but depending on its implementation, we and other financial services companies may be required to incur significant expense in order to meet its requirements. During 2018, we expect cybersecurity risk management, prioritization and reporting to continue to be an area of significant focus by governments, regulatory bodies and self-regulatory organizations at all levels.

### ***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 of 1933, as amended (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 of 1940, as amended (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 Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") established the Federal Stability Oversight Council ("FSOC"), which is authorized to designate non-bank financial companies as systemically significant and accordingly subject such companies to regulation and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve") if the FSOC determines that material financial distress at the company or the scope of the company's activities could pose a threat to the financial stability

of the U.S. See "—Financial Reform Legislation and Initiatives—Dodd-Frank Wall Street Reform and Consumer Protection Act" below.

The Dodd-Frank Act also established FIO within the United States Department of the Treasury ("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 as a non-bank financial entity supervised by the Federal Reserve and representing the U.S. in the negotiation of international insurance agreements with foreign insurance regulators. The Dodd-Frank Act also required the director of FIO to conduct a study on how to modernize and improve the system of insurance regulation in the United States and that report was issued in December 2013. FIO has an ongoing charge to monitor all aspects of the insurance industry and state insurance regulatory developments, including those called for in its modernization report and present options for federal involvement if deemed necessary. There is substantial uncertainty as to whether aspects of the Dodd-Frank Act or regulatory bodies established thereunder will be impacted by regulatory or legislative changes made by the Trump administration or Congress.

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 life insurance companies and their products and the USA PATRIOT Act of 2001 (the "Patriot Act") requiring, among other things, the establishment of anti-money laundering monitoring programs.

While too early to meaningfully assess the prospects of specific federal measures, and their application to us, the interplay between the federal legislative agenda advanced by Congressional Republicans and that of the Trump administration may significantly affect the insurance business, including measures that would change the tax treatment of insurance products relative to other financial products, simplify tax-advantaged or tax-exempt savings and retirement vehicles, restructure the corporate income tax provisions, or modify or eliminate the estate tax.

#### **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 the Employment Retirement Income Security Act ("ERISA")), insurance and other laws and regulations. The SEC, the Financial Industry Regulatory Authority ("FINRA"), the U.S. Commodities Futures Trading Commission ("CFTC"), state securities commissions, state banking and insurance departments and the Department of Labor ("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.

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 insurance 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 insurance 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 Securities Exchange Act of 1934, as amended (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 U.S. GAAP.

In addition, distribution of our annuity products registered as securities are affected by federal and state securities laws and laws and regulations applicable to broker-dealers.

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 of 1940, as amended (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 U.S. Internal Revenue Service ("IRS") and the U.S. Pension Benefit Guaranty Corporation ("PBGC").

In April 2016, the DOL issued a final rule that broadened the definition of "fiduciary" for purposes of ERISA and the Internal Revenue Code, as it applies to a person or entity providing investment advice with respect to ERISA plans or IRAs. The rule expanded the circumstances in which providers of investment advice to ERISA plan sponsors and plan participants, and IRA investors are deemed to act in a fiduciary capacity. The rule requires such providers to act in their clients' "best interests", not influenced by any conflicts of interest, including due to the direct or indirect receipt of compensation that varies based on the fiduciary's investment recommendation. The DOL concurrently adopted a "best interest contract exemption" ("BIC") intended to enable continuation of certain industry practices relating to receipt of commissions and other compensation. This exemption enables us and our distributors to continue many historical practices - subject, among other things, to a heightened best interests standard and a requirement that compensation be "reasonable." Key provisions of the rule became effective on June 9, 2017, while other provisions (including the requirement to enter into a "best interest contract" when relying on the BIC, a provision that would potentially subject advice providers such as us to costly private litigation) have been delayed to July 1, 2019. Under the rule, certain business activities in which we currently engage, such as IRA rollovers and other IRA sales, will become subject to a heightened fiduciary standard. Where Voya Financial, Inc. is deemed to act in a fiduciary capacity, we have either modified our sales and compensation practices or are relying on an applicable exemption.

The SEC has requested public comment on whether it should issue a rule updating and harmonizing the standard of care applicable to providers of investment advice. During the delay of the DOL rule, we anticipate that the SEC and other federal and state regulators will consider whether a more comprehensive, harmonized approach is preferable to the DOL rule. It is too early to predict the outcome of any such process.

In addition, the rule may make it easier for the DOL in enforcement actions, and for plaintiffs' attorneys in litigation, to attempt to extend fiduciary status to, or to claim fiduciary or contractual breach by, advisors who would not be deemed fiduciaries under current regulations. Compliance with the proposed rule could also increase our overall operational costs for providing some of the services we currently provide.

### **Trust Activities Regulation**

Voya Institutional Trust Company ("VITC"), our wholly owned subsidiary, was formed in 2014 as a trust bank chartered by the Connecticut Department of Banking and is subject to regulation, supervision and examination by the Connecticut Department of Banking. VITC is not permitted to, and does not, accept deposits (other than incidental to its trust and custodial activities). VITC's activities are primarily to serve as trustee or custodian for retirement plans or IRAs.

Voya Investment Trust Co., our wholly owned subsidiary, is a limited purpose trust company chartered with the Connecticut Department of Banking. Voya Investment Trust Co. is not permitted to, and does not, accept deposits (other than incidental to its trust activities). Voya Investment Trust Co.'s activities are primarily to serve as trustee for and manage various collective and common trust funds. Voya 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 Voya Investment Trust Co. are generally subject to ERISA.

### **Financial Reform Legislation and Initiatives**

#### ***Dodd-Frank Wall Street Reform and Consumer Protection Act***

The Dodd-Frank Act, enacted in 2010, effects comprehensive changes to the regulation of financial services in the United States. The Dodd-Frank Act directs government agencies and bodies to perform studies and promulgate regulations implementing the law, a process that has substantially advanced but is not yet complete. While some studies have already been completed and the rule-making process is well underway, there continues to be uncertainty regarding the results of ongoing studies and the ultimate requirements of the remaining regulations yet to be 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 contains numerous provisions, some of which may have an impact on us. These include:

- The Dodd-Frank Act creates a framework for regulating over-the-counter ("OTC") derivatives which has transformed derivatives markets and trading in significant ways. Under the new regulatory regime and subject to certain exceptions, certain standardized OTC interest rate and credit derivatives must now be cleared through a centralized clearinghouse and executed on a centralized exchange or execution facility, and the CFTC and the SEC may designate additional types of OTC derivatives for mandatory clearing and trade execution requirements in the future. In addition to mandatory central clearing of certain derivatives products, non-centrally cleared OTC derivatives which have been excluded from the clearing mandate and which are used by market participants like us are now subject to additional regulatory reporting and margin requirements. Specifically, both the CFTC and federal banking regulators issued final rules in 2015, which became effective in 2017, establishing minimum margin requirements for OTC derivatives traded by either (non-bank) swap dealers or banks which qualify as swaps entities. Nearly all of the counterparties we trade with are either swap dealers or swap entities subject to these rules. Both the CFTC and prudential regulator margin rules require mandatory exchange of variation margin for most OTC derivatives transacted by us and will require exchange of initial margin commencing in 2020. As a result of the transition to central clearing and the new margin requirements for OTC derivatives, we will be required to hold more cash and highly liquid securities resulting in lower yields in order to satisfy the projected increase in margin required. In addition, increased capital charges imposed by regulators on non-cash collateral held by bank counterparties and central clearinghouses is expected to result in higher hedging costs, causing a reduction in income from investments. We are also observing an increasing reluctance from counterparties to accept certain non-cash collateral from us due to higher capital or operational costs associated with such asset classes that we typically hold in abundance. These developments present potentially significant business, liquidity and operational risk for us which could materially and adversely impact both the cost and our ability to effectively hedge various risks, including equity, interest rate, currency and duration risks within many of our insurance and annuity products and investment portfolios. In addition, inconsistencies between U.S. rules and regulations and parallel regimes in other jurisdictions, such as the EU, may further increase costs of hedging or inhibit our ability to access market liquidity in those other jurisdictions.
- 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 all remaining 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. Additionally, there is substantial uncertainty as to whether aspects of the Dodd-Frank Act or regulatory bodies established thereunder will be impacted by regulatory or legislative changes made by the Trump administration or Congress.

## **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.

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 all companies generally, and financial institutions, including insurance companies in particular, to protect the security and confidentiality of personal information and to notify consumers about their policies and practices relating to their collection, use, and disclosure of consumer information and the protection of the security and

confidentiality of that information. The collection, use, disclosure and security of protected health information is also governed by federal and state laws. Federal and state laws also 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. Numerous state regulatory bodies are focused on privacy requirements for all companies that collect personal information and have proposed legislation and regulations regarding privacy standards and protocols.

### ***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***

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, which was subsequently amended by the Health Care and Education Reconciliation Act of 2010 (together, the "Health Care Act"). The Health Care Act regulates coverage that must be provided under employer-sponsored health care plans, which in turn affects the coverage we provide on our Excess Risk Insurance products. There is significant uncertainty surrounding the current administration's efforts to repeal and replace the Health Care Act. Future changes to, or de-funding of, the Health Care Act could result in increased insurance regulatory activity at the state level, which could negatively affect our Employee Benefits segment.

## **AVAILABLE INFORMATION**

We file periodic and current reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be obtained through the SEC's website ([www.sec.gov](http://www.sec.gov)) or by visiting the Public Reference Room of the SEC at 100 F Street, N.E., Washington D.C. 20549 or calling the SEC at 1-800-SEC-0330.

You may also access our press releases, financial information and reports filed with the SEC (for example, our Annual Report on Form 10-K, our Proxy Statement, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those Forms) online at [investors.voya.com](http://investors.voya.com). Copies of any documents on our website are available without charge, and reports filed with or furnished to the SEC will be available as soon as reasonably practicable after they are filed with or furnished to the SEC. The information found on our website is not part of this or any other report filed with or furnished to the SEC.

### **Item 1A. Risk Factors**

We face a variety of risks that are substantial and inherent in our business, including market, liquidity, credit, operational, legal, regulatory and reputational risks. The following are some of the more important factors that could affect our business.

## **Risks Related to Our Business—General**

***We may not complete the CBVA and Annuity Transaction on the terms or timing currently contemplated, or at all, and the Transaction could have negative impacts on us.***

As further described under "Item 1—Business—Organizational History and Structure—CBVA and Annuity Transaction", on December 20, 2017, we entered into the Transaction with VA Capital and Athene, pursuant to which VA Capital's wholly owned subsidiary, Venerable, will acquire certain of our assets, including all of the shares of the capital stock of VIAC, our Iowa-domiciled insurance subsidiary, and all of the membership interest of DSL, a broker-dealer subsidiary, and which will result in the disposition of substantially all of the Company's variable annuity and fixed and fixed indexed annuity businesses and related assets.

While the Transaction is expected to close in the second or third quarters of 2018, the consummation of the closing under the MTA is subject to conditions specified in the MTA, including the receipt of required regulatory approvals, and conditions that could allow us or VA Capital not to close if the amount of capital we or they would be required to fund in connection with the closing of the Transaction would exceed certain thresholds.

Unanticipated developments could also delay, prevent or otherwise adversely affect the currently proposed closing, including possible problems or delays in obtaining various state insurance or other regulatory approvals, and disruptions in the capital and financial markets. Therefore, the Company cannot provide any assurance that this transaction will occur on the terms described herein or at all.

The purchase price in the Transaction is equal to the difference between the Required Adjusted Book Value (as defined in the MTA) and the Statutory capital in VIAC at closing. The Required Adjusted Book Value is based on, subject to certain adjustments, the CTE95 standard which is a statistical tail risk measure under the S&P model which follows the Risk Based capital C-3 Phase II guidelines as stipulated by the NAIC.

The MTA contains limits on the amount of additional capital we could be required to contribute to meet any increases in the Required Adjusted Book Value and on the amount of capital in excess of such amount that VA Capital could be required to compensate us for if such excess capital were to become trapped in VIAC prior to Transaction closing, in each case subject to certain termination rights.

In order to position ourselves for the proposed closing, we are actively pursuing strategic, structural and process realignment and restructuring actions within our former CBVA and Annuities segments. These actions could lead to disruptions of our operations, loss of, or inability to recruit, key personnel needed to operate our businesses and complete the Transaction, weakening of our internal standards, controls or procedures, and impairment of our relationship with key customers and counterparties. We have and will continue to incur significant expenses in connection with the Transaction, whether or not it closes.

In addition, we may face difficulties attracting or retaining third-party affiliate relationships through which we distribute our products and services. As a result of the Transaction, we have seen a reduction in our distributor network for annuities products. Additional distributors may in the future elect to suspend, alter, reduce or terminate, their distribution relationships with us for various reasons, including uncertainty related to the Transaction, changes in our distribution strategy, potential adverse developments in our business, potential adverse rating agency actions or concerns about market-related risks.

We may also not achieve certain of the benefits that we expect in connection with the Transaction, including expected revenues from the appointment of Voya IM or its affiliated advisors as the preferred asset management partner for Venerable, and the achievement of projected targets at our remaining businesses despite our additional focus on those businesses. In addition, completion of the Transaction will require significant amounts of our management's time and effort which may divert management's attention from operating and growing our remaining businesses and could adversely affect our results of operations and financial condition.

***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. Subdued growth rates globally and the uncertain consequences of evolving monetary policies among the world's large central banks could create economic disruption, decrease asset prices, increase market volatility and potentially affect the availability and cost of credit.

Although we carry out business almost exclusively in the United States, we are affected by both domestic and international macroeconomic developments. Domestically, the U.S. has experienced a modest increase in economic growth. With the domestic economy approaching full employment, the Federal Reserve has continued its unwind of extraordinary monetary accommodation implemented in the wake of the 2008-2009 recession. In the short to medium term, the Federal Reserve has indicated that it will seek to balance the pace of its policy unwind to achieve its dual mandate of low and stable inflation and full employment. After an extended period of extraordinary accommodation and the resulting low financial market volatility, an unprecedented unwind could result in increased pricing fluctuations for financial securities, including those in which we invest. In the longer term, persistent government budget deficits and unchecked entitlement spending could raise concerns about debt sustainability and weaken economic growth potential.

Internationally, the global economy is currently experiencing an upturn in economic growth after an extended period of below normal growth. The unwind of continued extraordinary monetary accommodation in the U.S. and the beginning of the reduction of monetary support in the European Union could result in increased volatility in interest rates, currencies, and trade flows. The ongoing economic transition in China from a capital intensive, export-focused economy to a more balanced economy driven by the domestic consumer continues to raise concerns about rising domestic debt levels and the stability of asset credit markets, which could have global consequences.

In recent times, political events have increasingly threatened the cohesiveness of the European Union, and are likely to result in the cessation or rollback of the political and economic integration of Europe that has occurred over the past several decades. In particular, the results of the "Brexit" referendum held by the United Kingdom in 2016 and the U.K. government's declared intention to withdraw from the EU could have substantial adverse consequences for the U.K. and European economies. The financial and political turmoil in Europe continues to be a long-term threat to global capital markets and remains a challenge to global financial stability.

More generally, the international system has in recent years faced heightened geopolitical risk, most notably in Eastern Europe and the Middle East, but also in Africa and Southeast Asia, and events in any one of these regions could give rise to an increase in market volatility or a decrease in global economic output.

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 persistency of these products to vary from their anticipated persistency (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 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 make 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, 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 results of operations and realized and unrealized gains and losses on our investment and derivative portfolio may impact our tax profile, our ability to optimally utilize tax attributes and our deferred income tax assets. See "Our ability to use beneficial U.S. tax attributes is subject to limitations."
- 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. Regulatory changes implemented to address systemic risk could also cause market participants to curtail their participation in certain market activities, which could decrease market liquidity and increase trading and other costs.
- 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.

To the extent that any of the foregoing risks were to emerge in a manner that adversely affected general economic conditions, financial markets, or the markets for our products and services, our financial condition, liquidity, and results of operations could be materially adversely affected.

***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, to carry out any share repurchases that we may undertake, to maintain our securities lending activities, to collateralize certain obligations with respect to our indebtedness, and to 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, 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 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, (2) reduce, cancel or postpone interest payments on our debt or reduce or eliminate dividends paid on our capital stock, (3) issue capital of different types or under different terms than we would otherwise or (4) incur a higher cost of capital than would prevail 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 low interest rate environment or a period of rapidly increasing interest rates.***

The Federal Reserve has begun the process of normalizing short-term interest rates. However, interest rates remain below historic averages. Supportive monetary policy continues in developed markets globally, but the extent of accommodation has likely peaked. The unwind of extraordinary monetary accommodation by global central banks may lead to increased interest rate volatility.

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 tandem 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. 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 or prolonged low interest rates or a prolonged period of low interest rates may also coincide with a change to our long-term view of the interest rates. Such a change in our view would cause us to change the long-term interest rate assumptions in our calculation of insurance assets and liabilities under U.S. GAAP. Any future revision would result in increased reserves, accelerated amortization of DAC and other unfavorable consequences, which would be incremental to those consequences recorded in connection with the most recent revision. 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 low interest rate environment would negatively affect our financial performance.

Conversely, in periods of rapidly increasing interest rates, policy loans, withdrawals from, and/or surrenders of, life insurance and annuity contracts and certain 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 lower 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 increased collateral posting requirements associated with our interest rate hedge programs and Federal Home Loan Bank funding agreements, 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 expense and reduce our results of operations.

Lastly, certain statutory reserve requirements are based on formulas or models that consider forward interest rates and an increase in forward interest rates may increase the statutory reserves we are required to hold thereby reducing statutory capital. 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.

***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 a description of material rating actions that have occurred from the end of 2015 through the date of this Annual Report on Form 10-K, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Ratings."

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 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 U.S. 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.

In December 2017, ratings agencies downgraded the credit and financial strength ratings of VIAC, our Iowa-domiciled insurance subsidiary, as a result of our entry into the Transaction, pursuant to which we are selling VIAC to a third-party investment vehicle. This downgrade has significantly affected VIAC's distribution relationships and its ability to sell new annuities during the period before the Transaction closes. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Ratings."

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.

Certain of our securities continue to be guaranteed by ING Group. A downgrade of the credit ratings of ING Group could result in downgrades of these securities, as occurred during the second quarter of 2015, when Moody's downgraded these guaranteed securities from A3 to Baa1.

***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, banks, technology companies and start-up financial services providers, both for the ultimate customers for our products and for distribution through independent distribution channels. We compete 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, scale and level of customer service. 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, have greater financial resources, or have higher claims-paying or credit ratings than we do. Furthermore, the preferences of the end consumers for our products and services may shift, including as a result of technological innovations affecting the marketplaces in which we operate. To the extent our competitors are more successful than we are at adopting new technology and adapting to the changing preferences of the marketplace, our competitiveness may decline.

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, acquisitions, partnerships or other 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 or regulatory changes in the United States and similar governmental actions outside of the United States. 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 and financial condition 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 turbulent economic conditions. 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 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, our hedging strategies primarily focus on the protection of regulatory and rating agency capital, rather than U.S. GAAP earnings. As U.S. GAAP accounting differs from the methods used to determine regulatory reserves and rating agency capital requirements, our hedge program tends to create earnings volatility in our U.S. 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, agents, intermediaries, 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 broker-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 comprise 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 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 financial crisis of 2008-09. 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 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.

***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 asset-backed securities, 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 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.

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 shape of 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. In some cases, these interests may be leveraged with third-party debt financing. Any decrease in the value of such investments could negatively affect our revenues and income or subject us to losses.

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 of existing assets, 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 in some cases 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 33.3% of the carrying value of our total cash and invested assets as of December 31, 2017. 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.

***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, 2017, our CMO-B portfolio had \$3 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, inverse interest-only securities and Agency Credit Risk Transfer securities. The CMO-B portfolio is subject to a number of market and behavior risks, including interest rate risk, prepayment risk, and delinquency and default risk associated with Agency mortgage borrowers. 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, 2017, December 31, 2016 and December 31, 2015, approximately 43.2%, 46.4%, and 46.6%, respectively, of the Company's total 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 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 our CMO-B portfolio performed well for a number of years, and particularly well since the financial crisis of 2008-09, 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. A rise in home prices, the

concern over further introduction of or changes to government policies aimed at altering prepayment behavior, and an increased availability of housing-related credit could combine to increase expected or actual prepayment speeds, which would likely lower interest only ("IO") and inverse IO valuations. Under these circumstances, the results of our CMO-B portfolio would likely underperform those of recent periods.

***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, 2017, there were no commercial loans that were 30 days or less past due, and no commercial mortgage loans in process of foreclosure. 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 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 operations are complex and a failure to properly perform services could have an adverse effect on our revenues and income.***

Our operations include, among other things, retirement plan administration, policy administration, portfolio management, investment advice, retail and wholesale brokerage, fund administration, shareholder services, benefits processing and servicing, contract and sales and servicing, 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, regulatory compliance, 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 investment management 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 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, or if certain performance hurdles are not realized.***

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. Adjusted operating revenues for this segment were \$731 million for the year ended December 31, 2017, \$627 million for the year ended December 31, 2016, and \$622 million for the year ended December 31, 2015 and could be adversely affected if these agreements are altered significantly or terminated in the future. 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. Adjusted operating earnings before income taxes for this segment were \$248 million for the year ended December 31, 2017, \$171 million for the year ended December 31, 2016, and \$182 million for the year ended December 31, 2015. In addition, under certain laws, most notably the Investment Company Act and 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.

As investment manager for certain private equity funds that we sponsor, we earn both a fixed management fee and performance-based capital allocations, or "carried interest." Our receipt of carried interest is dependent on the fund exceeding a specified investment return hurdle over the life of the fund. The profitability of our investment management activities with respect to these funds depends to a significant extent on our ability to exceed the hurdle rates and receive carried interest. To the extent that we exceed the investment hurdle during the life of the fund, we may receive or accrue carried interest, which is reported as Net investment income and net realized gains (losses) within our Investment Management segment during the period such fees are first earned. If the investment return of a fund were to subsequently decline so that the cumulative return of a fund falls below its specified investment return hurdle, we may have to reverse previously reported carried interest, which would result in a reduction to Net investment income and net realized gains (losses) during the period in which such reversal becomes due. Consequently, a decline in fund performance could require us to reverse previously reported carried interest, which could create volatility in the results we report in our Investment Management segment, and the adverse effects of any such reversals could be material to our results for the period in which they occur. We experienced such losses in the first and second quarters of 2016, for example. As of December 31, 2017, approximately \$66 million of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds.

***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 and index-crediting features (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, correlations between interest rates and equity funds 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. Changes in the estimated fair value of embedded derivatives guarantees due to nonperformance risk have had a material effect on our results of operations in past periods. 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 in the past and likely would be in the future 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, although currently in active markets with significant observable data, 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, 2017, 4%, 93% and 3% 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 net income.***

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.

When we do not intend to sell a security in an unrealized loss position, potential credit related other-than-temporary impairments ("OTTI") 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 OTTI 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 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 interim or annual period. For example, we recorded OTTI of \$21 million, \$34 million, and \$83 million in net realized capital losses for the years ended December 31, 2017, 2016 and 2015, respectively.

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

We engage in a securities lending program whereby certain 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 securities. For certain transactions, a lending agent may be used and the agent may retain some or all of the collateral deposited by the borrower and transfer the remaining collateral to us. 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.

We also participate in a repurchase agreement program whereby we sell fixed income securities to a third party, primarily major brokerage firms or commercial banks, with a concurrent agreement to repurchase those same securities at a determined future date. During the term of the repurchase agreements, cash or other types of permitted collateral provided to us is sufficient to allow us to fund substantially all of the cost of purchasing replacement assets in the event of counterparty default (i.e., the sold securities

are not returned to us on the scheduled repurchase date). Cash proceeds received by us under the repurchase program are typically invested in fixed income securities but may in certain circumstances be available to us for liquidity or other purposes prior to the scheduled repurchase date. The repurchase of securities or our inability to enter into new repurchase agreements would reduce the amount of such cash collateral available to us. Market conditions on or after the repurchase date may limit our ability to enter into new agreements at a time when we need access to additional cash collateral for investment or liquidity purposes.

For both securities lending and 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 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 repurchase activities over time, the amount of net investment income generated by these activities will also likely decline. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—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, employee benefits 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 such 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, employee benefits 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 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 hedge 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. Although a majority of these products do not provide for a guaranteed minimum credited rate, a portion of this book of business provides a guaranteed annual credited rate (currently up to 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 extended low interest rate environments, we bear exposure to the risk that reserves must be added to fund book value withdrawals and transfers when guaranteed annual credited rates exceed the earned rate on invested assets. 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.

Although we maintain a hedge program and other risk mitigating features to offset these risks, such program and features may not operate as intended or may not be fully effective, and we may remain exposed to such risks.

***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 policy acquisition costs that have been capitalized. 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. VOBA represents outstanding value of in-force business acquired. 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. On an ongoing basis, we test the DAC, DSI and VOBA recorded on our balance sheets to determine if these amounts are recoverable under current assumptions. In addition, we regularly review 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, lapse and annuitization 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 or certain risks related to life insurance policies and annuity contracts to other insurance companies using various forms of reinsurance, including coinsurance, modified coinsurance, funds withheld, monthly renewable term and yearly renewable term. 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 bear the entire liability for 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 statutory reserves.

In addition, if a reinsurer does not have accredited reinsurer status, or if a currently accredited reinsurer loses that status, in any state where we are licensed to do business, we are not entitled to take credit for reinsurance in that state if the reinsurer does not post sufficient qualifying collateral (either qualifying assets in a qualifying trust or qualifying LOCs). In this event, we would be required to establish additional statutory reserves. Similarly, the credit for reinsurance taken by our insurance subsidiaries under reinsurance agreements with affiliated and unaffiliated non-accredited reinsurers is, under certain conditions, dependent upon the non-accredited reinsurer's ability to obtain and provide sufficient qualifying assets in a qualifying trust or qualifying LOCs issued by qualifying lending banks. In order to control expenses associated with LOCs, some of our affiliated reinsurers have 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 statutory reserve credit. Loss of reserve credit by an insurance subsidiary would require it to establish additional statutory 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.

Our reinsurance recoverable balances are periodically assessed for uncollectability and there were no significant allowances for uncollectible reinsurance as of December 31, 2017 and December 31, 2016. 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 operations and financial condition. For additional information regarding our unsecured reinsurance recoverable balances, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk—Market Risk Related to Credit Risk" in Part II of this Annual Report on Form 10-K.

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, in some instances, we will not be able to pass the increased costs onto our customers and our profitability will be negatively impacted. Additionally, such a rate increase could result in our recapturing of the business, which may result in a need to maintain additional reserves, reduce reinsurance receivables and expose us to greater risks. While in recent years, we have faced a number of rate increase actions on in-force business, our management of those actions has not had a material effect on our results of operations or financial condition. However, there can be no assurance that the outcome of future rate increase actions would similarly result in no material effect. In addition, if reinsurers raise the rates that they charge on new business, we may be forced to raise our premiums, 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 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. For additional discussion of possible updates to how the NAIC calculates RBC ratios, see "Item 1. Business— Regulation — Regulation Affecting Voya Financial, Inc.—Financial Regulation—Risk-Based Capital."

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. In addition, as further described below under "Changes in tax laws and interpretations of existing tax law could increase our tax costs, impact the ability of our insurance company subsidiaries to make distributions to Voya Financial, Inc. or make our insurance, annuity and investment product less attractive to customers," the federal tax legislation signed into law on December 22, 2017 ("Tax Reform") has caused us to write down the carrying value of our deferred tax asset as of December 31, 2017, which has, among other effects, result in a lowering of our RBC ratios. In addition, if the NAIC were to update the RBC formula for reduced corporate tax rates, we estimate our combined RBC ratio would be lower by 60 to 70 RBC percentage points. 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, whether or not it results in a failure to meet applicable RBC requirements, may still limit the ability of an insurance subsidiary to make dividends or distributions to us, could result in a loss of customers or new business, and could be a factor in causing ratings agencies to downgrade the insurer's financial strength ratings, each of 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 2017 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 could be required to obtain other forms of equity or debt financing in order to prevent a reduction in our statutory capitalization. We could incur higher operating or tax costs if the cost of these facilities were to significantly increase or if the cost of replacement financing were significantly higher. For more details, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—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"). As of December 31, 2017 and 2016, for our continuing operations, we had \$501 million and \$300 million of non-putable funding agreements in force, respectively, in exchange for eligible collateral in the form of cash, mortgage backed securities, commercial real estate and U.S. Treasury securities. In addition, for our business held for sale, we had \$602 million as of December 31, 2017 and no outstanding balance as of December 31, 2016 related to non-putable funding agreements in force, which we are required to unwind in connection with the Transaction.

Should the FHLBs choose to change their definition of eligible collateral, change the lendable value against such 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 security and confidentiality of our and our customers' personal information, trade secrets and other confidential information (including customer transactional data and personal information about our customers, the employees and customers of our customers, and our own employees). We are also subject to numerous federal and state laws regarding the privacy and security of personal information, which laws vary significantly from jurisdiction to jurisdiction. Many of our employees and contractors and the representatives of our broker-dealer subsidiaries have access to and routinely process personal information in computerized, paper and other forms. We rely on various internal policies, procedures and controls to protect the security and confidentiality of personal and confidential information that is accessible to, or in the possession of, us or our employees, contractors and representatives. It is possible that an employee, contractor or representative could, intentionally or unintentionally, disclose or misappropriate personal information or other confidential information. If we fail to maintain adequate internal controls, including any failure to implement newly-required additional controls, or if our employees, contractors or representatives fail to comply with our policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of personal information or confidential 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, reputation, results of operations and financial condition. For additional risks related to our potential failure to protect confidential information, see "—Interruption or other operational failures in telecommunication, information technology, and other operational systems, including as a result of human error, could harm our business," and "—A failure to maintain the security, integrity, confidentiality or privacy of our telecommunication, information technology or other operational systems, or the sensitive data residing on such systems, could harm our business."

***Interruption or other operational failures in telecommunication, information technology and other operational 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 both our internal transactions and transactions involving our customers, as well as to calculate reserves, value invested assets and complete certain other components of our U.S. GAAP and statutory financial statements. We could experience a degradation, error, disruption or failure of one or more 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 system or application or implementing modifications to an existing system or application. Despite the implementation of security and back-up measures, our information technology systems may remain vulnerable to 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 and third party service providers, including those to whom we outsource certain of our functions. 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.

Central banks in Europe and Japan have pursued negative interest rate policies in the past and, while current conditions in the U.S. have made this less likely, the FOMC has not completely ruled out the possibility that the Federal Reserve would adopt a negative interest rate policy for the United States at some point in the future if circumstances so warranted. Because negative interest rates are largely unprecedented, there is uncertainty as to whether the technology used by financial institutions, including us, could operate correctly in such a scenario. Should negative interest rates emerge, our hardware or software, or the hardware or software used by our contractual counterparties and financial services providers, may not function as expected or at all. In such a case, our financial results and our operations could be adversely affected.

***A failure to maintain the security, integrity, confidentiality or privacy of our telecommunication, information technology and other operational systems, or the sensitive data residing on such systems, could harm our business.***

We are highly dependent on automated telecommunications, information technology and other operational systems to record and process our internal transactions and transactions involving our customers. 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. Businesses in the United States and in other countries have increasingly become the targets of "cyberattacks," "hacking" or similar illegal or unauthorized intrusions into computer systems and networks. Such events are often highly publicized, result in the theft of significant amounts of information and funds from online financial accounts, and cause extensive damage to the reputation of the targeted business, in addition to leading to significant expenses associated with investigation, remediation and customer protection measures. Like others in our industry, we are subject to cyber incidents in the ordinary course of our business. Although we seek to limit our vulnerability to such events through technological and other means, it is not possible to anticipate or prevent all potential forms of cyberattack or to guarantee our ability to fully defend against all such attacks. In addition, due to the sensitive nature of much of the financial and other personal information we maintain, we may be at particular risk for targeting.

We retain personal and confidential information and financial accounts 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 personal information and proprietary business information, and misappropriate funds from online financial accounts. 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. The laws of most states require that individuals be notified if a security breach compromises the security or confidentiality of their personal information. Any attack or other breach of the security of our information technology systems that compromises personal information or that otherwise results in unauthorized disclosure or use of personal information, could damage our reputation in the marketplace, deter purchases of our products, subject us to heightened regulatory scrutiny, sanctions, significant civil and criminal liability or other adverse legal consequences and require us to incur significant technical, legal and other expenses.

Our third party service providers, including third parties to whom we outsource certain of our functions are also subject to the risks outlined above, any one of which could result in our incurring substantial costs and other negative consequences, including a material adverse effect on our business, results of operations and financial condition.

The NAIC, numerous state and federal regulatory bodies and self-regulatory organizations like FINRA are focused on cybersecurity standards both for the financial services industry and for all companies that collect personal information, and have proposed legislation, regulations, and issued guidance regarding cybersecurity standards and protocols. For example, in February 2017, the NYDFS issued final Cybersecurity Requirements for Financial Services Companies that would require banks, insurance companies, and other financial services institutions regulated by the NYDFS, including us, to establish and maintain a cybersecurity program "designed to protect consumers and ensure the safety and soundness of New York State's financial services industry." The regulation became effective on March 1, 2017 and has transition periods ranging up to two years from that date. We continue to evaluate this regulation and its potential impact on our operations, but depending on its implementation, we and other financial services companies may be required to incur significant expense in order to meet its requirements. During 2018, we expect cybersecurity risk management, prioritization and reporting to continue to be an area of significant focus by governments, regulatory bodies and self-regulatory organizations at all levels.

***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 U.S. 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"). 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.

FASB is working on several projects which could result in significant changes in U.S. GAAP, including how we account for our insurance contracts and financial instruments and how our financial statements are presented. The changes to U.S. GAAP 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 reduce the carrying value of our deferred income tax asset or establish an additional valuation allowance against the deferred income tax asset if: (i) there are significant changes to federal tax policy, (ii) our business does not generate sufficient taxable income; (iii) there is a significant decline in the fair market value of our investment portfolio; or (iv) our tax planning strategies are not feasible. Reductions in the carrying value of our deferred income tax asset or increases in the deferred tax valuation allowance could have a material adverse effect on our 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. In 2017, Tax Reform resulted in a reduction of an estimated \$679 million in our net deferred tax asset position as of December 31, 2017, which includes \$146 million associated with assets held for sale, and is reflected in income from continuing operations. This reduction is substantially all due to the reduction in the U.S. federal corporate tax rate from 35% to 21%. This estimate includes the effect of a reduction in our deferred tax liability within AOCI. Exclusive of the AOCI amount, the reduction in our deferred tax asset position is estimated at \$1 billion. In addition, for the year ended December 31, 2017, we had a loss of \$692 million of deferred tax assets related to businesses held for sale in connection with the Transaction.

The final impact to our deferred taxes could be materially adversely affected by future clarifications in, or guidance related to, Tax Reform. In addition, changes in facts, circumstances, tax law, including a further reduction in federal corporate tax rates or the elimination of the dividends received deduction may result in a reduction in the carrying value of our deferred income tax asset or an increase in the valuation allowance. A reduction in the carrying value of our deferred income tax asset or an increase in the valuation allowance could have a material adverse effect on the Company's results of operations and financial condition. Tax Reform also resulted in a reduction in the combined statutory deferred tax asset of our insurance companies, reducing their combined RBC ratio. Future changes or clarifications in tax law could cause further reductions to the statutory deferred tax assets and RBC ratios of our insurance subsidiaries. A reduction in the statutory deferred tax assets or RBC ratios of our insurance subsidiaries could have a material adverse effect on the Company's results of operations and financial condition.

As of December 31, 2017, we have an estimated net deferred tax asset balance of \$781 million. Recognition of this asset has been based on projections of future taxable income and on tax planning related to unrealized gains on investment assets. To the extent that our estimates of future taxable income decrease or if actual future taxable income is less than the projected amounts, the recognition of the deferred tax asset may be reduced. Also, to the extent unrealized gains decrease, the tax benefit may be reduced. Any reduction, including a reduction associated with a decrease in tax rate, 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."

***Our ability to use certain beneficial U.S. tax attributes is 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 by the occurrence of 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 ("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 derived by multiplying the fair market value of the Company immediately before the date of the Section 382 event by the applicable federal long-term tax-exempt rate. Although we experienced a Section 382 event during the quarter ended March 31, 2014, the deferred tax asset, the valuation allowance, and the admitted deferred tax asset did not change as a result of this event. As of December 31, 2017 the Company has net operating losses and capital losses of approximately \$2.8 billion and tax credits of approximately \$190 million subject to the annual Section 382 limitations. As part of our participation in the IRS's Compliance Assurance Process ("CAP"), in December 2014, we entered into an Issue Resolution Agreement ("IA") with the IRS relating to the Internal Revenue Code Section 382 calculation of the annual limitation on the use of certain of the Company's federal tax attributes that will apply as a consequence of the Section 382 event experienced by the Company in March 2014. We do not expect the annual limitation to impact our ability to utilize the losses or credits. However, the matters addressed by the IA may be revisited by the IRS in connection with a tax audit or other examination or inquiry of the Company's tax position. If the IRS were to revisit and successfully challenge the Company's Section 382 calculations, this could impact our ability to obtain tax benefits from existing attributes as well as future losses and deductions.

***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, compliance with regulatory and tax requirements 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 financial crisis of 2008-09 and 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, could 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 and insurance coverage may not be available or may be declined for certain matters. It is possible that our results of operations or cash flows in a particular interim 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 flows 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, 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, results of operations 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 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 U.S. 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.

***If we experience difficulties arising from outsourcing relationships, our ability to conduct business may be compromised, which may have an adverse effect on our business and results of operations.***

As we continue to focus on reducing the expense necessary to support our operations, we have increasingly used outsourcing strategies for a significant portion of our information technology and business functions. If third-party providers experience disruptions or do not perform as anticipated, or we experience problems with a transition, we may experience system failures, disruptions, or other operational difficulties, an inability to meet obligations, including, but not limited to, obligations to policyholders, customers, business partners and distribution partners, increased costs and a loss of business, and such events may have a material adverse effect on our business and results of operations. For other risks associated with our outsourcing of certain functions, see "—Interruption or other operational failures in telecommunication, information technology, and other operational systems, including as a result of human error, could harm our business," and "—A failure to maintain the security, integrity, confidentiality or privacy of our telecommunication, information technology or other operational systems, or the sensitive data residing on such systems, could harm our business."

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

We rely on a combination of contracts and copyright, trademark, patent and trade secret laws to protect our intellectual property. Although we endeavor to protect our rights, third parties may infringe upon or misappropriate our intellectual property. We may have to litigate to enforce and protect our copyrights, trademarks, patents, and trade secrets 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 could have a material adverse effect on our business and our ability to compete.

We may also be subject to claims by third parties for (i) patent, trademark or copyright infringement, (ii) breach of contractual patent, trademark or copyright license 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 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, technology 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. 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 our qualified retirement plans, we will take into consideration the minimum and maximum amounts required by ERISA, the attained funding target percentage of the plan, the variable-rate premiums that may be required by the PBGC, and any funding relief that might be enacted by Congress. These factors could lead to increased PBGC variable-rate premiums and/or increases in plan funding in future years.

***Although our retail variable annuity products with substantial guarantee features are now managed within our CBVA business, we continue to offer variable annuity products and other products with similar features in our other segments.***

In 2009, we decided to cease sales of retail variable annuities with substantial guarantee features and now manage that business within our CBVA business. However, we continue to offer products that have 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 CBVA.

Our Annuities business also offers guaranteed withdrawal benefit provisions on certain indexed annuity products.

To the extent that the foregoing risk-control measures do not sufficiently mitigate the associated risks, and to the extent that we continue to offer variable annuity products and products with similar features in our other segments, the risks described below under "Risks Related to Our CBVA Business" could impact our other segments.

## **Risks Related to Our CBVA Business**

*Although we no longer actively market retail variable annuities with substantial guarantee features, our business, results of operations, financial condition and liquidity will continue to be affected by our CBVA business until it is fully divested.*

Our CBVA business consists of retail variable annuity insurance policies sold primarily from 2001 to early 2010, when the block entered run-off. CBVA represented 11.7% of our total AUM as of December 31, 2017. See "Item 1. Business—CBVA and Annuities Businesses—CBVA." 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, GMIB, GMAB and GMWB. All retail variable annuity products include 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. In some cases, these additional deposits may increase the guarantee available to policyholder. We will continue to bear the risks associated with these policies until the closing of the Transaction, or indefinitely, if the Transaction fails to close.

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 CBVA. The latter may necessitate additional capital contributions into the business and/or adversely impact dividend capacity.

### ***Our CBVA business is subject to market risks.***

Our CBVA business 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 or resulting in net losses. 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. We will continue to bear these risks until the closing of the Transaction, or indefinitely, if the Transaction fails to close.

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. 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, which also might affect the value of the underlying guarantees within these variable annuities.

We hedge some, but not all, of the market risk to which our CBVA business is exposed. To the extent that market conditions develop for which we do not have adequate hedge protection, our results of operations and financial condition could be materially and adversely affected.

### ***The performance of our CBVA business depends on assumptions that may not be accurate.***

Our CBVA business 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 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. It is possible that future assumption changes could produce reserve changes that could be material. 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 bear these risks until the closing of the Transaction, or indefinitely, if the Transaction fails to close.

In particular, we have only minimal experience regarding the long-term implications of policyholder behavior for our GMIB and as a result, future experience could lead to significant changes in our assumptions. Our GMIB contracts, most of which were issued during the period from 2004 to 2006, have a ten-year waiting period before annuitization is available. These contracts first became eligible to annuitize during the period from 2014 through 2016, but contain significant incentives to delay annuitization beyond the first eligibility date. In recent years, we have made several surrender and income enhancement offers to holders of particular

series of GMIB contracts, under which policy holders were offered an incentive to surrender their contract or to annuitize prior to the end of the waiting period, and we have waived the remaining waiting period on these GMIB contracts. As a result, although we have increased experience on policyholder behavior for the first opportunity to annuitize, including from the acceptance rates of the surrender and income enhancement offers, we continue to have only a statistically small sample of experience used to set annuitization rates beyond the maximum rollup period. Therefore, we anticipate that observable experience data will become statistically credible later in this decade, when a large volume of GMIB benefits begin to reach their maximum rollup period over the period from 2019 to 2022.

Similarly, most of our GMWBL contracts were issued during the period from 2006 to 2009, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges. In addition, many of our GMWBL contracts contain significant incentives to delay withdrawal with the GMWBL benefits reaching their maximum rollup over the period from 2016 to 2019. Our experience for GMWBL contracts has recently become more credible, however it is possible that policyholders may choose to withdraw sooner or later than our current best estimate assumes. We expect customer decisions on withdrawal will be influenced by their financial plans and needs as well as by market conditions over time and by the availability and features of competing products.

We also make estimates of expected lapse rates, which represent the probability that a policy will not remain in force from one period to the next, for CBVA contracts. Lapse rates of our variable annuity contracts 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" 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.

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. Relative to our current expectations, actual lapse rates have generally demonstrated a declining trend over the period from 2006 to the present. We analyze actual experience over that entire period, as we believe that over the duration of the variable annuity policies we may experience the full range of policyholder behavior and market conditions. However, management's current best estimate of variable annuity policyholder lapse behavior is weighted more heavily toward more recent experience, as the last three years of data have shown a more consistent trend of lapse behavior. We use a combination of actual and industry experience when setting our lapse assumptions.

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, and, as discussed above, future reserve increases in connection with experience updates could be material and adverse to the results of operations or financial condition of the Company.

We make estimates regarding mortality, which refers to the ceasing of life contingent benefit payments due to the death of the annuitant. Mortality also refers to the incidence of death amongst policyholders triggering the payment of Guaranteed Minimum Death Benefits. We use actual experience when setting our mortality assumptions.

We review overall policyholder experience at least annually (including lapse, annuitization and withdrawal), and update these assumptions when deemed necessary based on additional information that becomes available. If policyholder experience is significantly different from that assumed, this could have a significant effect on the Company's reserve levels and related results of operations.

During the third quarter of each year, we conduct our annual review of assumptions, including projection model inputs. For 2017 and 2016, our CBVA assumption changes attributable to policyholder behavior resulted in gains (excluding income taxes) of \$116 million and \$155 million, respectively. For 2015, our CBVA assumption changes attributable to policyholder behavior resulted in a loss (excluding income taxes) of \$43 million. We will continue to monitor the emergence of experience. If adjustments to policyholder behavior assumptions (e.g., lapse, annuitization and withdrawal) are necessary, which is ordinary course for interest-sensitive long-dated liabilities, we anticipate that the financial impact of such a change (either under U.S. GAAP or due to increases or decreases in gross U.S. statutory reserves) will likely be in a range, either up or down, that is generally consistent with the impact experienced in the past three years.

***Our Variable Annuity Hedge Program currently focuses on the protection of regulatory and rating agency capital from market movements and less on the U.S. GAAP earnings impact of this block, which could result in materially lower or more volatile U.S. GAAP earnings or significant U.S. GAAP losses.***

Our Variable Annuity Hedge Program currently focuses on the protection of regulatory and rating agency capital from market movements rather than on the U.S. GAAP earnings impact of this block. U.S. GAAP accounting differs from the methods used to determine regulatory and rating agency capital measures. Therefore, our Variable Annuity Hedge Program tends to create earnings volatility in our U.S. GAAP financial statements, or produce lower U.S. GAAP income, or U.S. 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 Variable Annuity Hedge Program that substantially exceed the benefit we derive from the associated decrease in valuation of the future policy benefits associated with CBVA products on a U.S. GAAP basis, and the impact of declining markets can produce gains in our Variable Annuity Hedge Program that substantially exceed the loss we derive from the associated increase in valuation of the future policy benefits on a U.S. GAAP basis. Changes in other market indicators, including interest rates and volatility, can also create significant U.S. GAAP losses. As a result of the Transaction described in "Item 1—Business—Organizational History and Structure—CBVA and Annuity Transaction", substantially all of our CBVA and Annuities businesses have been reclassified as "Business Held for Sale/Discontinued Operations." Excluding the immaterial portion of the retained business not accounted for in Discontinued Operations, we recorded net gains (losses) related to incurred guaranteed benefits and Variable Annuity Hedge Program, excluding the effect of nonperformance risk, of \$(1,136) million, \$(1,470) million, and \$(1,097) million for the years ended December 31, 2017, 2016, and 2015, respectively. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Company Consolidated."

As stated above, the primary focus of the hedge program is to protect regulatory and rating agency capital from market movements. Hedge ineffectiveness, along with other aspects not directly hedged (including unexpected policyholder experience), may cause losses of regulatory or rating agency capital. Regulatory and rating agency capital requirements may move disproportionately (i.e., they may change by different amounts as market conditions and other factors change), and, therefore, this could also cause our hedge program to not realize its key objective of protecting both regulatory and rating agency capital from market movements.

***Our Variable Annuity Hedge Program may not be effective and may be more costly than anticipated.***

We periodically re-evaluate our Variable Annuity Hedge 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 Variable Annuity Hedge 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 experience, alone or in combination with unfavorable market events, may produce losses or unanticipated cash needs beyond the scope of the risk management strategies employed. The Variable Annuity Hedge Program assumes that hedge positions can be rebalanced during a market shock and that the performance of the derivative contracts reasonably matches the performance of the contract owners' variable fund returns. In addition, our Variable Annuity Hedge 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 Variable Annuity Hedge 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 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.

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 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 "Item 1. Business—Regulation" for further discussion of the impact of regulations on our businesses.

In March 2010, President Obama signed into law the Health Care Act. The Health Care Act regulates coverage that must be provided under employer-sponsored health care plans, which in turn affects the coverage we provide on our Excess Risk Insurance products. There is significant uncertainty surrounding the current administration's efforts to repeal and replace the Health Care Act. Future changes to, or de-funding of, the Health Care Act could result in increased insurance regulatory activity at the state level, which could negatively affect our Employee Benefits segment.

***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 "Item 1. Business—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, the NAIC and other regulatory bodies 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. We currently use captive reinsurance subsidiaries primarily to reinsure term life insurance, universal life insurance with secondary guarantees, and stable value annuity business. We also use our Arizona captives primarily to reinsure life insurance and annuity business from our insurance subsidiaries. Uncertainties associated with continued use of our captive reinsurance subsidiaries and our Arizona captives are primarily related to potential regulatory changes. In 2014, the NAIC considered a proposal to require states to apply NAIC accreditation standards, applicable to traditional insurers, to captive reinsurers. In 2015, the NAIC adopted such a proposal, in the form of a revised preamble to the NAIC accreditation standards (the "Standard"), with an effective date of January 1, 2016 for application of the Standard to captives that assume XXX and AXXX business. Under the Standard, a state will be deemed in compliance as it relates to XXX and AXXX captives if the applicable reinsurance transaction satisfies AG48. In addition, the Standard applies prospectively, so that XXX/AXXX captives will not be subject to the Standard if reinsured policies were issued prior to January 1, 2015 and ceded so that they were part of a reinsurance arrangement as of December 31, 2014. The NAIC left for future action application of the Standard to captives that assume variable annuity business. As drafted, it appears that the Standard would apply to our Arizona captives. During 2015, the NAIC E Committee established the VAIWG to oversee the NAIC's efforts to study and address, as appropriate, regulatory issues resulting in variable annuity captive reinsurance transactions. At various times in the past several years, the NAIC has indicated that it might pursue changes to the current reserve and capital framework that applies to insurers, including several of our Insurance Subsidiaries, who write or reinsure variable annuity ("VA") policies. Since 2015, the NAIC's Variable Annuity Issues Working Group ("VAIWG") has been considering general proposals for VA reserve and capital reform that would create more uniformity in VA reserving practices and reduce incentives for the use of captive reinsurance arrangements for VA business. These proposals, if adopted, could change the reserves and capital we are required to hold with respect to VA business, particularly in our CBVA business.

During 2016, VAIWG engaged Oliver Wyman ("OW") to conduct an initial quantitative impact ("QIS1") study involving industry participants, including Voya Financial, of possible revisions to the current VA reserve and capital framework. In late 2016, OW provided the VAIWG a QIS1 report that included preliminary findings and recommended a second quantitative impact study be conducted so that testing can inform the proper calibration for certain conceptual and/or preliminary parameters set out in the QIS1 report. The second quantitative impact study ("QIS2") began in February 2017 and OW provided the VAIWG a QIS 2 report in late 2017. The NAIC deliberations on QIS2 results and proposed VA reserve and capital reforms began during the fourth quarter of 2017. It is unlikely that any changes adopted by the NAIC would be effective prior to 2019, although timing remains uncertain.

The outcome of QIS2, and the parameters of any VA reserve and capital reform to be proposed by OW or adopted by the VAIWG, is uncertain at this time. Certain proposals under consideration as part of QIS2, if adopted as a component of any final VA reserve and capital reform, could negatively impact VA reserve and capital calculations for our CBVA business and potentially result in increased collateral requirements at RRII, our Arizona captive that reinsures CBVA living benefit guarantees. It is possible that any negative impacts to statutory reserves or rating agency capital requirements as a result of VA reserve and capital reform could be material to our capital position. If we are required to increase reserves or collateral, we believe it is likely that such increases would be subject to a multiyear grade-in period. At the present time, we cannot predict what, if any, of these proposals may become part of any VA framework reform proposal or what impact any final VAIWG VA framework reform would have on CBVA reserves, capital or captive collateralization requirements.

Any regulatory action that limits our ability to achieve desired benefits from the use of or materially increases our cost of using captive reinsurance companies, either retroactively or prospectively, including, if adopted as proposed, without grandfathering provisions for existing captive variable annuity reinsurance entities, the Standard, could have a material adverse effect on our financial condition or results of operations. For more detail see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Statutory Capital and Risk-Based Capital of Principal Insurance Subsidiaries—Captive Reinsurance Subsidiaries."

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's PBR approach for life insurance policies became effective January 1, 2017, and has a three year phase in period. We are currently assessing the impact of, and appropriate implementation plan for, the PBR approach for life policies. The timing and extent of further changes to statutory reserves and reporting requirements are uncertain.

In addition, state insurance regulators have become 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. Many states have taken action to adopt provisions already 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. For a description of certain regulatory inquiries affecting the Company, see the Litigation and Regulatory Matters section of the Commitments and Contingencies Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K. 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, FINRA, the DOL and the IRS.

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.***

The Dodd-Frank Act, enacted in 2010, effects comprehensive changes to the regulation of financial services in the United States. The Dodd-Frank Act directs government agencies and bodies to perform studies and promulgate regulations implementing the law, a process that has substantially advanced but is not yet complete. While some studies have already been completed and the rule-making process is well underway, there continues to be uncertainty regarding the results of ongoing studies and the ultimate requirements of the remaining regulations that have yet to be adopted. We cannot predict with certainty how the Dodd-Frank Act and such regulations will continue to affect the financial markets generally, or impact our business, ratings, results of operations, financial condition or liquidity. The Dodd-Frank Act's potential effects could include:

- The Dodd-Frank Act creates a framework for regulating over-the-counter ("OTC") derivatives which has transformed derivatives markets and trading in significant ways. Under the new regulatory regime and subject to certain exceptions, certain standardized OTC interest rate and credit derivatives must now be cleared through a centralized clearinghouse and executed on a centralized exchange or execution facility, and the CFTC and the SEC may designate additional types of OTC derivatives for mandatory clearing and trade execution requirements in the future. In addition to mandatory central clearing of certain derivatives products, non-centrally cleared OTC derivatives which have been excluded from the clearing mandate and which are used by market participants like us are now subject to additional regulatory reporting and margin requirements. Specifically, both the CFTC and federal banking regulators issued final rules in 2015, which became effective in 2017, establishing minimum margin requirements for OTC derivatives traded by either (non-bank) swap dealers or banks which qualify as swaps entities. Nearly all of the counterparties we trade with are either swap dealers or swap entities subject to these rules. Both the CFTC and prudential regulator margin rules require mandatory exchange of variation margin for most OTC derivatives transacted by us and will require exchange of initial margin commencing in 2020. As a result of the transition to central clearing and the new margin requirements for OTC derivatives, we will be required to hold more cash and highly liquid securities resulting in lower yields in order to satisfy the projected increase in margin required. In addition, increased capital charges imposed by regulators on non-cash collateral held by bank counterparties and central clearinghouses is expected to result in higher hedging costs, causing a reduction in income from investments. We are also observing an increasing reluctance from counterparties to accept certain non-cash collateral from us due to higher capital or operational costs associated with such asset classes that we typically hold in abundance. These developments present potentially significant business, liquidity and operational risk for us which could materially and adversely impact both the cost and our ability to effectively hedge various risks, including equity, interest rate, currency and duration risks within many of our insurance and annuity products and investment portfolios. In addition, inconsistencies between U.S. rules and regulations and parallel regimes in other jurisdictions, such as the EU, may further increase costs of hedging or inhibit our ability to access market liquidity in those other jurisdictions.
- 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.

Although the full impact of the Dodd-Frank Act cannot be determined until all remaining final regulations are adopted, many of the legislation's requirements could 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. Additionally, there is substantial uncertainty as to whether aspects of the Dodd-Frank Act or regulatory bodies established thereunder will be impacted by regulatory or legislative changes made by the Trump administration or Congress.

See "Item 1. Business—Regulation" for further discussion of the impact of the Dodd-Frank Act on our businesses.

***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. Other subsidiaries are registered as broker-dealers under 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. In addition, distribution of our annuity products registered as securities are affected by federal and state securities laws and laws and regulations applicable to broker-dealers.

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

In April 2016, the Department of Labor ("DOL") issued a final rule that broadened the definition of "fiduciary" for purposes of the Employee Retirement Income Security Act ("ERISA") and the Internal Revenue Code, as it applies to a person or entity providing investment advice with respect to ERISA plans or IRAs. The rule expanded the circumstances in which providers of investment advice to ERISA plan sponsors and plan participants, and IRA investors, are deemed to act in a fiduciary capacity. The rule requires such providers to act in their clients' "best interests", not influenced by any conflicts of interest, including due to the direct or indirect receipt of compensation that varies based on the fiduciary's investment recommendation. The DOL concurrently adopted a "best interest contract exemption" ("BIC") intended to enable continuation of certain industry practices relating to receipt of commissions and other compensation. This exemption enables us and our distributors to continue many historical practices - subject, among other things, to a heightened best interests standard and a requirement that compensation be "reasonable". Key provisions of the rule became effective on June 9, 2017, while other provisions (including the requirement to enter into a "best interest contract" when relying on the BIC, a provision that would potentially subject advice providers such as us to costly private litigation) have been delayed to July 1, 2019. Under the rule, certain business activities in which we engage, such as IRA rollovers and other IRA sales, have become subject to a heightened fiduciary standard. Where Voya Financial, Inc. is deemed to act in a fiduciary capacity, we have either modified our sales and compensation practices or are relying on an applicable exemption.

The SEC has requested public comment on whether it should issue a rule updating and harmonizing the standard of care applicable to providers of investment advice. During the delay of the DOL rule, we anticipate that the SEC and other federal and state regulators will consider whether a more comprehensive, harmonized approach is preferable to the DOL rule. It is too early to predict the outcome of any such process.

In addition, the rule may make it easier for the DOL in enforcement actions, and for plaintiffs' attorneys in litigation, to attempt to extend fiduciary status to, or to claim fiduciary or contractual breach by, advisors who would not be deemed fiduciaries under current regulations. Compliance with the proposed rule could also increase our overall operational costs for providing some of the services we currently provide. See Part I, Item 1. Business-Regulation-Employee Retirement Income Security Act Considerations.

***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 AG38, potentially resulting in a negative impact on our capital position.***

Regulation 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 guarantees. In addition, AG38 clarifies the application of Regulation XXX with respect to certain universal life insurance policies with secondary guarantees. While we no longer issue these products, certain of our existing term insurance products and a number of our universal life insurance products are affected by Regulation XXX and AG38, respectively. The application of both Regulation 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.

We have implemented reinsurance and capital management actions to mitigate the capital impact of Regulation 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 and approval by state insurance regulators and review by rating agencies. State insurance regulators, the NAIC and other regulatory bodies are also investigating the use of wholly owned reinsurance captives to reinsure these liabilities and the NAIC has made recent advances in captives reform. During 2014, 2015, and 2016, the NAIC adopted captives proposals applicable to captives that assume Regulation XXX and AG38 reserves. See "Our insurance businesses are heavily regulated, and changes in regulation in the United States, enforcement actions and regulatory investigations may reduce profitability" above and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Statutory Capital and Risk-Based Capital of Principal Insurance Subsidiaries—Captive Reinsurance Subsidiaries." Rating agencies may include a portion of these LOCs or other collateral in their leverage calculations, which could increase their assessment of our leverage ratios and potentially impact our ratings. We cannot provide assurance that our ability to use captive reinsurance companies to achieve the desired benefit from financing statutory reserves will not be limited or 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 these 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.

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 maintain collateral support related to our captive reinsurance subsidiaries or our Arizona captives. If we are unable to continue to maintain collateral support related to our captive reinsurance subsidiaries or our Arizona captives, we may be required to increase statutory reserves or incur higher operating and/or tax costs than we currently anticipate.

***Changes in tax laws and interpretations of existing tax law could increase our tax costs, impact the ability of our insurance company subsidiaries to make distributions to Voya Financial, Inc. or make our insurance, annuity and investment product less attractive to customers.***

In addition to the balance sheet impact, we expect Tax Reform to have other financial and economic impacts on the Company. While the change in the federal corporate tax rate from 35% to 21% is expected to have a beneficial economic impact on the Company, there are a number of changes enacted in Tax Reform that could increase the Company's tax costs, including:

- Changes to the dividends received deduction ("DRD");
- Changes to the capitalization period and rates of DAC for tax purposes;
- Changes to the calculation of life insurance reserves for tax purposes; and
- Changes to the rules on deductibility of executive compensation.

We continue to evaluate the effect of Tax Reform on the Company, and the final impact may be materially more adverse from that discussed herein as a result of, among other things, future clarifications or guidance from the IRS, other agencies, or the courts. Moreover, U.S. states that stand to lose tax revenue as a consequence of Tax Reform may enact measures that increase our tax costs. In addition, there could be other changes in tax law, as well as changes in interpretation and enforcement of existing tax laws that could increase tax costs.

As part of our participation in CAP, we have entered into agreements with the IRS to resolve issues related to: (1) the application of the Section 382 limitation, (2) whether certain derivative transactions qualify for hedge treatment, (3) the proper treatment of valid tax hedge gains and losses and (4) "other than temporary impairment" losses. These agreements may be superseded by future enacted laws, regulations or other guidance that increase our tax costs.

Tax Reform also resulted in a reduction in the combined statutory deferred tax assets of our insurance subsidiaries, reducing their combined RBC ratio. Future changes or clarifications in tax law could cause further reductions to the statutory deferred tax assets and RBC ratios of our insurance subsidiaries. A reduction in the statutory deferred tax assets or RBC ratios 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.

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 customers. In addition, any measures that may be enacted in U.S. states in response to Tax Reform, or otherwise, could make our products less attractive to our customers. Furthermore, as a result of Tax Reform's recent adoption and significant scope, its impact on our products, including their attractiveness relative to competitors, cannot yet be known and may be adverse, perhaps materially.

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

*As holding companies, Voya Financial, Inc. and Voya Holdings depend on the ability of their subsidiaries to transfer funds to them to meet their obligations.*

Voya Financial, Inc. is the holding company for all our operations, and dividends, returns of capital and interest income on intercompany indebtedness from Voya Financial, Inc.'s subsidiaries are the principal sources of funds available to Voya Financial, Inc. to pay principal and interest on its outstanding indebtedness, to pay corporate operating expenses, to pay any stockholder dividends, to repurchase any stock, and to meet its other obligations. The subsidiaries of Voya Financial, Inc. are legally distinct from Voya Financial, Inc. and, except in the case of Voya Holdings Inc., which is the guarantor of certain of our outstanding indebtedness, have no obligation to pay amounts due on the debt of Voya Financial, Inc. or to make funds available to Voya Financial, Inc. for such payments. The ability of our subsidiaries to pay dividends or other distributions to Voya Financial, 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 Voya Financial, 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 Voya Financial, Inc. and Voya Holdings is further limited by state insurance laws, and our insurance subsidiaries may not generate sufficient statutory earnings or have sufficient statutory surplus to enable them to pay ordinary dividends."

Voya Holdings is wholly owned by Voya Financial, Inc. and is also a holding company, and accordingly its ability to make payments under its guarantees of our indebtedness or on the debt for which it is the primary obligor is subject to restrictions and limitations similar to those applicable to Voya Financial, Inc. Neither Voya Financial, Inc., nor Voya Holdings, has significant sources of cash flows 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 Voya Financial, Inc. and Voya 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 results of operations 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 Voya Financial, Inc. and Voya Holdings to pay their obligations.

***The ability of our insurance subsidiaries to pay dividends and other distributions to Voya Financial, Inc. and Voya Holdings Inc. is limited by state insurance laws, and our insurance subsidiaries may not generate sufficient statutory earnings or have sufficient statutory surplus to enable them to pay ordinary dividends.***

The payment of dividends and other distributions to Voya Financial, Inc. and Voya Holdings Inc. by our insurance subsidiaries is regulated by state insurance laws and regulations.

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 Connecticut, 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. Under Colorado insurance law, 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 lesser 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. In addition, under the insurance laws applicable to our insurance subsidiaries domiciled in Connecticut, Iowa and Minnesota, 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 (the "positive earned surplus requirement"). Under applicable domiciliary insurance regulations, our Principal Insurance Subsidiaries must deduct any distributions or dividends paid in the preceding twelve months in calculating dividend capacity. 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. More stringent restrictions on dividend payments may 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 Voya Financial, Inc. or Voya Holdings by our insurance subsidiaries without prior approval by regulatory authorities. We may also choose to change the domicile of one or more of our insurance subsidiaries or captive insurance subsidiaries, in which case we would be subject to the restrictions imposed under the laws of that new domicile, which could be more restrictive than those to which we are currently subject. 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.

For a summary of ordinary dividends and extraordinary distributions paid by each of our Principal Insurance Subsidiaries to Voya Financial or Voya Holdings in 2016 and 2017, and a discussion of ordinary dividend capacity for 2018, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Restrictions on Dividends and Returns of Capital from Subsidiaries." Our Principal Insurance Subsidiaries domiciled in Colorado, Connecticut and Iowa each have ordinary dividend capacity for 2018. However, as a result of the extraordinary dividends it paid in 2015 and 2016, together with statutory losses incurred in connection with the recapture and cession to one of our Arizona captives of certain term life business in the fourth quarter of 2016, our Principal Insurance Subsidiary domiciled in Minnesota currently has negative earned surplus and therefore does not have capacity at this time to make ordinary dividend payments to Voya Holdings and cannot make an extraordinary dividend payment to Voya Holdings Inc. without domiciliary regulatory approval, which can be granted or withheld in the discretion of the regulator.

If any of our Principal Insurance Subsidiaries subject to the positive earned surplus requirement do not succeed in building up sufficient positive earned surplus to have ordinary dividend capacity in future years, such subsidiary would be unable to pay dividends or distributions to our holding companies absent prior approval of its domiciliary insurance regulator, which can be granted or withheld in the discretion of the regulator. In addition, if our Principal Insurance Subsidiaries generate capital in excess of our target combined estimated RBC ratio of 425% and our individual insurance company ordinary dividend limits in future years, then we may also seek extraordinary dividends or distributions. There can be no assurance that our Principal Insurance Subsidiaries will receive approval for extraordinary distribution payments in the future.

The payment of dividends by our captive reinsurance subsidiaries is regulated by their respective governing licensing orders and restrictions in their respective insurance securitization agreements. Generally, our captive reinsurance 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. Likewise, our Arizona captives may not declare or pay dividends in any form to us other than in accordance with their annual capital and dividend plans as approved by the ADOI, which include minimum capital requirements.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

As of December 31, 2017, we owned or leased 67 locations totaling approximately 1.9 million square feet, of which approximately 0.8 million square feet was owned properties and approximately 1.1 million square feet was leased properties throughout the United States.

**Item 3. Legal Proceedings**

See the Litigation and Regulatory Matters section of the *Commitments and Contingencies* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for a description of our material legal proceedings.

**Item 4. Mine Safety Disclosures**

Not Applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### *Issuer Common Equity*

Voya Financial, Inc.'s common stock, par value \$0.01 per share, began trading on the NYSE under the symbol "VOYA" on May 2, 2013.

The following table summarizes high and low sales prices for the common stock on the NYSE for the periods indicated and the dividends declared per share during such periods:

	<b>High</b>	<b>Low</b>	<b>Dividends declared</b>
<b>2017</b>			
1st Quarter .....	\$ 42.93	\$ 36.98	\$ 0.01
2nd Quarter .....	38.03	34.18	0.01
3rd Quarter .....	40.90	36.18	0.01
4th Quarter .....	\$ 52.07	\$ 39.50	\$ 0.01
<b>2016</b>			
1st Quarter .....	\$ 37.02	\$ 25.75	\$ 0.01
2nd Quarter .....	33.74	23.05	0.01
3rd Quarter .....	29.62	22.75	0.01
4th Quarter .....	\$ 41.17	\$ 28.63	\$ 0.01

The declaration and payment of dividends is subject to the discretion of our Board of Directors and depends on Voya Financial, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by Voya Financial, Inc.'s other insurance subsidiaries and other factors deemed relevant by the Board. The payment of dividends is also subject to restrictions under the terms of our junior subordinated debentures in the event we should choose to defer interest payments on those debentures. See *Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources* in Part II, Item 7. of this Annual Report on Form 10-K for further information regarding common stock dividends.

At February 16, 2018, there were three stockholders of record of common stock, which are different from the number of beneficial owners of the Company's common stock.

### Purchases of Equity Securities by the Issuer

The following table summarizes Voya Financial, Inc.'s repurchases of its common stock for the three months ended December 31, 2017:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				<i>(in millions)</i>
October 1, 2017 - October 31, 2017 . . . . .	—	\$ —	—	\$ 1,011
November 1, 2017 - November 30, 2017 . .	—	—	—	1,011
December 1, 2017 - December 31, 2017 . .	7,821,666	51.14	7,821,666	511 <sup>(1)</sup>
<b>Total</b> . . . . .	<u>7,821,666</u>	<u>\$ 51.14</u>	<u>7,821,666</u>	N/A

<sup>(1)</sup> Amount reflects \$500 million share repurchase arrangement entered into on December 26, 2017 with a third-party institution. The transaction included upfront delivery of shares at a per-share repurchase price of \$51.14. This arrangement includes the potential for additional shares to be delivered or returned upon final settlement depending on the daily volume-weighted average price of the Company's stock during the repurchase arrangement period. The repurchase arrangement will terminate on March 26, 2018.

In connection with the vesting of equity-based compensation awards, employees may remit to Voya Financial, Inc., or Voya Financial, Inc. may withhold into treasury stock, shares of common stock in respect of tax withholding obligations associated with such vesting. For the three months ended December 31, 2017, there were 13,893 Treasury share increases in connection with such withholding activities.

Refer to the *Share-based Incentive Compensation Plans* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K and to Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for equity compensation information.

**Item 6. Selected Financial Data**

The following selected financial data has been derived from the Company's Consolidated Financial Statements. The Statement of Operations data for the years ended December 31, 2017, 2016 and 2015 and the Balance Sheet data as of December 31, 2017 and 2016 have been derived from the Company's Consolidated Financial Statements included elsewhere herein. The Statement of Operations data for the years ended December 31, 2014 and 2013 and the Balance Sheet data as of December 31, 2015, 2014 and 2013 have been derived from the Company's audited Consolidated Financial Statements not included herein. Certain prior year amounts have been reclassified to reflect the presentation of discontinued operations and assets and liabilities of businesses held for sale. The selected financial data set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7. of this Annual Report on Form 10-K and the *Financial Statements and Supplementary Data* in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

**Year Ended December 31,**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	(\$ in millions, except per share amounts)				
<b>Statement of Operations Data:</b>					
<b>Revenues</b>					
Net investment income . . . . .	\$ 3,294	\$ 3,354	\$ 3,343	\$ 3,357	\$ 3,488
Fee income . . . . .	2,627	2,471	2,470	2,462	2,429
Premiums . . . . .	2,121	2,795	2,554	2,006	1,877
Net realized capital gains (losses) . . . . .	(227)	(363)	(560)	(105)	(324)
Total revenues . . . . .	8,618	8,788	8,716	8,780	8,420
<b>Benefits and expenses:</b>					
Interest credited and other benefits to contract owners/policyholders . . . . .	4,636	5,314	4,698	4,410	4,038
Operating expenses . . . . .	2,654	2,655	2,684	3,088	2,187
Net amortization of Deferred policy acquisition costs and Value of business acquired . . . . .	529	415	377	240	263
Interest expense . . . . .	184	288	197	190	185
Total benefits and expenses . . . . .	8,090	8,778	8,240	8,145	6,861
<b>Income (loss) from continuing operations before income taxes . . . . .</b>					
	528	10	476	635	1,559
Income tax expense (benefit) . . . . .	740	(29)	84	(1,731)	333
<b>Income (loss) from continuing operations . . . . .</b>	<b>(212)</b>	<b>39</b>	<b>392</b>	<b>2,366</b>	<b>1,226</b>
<b>Income (loss) from discontinued operations, net of tax . . . . .</b>					
	<b>(2,580)</b>	<b>(337)</b>	<b>146</b>	<b>167</b>	<b>(437)</b>
<b>Net income (loss) . . . . .</b>	<b>(2,792)</b>	<b>(298)</b>	<b>538</b>	<b>2,533</b>	<b>789</b>
Less: Net income (loss) attributable to noncontrolling interest . . . . .	200	29	130	238	190
<b>Net income (loss) available to Voya Financial, Inc.'s common shareholders . . . . .</b>	<b>(2,992)</b>	<b>(327)</b>	<b>408</b>	<b>2,295</b>	<b>599</b>
<b>Earnings Per Share<sup>(1)</sup></b>					
<b>Basic . . . . .</b>					
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders . . . . .	\$ (2.24)	\$ 0.05	\$ 1.16	\$ 8.41	\$ 4.14
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders . . . . .	\$ (14.01)	\$ (1.68)	\$ 0.65	\$ 0.66	\$ (1.75)
Income (loss) available to Voya Financial, Inc.'s common shareholders . . . . .	\$ (16.25)	\$ (1.63)	\$ 1.81	\$ 9.07	\$ 2.39
<b>Diluted . . . . .</b>					
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders . . . . .	\$ (2.24)	\$ 0.05	\$ 1.15	\$ 8.34	\$ 4.12
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders . . . . .	\$ (14.01)	\$ (1.66)	\$ 0.65	\$ 0.66	\$ (1.74)
Income (loss) available to Voya Financial, Inc.'s common shareholders . . . . .	\$ (16.25)	\$ (1.61)	\$ 1.80	\$ 9.00	\$ 2.38
<b>Cash dividends declared per common share</b>	<b>\$ 0.04</b>	<b>\$ 0.04</b>	<b>\$ 0.04</b>	<b>\$ 0.04</b>	<b>\$ 0.02</b>

**Year Ended December 31,**

	2017	2016	2015	2014	2013
<b>Balance Sheet Data:</b>	(\$ in millions)				
Total investments . . . . .	\$ 66,087	\$ 63,783	\$ 60,939	\$ 64,170	\$ 62,538
Assets held in separate accounts . . . . .	77,605	66,185	63,159	67,460	64,819
Assets held for sale . . . . .	59,052	62,709	63,887	67,627	68,757
Total assets . . . . .	222,532	214,585	218,574	227,252	221,340
Future policy benefits and contract owner account balances . . . . .	65,805	64,848	63,173	61,542	61,974
Short-term debt . . . . .	337	—	—	—	—
Long-term debt . . . . .	3,123	3,550	3,460	3,487	3,481
Liabilities related to separate accounts . . . . .	77,605	66,185	63,159	67,460	64,819
Liabilities held for sale . . . . .	58,277	59,576	59,695	63,098	65,336
Total Voya Financial, Inc. shareholders' equity, excluding AOCI <sup>(2)</sup> . . . . .	7,278	11,074	12,012	13,042	11,466
Total Voya Financial, Inc. shareholders' equity .	10,009	12,995	13,437	16,146	13,315
<b>Other Supplemental Data (unaudited):</b>					
Ratio of Earnings to Fixed Charges <sup>(3)(4)</sup> . . . . .	1.23	NM	1.19	1.25	1.73

<sup>(1)</sup> For 2013, per share amounts give retroactive effect to the 2,295.248835-for-1 stock split effected on April 11, 2013.

<sup>(2)</sup> Shareholders' equity, excluding AOCI, is derived by subtracting AOCI from Voya Financial, Inc. shareholders' 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 in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K. We provide shareholders' equity, excluding AOCI, because it is a common measure used by insurance analysts and investment professionals in their evaluations.

<sup>(3)</sup> Earnings were insufficient to cover fixed charges at a 1:1 ratio by \$15 million for the year ended December 31, 2016. This ratio is presented as "NM" or not meaningful.

<sup>(4)</sup> Interest and debt issuance costs include interest costs related to variable interest entities of \$80 million, \$102 million, \$272 million, \$210 million and \$181 million for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively. Excluding these costs, as well as the earnings of the variable interest entities, would result in a ratio of earnings to fixed charges of 1.15, NM, 1.20, 1.22 and 1.74 for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively. Excluding these costs, as well as the earnings of the variable interest entities, would result in a ratio of earnings to fixed charges excluding interest credited to contract owner account balances of 2.41, NM, 2.75, 2.94 and 7.83 for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*For the purposes of the discussion in this Annual Report on Form 10-K, the term Voya Financial, Inc. refers to Voya Financial, Inc. and the terms "Company," "we," "our," and "us" refer to Voya Financial, Inc. and its subsidiaries.*

*The following discussion and analysis presents a review of our results of operations for the years ended December 31, 2017, 2016 and 2015 and financial condition as of December 31, 2017 and 2016. This item should be read in its entirety and in conjunction with the Consolidated Financial Statements and related notes contained in Part II, Item 8. of this Annual Report on Form 10-K.*

*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 the "Note Concerning Forward-Looking Statements."*

### **Overview**

#### **Business Held for Sale and Discontinued Operations**

On December 20, 2017, we entered into a Master Transaction Agreement ("MTA") with VA Capital Company LLC ("VA Capital") and Athene Holding Ltd ("Athene"), pursuant to which Venerable Holdings, Inc. ("Venerable"), a wholly owned subsidiary of VA Capital, will acquire two of our subsidiaries, Voya Insurance and Annuity Company ("VIAC") and Directed Services, LLC ("DSL"). This transaction is expected to close during the second or third quarter of 2018 and will result in the disposition of substantially all of our Closed Block Variable Annuity ("CBVA") and Annuities businesses (collectively, the "Transaction"). We have determined that the CBVA and Annuities businesses to be disposed of meet the criteria to be classified as held for sale and that the sale represents a strategic shift that will have a major effect on our operations. Accordingly, the results of operations of the businesses to be sold have been presented as discontinued operations, and the assets and liabilities of the businesses have been classified as held for sale and segregated for all periods presented in this Annual Report on Form 10-K. During the fourth quarter of 2017, we recorded an estimated loss on sale, net of tax, of \$2,423 million to write down the carrying value of the businesses held for sale to estimated fair value, which is based on the estimated sales price in the Transaction, less cost to sell. The estimated loss on sale includes estimated transaction costs of \$31 million that are expected to be incurred through and upon closing of the Transaction as well as the loss of \$692 million of deferred tax assets. The estimated loss on sale is based on assumptions that are subject to change due to fluctuations in market conditions and other variables that may occur prior to the closing date. For additional information on the Transaction and the related estimated loss on sale, see *Trends and Uncertainties* in Part II, Item 7. Of this Annual Report on Form 10-K and the Business Held for Sale and Discontinued Operations Note to our accompanying Consolidated Financial Statements.

Pursuant to the terms of the Transaction, we will retain a small number of CBVA and Annuities policies that are not included in the disposed businesses described above ("Retained Business"). We have evaluated our segment presentation and have determined that, because the Retained Business is insignificant, its results are reported in Corporate.

The following table presents the major components of income and expenses of discontinued operations for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<b>Revenues:</b>			
Net investment income	\$ 1,266	\$ 1,288	\$ 1,217
Fee income	801	889	1,011
Premiums	190	720	470
Total net realized capital gains (losses)	(1,234)	(900)	(173)
Other revenue	19	19	22
Total revenues	<u>1,042</u>	<u>2,016</u>	<u>2,547</u>
<b>Benefits and expenses:</b>			
Interest credited and other benefits to contract owners/policyholders	978	2,199	1,812
Operating expenses	250	283	319
Net amortization of Deferred policy acquisition costs and Value of business acquired	127	136	286
Interest expense	22	22	22
Total benefits and expenses	<u>1,377</u>	<u>2,640</u>	<u>2,439</u>
Income (loss) from discontinued operations before income taxes	(335)	(624)	108
Income tax expense (benefit)	(178)	(287)	(38)
Loss on sale, net of tax	(2,423)	—	—
Income (loss) from discontinued operations, net of tax	<u>\$ (2,580)</u>	<u>\$ (337)</u>	<u>\$ 146</u>

#### Our segments

We provide our principal products and services through four segments: Retirement, Investment Management, Individual Life and Employee Benefits. Corporate includes activities not directly related to our segments, results of the Retained Business and certain insignificant activities that are not meaningful to our business strategy.

- Our *Retirement* segment provides tax-deferred, employer-sponsored retirement savings plans and administrative services in corporate, education, healthcare, other non-profit and government markets. Stable value products are also offered to institutional clients where we may or may not be providing defined contribution products and services. Our Retirement segment also provides individual retirement accounts ("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 third-party administrators ("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 offer our products in person, via telephone and online.
- Our *Investment Management* segment 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 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).

- Our *Individual Life* segment provides wealth protection and transfer opportunities through universal and variable life products. Our customers range across a variety of age groups and income levels. We primarily distribute our product offerings through a network of independent general agents and managing directors ("Aligned Distributors"), who are committed to promoting Voya products to independent agents and advisors. Aligned Distributors receive higher levels of service, and access to proprietary tools and training. We also support other independent general agents and marketing organizations who sell a broad portfolio of products from various carriers including Voya branded life, annuity and mutual fund offerings. We are currently conducting a strategic review of our Individual Life segment.
- Our *Employee Benefits* segment provides stop loss, group life, voluntary employee-paid and disability 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, TPAs and private exchanges. In the voluntary market, policies are marketed to employees at the worksite through enrollment firms, technology partners and brokers.

As a result of our entry into the Transaction in December 2017, substantially all of the results directly related to the CBVA and Annuities businesses have been classified as discontinued operations in this Annual Report on Form 10-K. We have also conformed our results of operations for prior periods to the current period presentation to reflect these discontinued operations. The businesses classified as discontinued operations consist of the following:

- Our CBVA business, consisting of run-off and legacy business lines that are no longer being actively marketed or sold, such as variable annuity contracts that were designed as long-term savings products in which individual contract owners made deposits maintained in separate accounts. These products included options for policyholders to purchase living benefit riders. In 2009, we separated our CBVA business 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). Accordingly, the CBVA business has been classified as closed block and is managed separately from our other businesses. We have in recent years taken steps to accelerate the run-off of the block, such as through enhanced income offers under which policyholders of eligible guaranteed minimum income benefit ("GMIB") policies could elect early annuitization. In 2017, we completed two enhanced surrender value offers to eligible GMIB policyholders, which provided an enhancement to contract surrender value for policyholders who opted to surrender their contracts. In light of the Transaction, we do not currently plan to make additional enhanced income or enhanced surrender offers.
- Fixed and indexed annuities and payout annuities for pre-retirement wealth accumulation and postretirement income management. Annuity products are primarily distributed by independent broker-dealers, independent insurance agents/independent marketing organizations, affiliated broker-dealers, and banks.

We include in Corporate the following corporate and business activities:

- corporate operations, corporate level assets and financial obligations; financing and interest expenses, and other items not allocated or directly related to our segments, including certain expenses and liabilities of employee benefit plans, expenses of our Strategic Investment Program (described below) incurred in periods before 2018, and certain adjustments to short-term and long-term incentive accruals and intercompany eliminations;
- investment income on assets backing surplus in excess of amounts held at the segment level;
- revenues and expenses related to a run-off block of guaranteed investment contracts("GICs") and funding agreements as well as residual activity on other closed or divested businesses. Beginning in the fourth quarter of 2016, we accelerated the run-off of the GICs and funding agreements including the termination of certain FHLB funding agreements. The last GIC and funding agreements supporting this block matured or were terminated by June 30, 2017;
- certain revenues and expenses of the Retained Business; and
- certain expenses previously allocated to the CBVA and Annuities businesses held for sale. Refer to *Stranded Costs* in Part II, Item 7. of this Annual Report on Form 10-K for further information.

## **Trends and Uncertainties**

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we discuss a number of trends and uncertainties that we believe may materially affect our future liquidity, financial condition or results of operations. Where these trends or uncertainties are specific to a particular aspect of our business, we often include such a discussion

under the relevant caption of this MD&A, as part of our broader analysis of that area of our business. In addition, the following factors represent some of the key general 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 continuing business operations and financial performance in the future. Additionally, key general trends and uncertainties related to discontinued operations are discussed further below.

### ***Market Conditions***

While extraordinary monetary accommodation has suppressed volatility in rate, credit and domestic equity markets for an extended period, global capital markets may now be past peak accommodation as the U.S. Federal Reserve continues its gradual pace of policy normalization. As global monetary policy becomes less accommodative, an increase in market volatility could affect our business, including through effects on the yields we earn on invested assets, changes in required reserves and capital, and fluctuations in the value of our assets under management ("AUM") or administration ("AUA"). These effects could be exacerbated by uncertainty about future fiscal policy, changes in tax policy, the scope of potential deregulation, and levels of global trade. In the short- to medium-term, the potential for increased volatility, coupled with prevailing interest rates below historical averages, can pressure sales and reduce demand as consumers hesitate to make financial decisions. In addition, this environment could make it difficult to manufacture products that are consistently both attractive to customers and profitable. Financial performance can be adversely affected by market volatility as fees driven by AUM fluctuate, hedging costs increase and revenue declines due to reduced sales and increased outflows. As a company with strong retirement, investment management and insurance capabilities, however, we believe the market conditions noted above may, over the long term, enhance the attractiveness of our broad portfolio of products and services. We will need to continue to monitor the behavior of our customers and other factors, including mortality rates, morbidity rates, annuitization rates and lapse rates, which adjust in response to changes in market conditions in order to ensure that our products and services remain attractive as well as profitable. For additional information on our sensitivity to interest rates and equity market prices, see *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A. of this Annual Report on Form 10-K.

### ***Interest Rate Environment***

In 2017, the Treasury yield curve materially flattened as short-term rates moved markedly higher while longer-term rates fell slightly. Front end rates have been driven higher by a trio of 25 basis points Fed Funds rate increases occurring in March, June, and December. While short-term rates increased, the longer-end of the yield curve has remained subdued by contained global yields and low inflation expectations. The Federal Reserve has begun execution of its plan for gradually reducing its holdings of Treasury and agency securities. The timing and impact of any further increases in the Federal Funds rate, or deviations in the expected pace of Federal Reserve balance sheet normalization are uncertain and dependent on the Federal Reserve Board's assessment of economic growth, labor market developments, inflation outlook, fiscal policy developments and other risks that will impact the level and volatility of rates.

The continued low interest rate environment has affected and may continue to affect the demand for our products in various ways. While interest rates remain low by historical standards, we may experience lower sales and reduced demand as it is more difficult to manufacture products that are consistently both attractive to customers and our economic targets. Our financial performance may be adversely affected by the current low interest rate environment, or by rapidly increasing rates.

We believe the interest rate environment will continue to influence our business and financial performance in the future for several reasons, including the following:

- Our continuing business general account investment portfolio, which was approximately \$64 billion as of December 31, 2017, consists predominantly of fixed income investments and had an annualized earned yield of approximately 5.2% in the fourth quarter of 2017. In the near term and absent further material change in yields available on fixed income investments, we expect the yield we earn on new investments will be lower than the yields we earn on maturing investments, which were generally purchased in environments where interest rates were higher than current levels. We currently anticipate that proceeds that are reinvested in fixed income investments during 2018 will earn an average yield below the prevailing portfolio yield. If interest rates were to rise, we expect the yield on our new money investments would also rise and gradually converge toward the yield of those maturing assets. 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 and universal life ("UL") policies. 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 additional information on the impact of the continued low interest rate environment, 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 or a period of rapidly increasing interest rates* in Part I, Item 1A. of this Annual Report on Form 10-K. Also, for additional information on our sensitivity to interest rates, see *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A. of this Annual Report on Form 10-K.

### **Discontinued Operations**

Income (loss) from discontinued operations, net of tax, for the year ended December 31, 2017 includes the estimated loss on sale for the Transaction of \$2,423 million. The estimated loss on sale represents the excess of the estimated carrying value of the businesses held for sale over the estimated purchase price, which approximates fair value, less cost to sell. The purchase price in the Transaction is equal to the difference between the Required Adjusted Book Value (as defined in the MTA) and the Statutory capital in VIAC at closing. The Required Adjusted Book Value is based on, subject to certain adjustments, the Conditional Trail Expectation ("CTE") 95 standard which is a statistical tail risk measure under the Standard & Poor's ("S&P") model which follows the Risk Based capital C-3 Phase II guidelines as stipulated by the National Association of Insurance Commissioners ("NAIC").

The estimated purchase price and estimated carrying value of VIAC as of the future date of closing, and therefore the estimated loss on sale related to the Transaction, are subject to adjustment in future quarters until closing, and may be influenced by, but not limited to, the following factors:

- Market fluctuations related to equity prices, interest rates, volatility, credit spreads and foreign exchange rates;
- The performance of the businesses held for sale and the impact of interest and equity market changes on the Variable Annuity Hedge Program and any other hedging activity we may engage in within VIAC;
- Changes in the terms of the Transaction, including as the result of subsequent negotiations or as necessary to obtain regulatory approval;
- Other changes in the terms of the Transaction due to unanticipated developments; and
- Changes in key customers and policyholder behavior as a result of the Transaction or other factors.

The MTA contains limits on the amount of additional capital we could be required to contribute to meet any increases in the Required Adjusted Book Value and on the amount of capital in excess of such amount that VA Capital could be required to compensate us for if such excess capital were to become trapped in VIAC prior to Transaction closing, in each case subject to certain termination rights.

The Company is required to remeasure the estimated fair value and loss on sale at the end of each quarter until closing of the Transaction. Changes in the estimated loss on sale that occur prior to closing of the Transaction will be reported as an adjustment to Income (loss) from discontinued operations, net of tax, in future quarters prior to closing. See the *Business Held for Sale and Discontinued Operations* note in Part II, Item 8. of this Annual Report on Form 10-K for more information on the Transaction.

Income (loss) from discontinued operations, net of tax also includes the results of our CBVA business. For as long as we continue to own the CBVA business included in the Transaction, we will remain subject to associated risks and our results will be affected by market factors, hedging costs, changes in policyholder behavior and changes in the amount of statutory reserves that we are required to hold for variable annuity guarantees.

We manage our CBVA business to focus on protecting regulatory and rating agency capital through risk management and hedging. Because U.S. GAAP accounting differs from the methods used to determine regulatory and rating agency capital measures, our CBVA business tends to create earnings volatility in our U.S. GAAP financial statements. In particular, the amount of capital we have allocated to our CBVA business for U.S. GAAP purposes includes certain intangible assets that are subject to periodic impairment testing and loss recognition, and U.S. GAAP reserves in our CBVA business are in some cases based on assumptions that differ from those we use to determine statutory and rating agency capital. To the extent that macroeconomic conditions adversely deviate from our assumptions, or if market conditions or other developments require us to write-down these intangible assets or

increase U.S. GAAP reserves, we may recognize U.S. GAAP losses in our CBVA business. Furthermore, these changes will impact the carrying value of the CBVA business held for sale, which will impact the estimated loss on sale. For additional information on our hedging program within the CBVA business, see *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A. of this Annual Report on Form 10-K.

### ***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 significantly 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.

### ***Increasing Longevity and Aging of the U.S. Population***

We believe that the increasing longevity and aging of the U.S. population will affect (i) the demand, types of and pricing for our products and (ii) the levels of our AUM and assets under administration ("AUA"). As the "baby boomer" generation prepares for a longer 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***

We operate 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.

### ***Seasonality and Other Matters***

Our business results can vary from quarter to quarter as a result of seasonal factors. For all of our segments, the first quarter of each year typically has elevated operating expenses, reflecting higher payroll taxes, equity compensation grants, and certain other expenses that tend to be concentrated in the first quarters. Additionally, alternative investment income tends to be lower in the first quarters. Other seasonal factors that affect our business include:

#### ***Retirement***

- The first quarters tend to have the highest level of recurring deposits in Corporate Markets, due to the increase in participant contributions from the receipt of annual bonus award payments or annual lump sum matches and profit sharing contributions made by many employers. Corporate Market withdrawals also tend to increase in the first quarters as departing sponsors change providers at the start of a new year.

- In the third quarters, education tax-exempt markets typically have the lowest recurring deposits, due to the timing of vacation schedules in the academic calendar.
- 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. Recurring deposits in the Corporate Market may be lower in the fourth quarters 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 quarters, as in the first quarters, due to departing sponsors.

#### *Investment Management*

- In the fourth quarters, performance fees are typically higher due to certain performance fees being associated with calendar-year performance against established benchmarks and hurdle rates.

#### *Individual Life*

- The fourth quarters tend to have the highest levels of universal life insurance sales. This seasonal pattern is typical for the industry.
- The first and fourth quarters tend to have the highest levels of net underwriting income.

#### *Employee Benefits*

- The first quarters tend to have the highest Group Life loss ratio. Sales for Group Life and Stop Loss also tend to be the highest in the first quarters, as most of our contracts have January start dates in alignment with the start of our clients' fiscal years.
- The third quarters tend to have the second highest Group Life and Stop Loss sales, as a large number of our contracts have July start dates in alignment with the start of our clients' fiscal years.

In addition to these seasonal factors, our results are impacted by the annual review of assumptions related to future policy benefits and deferred policy acquisition costs ("DAC"), value of business acquired ("VOBA") (collectively, "DAC/VOBA") and other intangibles, which we generally complete in the third quarter of each year, and annual remeasurement related to our employee benefit plans, which we generally complete in the fourth quarter of each year. See *Critical Accounting Judgments and Estimates* in Part II, Item 7. of this Annual Report on Form 10-K for further information.

#### *Stranded Costs*

As a result of the Transaction, the revenues and certain expenses of the businesses held for sale have been classified as discontinued operations. Expenses classified within discontinued operations include only direct operating expenses incurred by the businesses being sold that are identifiable as costs of the businesses being sold, but only to the extent that we will not continue to recognize such expenses after the close of the Transaction. Certain direct costs of the businesses being sold, which relate to activities for which we have agreed to provide transitional services and for which we will be reimbursed under a transition services agreement, are reported within continuing operations. Additionally, indirect costs, such as those related to corporate and shared service functions that were previously allocated to the businesses held for sale, and other expenses that do not meet the foregoing criteria are reported within continuing operations. These costs reported within continuing operations ("Stranded Costs") are included in Adjusted operating earnings before income taxes and Income (loss) from continuing operations for all periods presented. Because we do not believe that Stranded Costs are representative of the future run-rate expenses of our continuing operations, they are recorded in Corporate. We plan to address the Stranded Costs through a cost reduction strategy. Refer to *Restructuring* in Part II, Item 7 of this Annual Report on Form 10-K for more information on this program.

#### **Tax Reform**

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Reform") was signed into law. Tax Reform significantly revised U.S. federal corporate income tax law by, among other things, reducing the corporate income tax rate from 35% to 21% and changing various provisions of the Federal tax code that impact life insurance companies.

While we will continue to evaluate the impacts of Tax Reform on the Company, we currently expect its overall impact on our income tax from continuing operations to be beneficial, both in terms of a lower effective tax rate and from an overall economic perspective. Based on our current analysis of Tax Reform, the provisions we believe will have the most significant impact on our continuing operations include:

- The change in the federal corporate tax rate from 35% to 21%;
- Changes to the dividends received deduction ("DRD");
- Changes to the capitalization period and rates of DAC for tax purposes;
- Changes to the calculation of life insurance reserves for tax purposes;
- Changes further limiting deductibility of executive compensation; and
- The repeal of the corporate alternative minimum tax and refunding of corporate alternative minimum tax credits.

The largest impact is expected to result from the change in the federal corporate tax rate. As discussed below, the rate reduction resulted in a one-time reduction in the carrying value of our net deferred tax asset position. That reduction, which includes a reduction in deferred tax assets associated with businesses held for sale and a reduction in our deferred income tax liability within Accumulated other comprehensive income (loss), is reflected in Income (loss) from continuing operations. However, by lowering our effective tax rate, the rate reduction will provide an ongoing benefit to income from continuing operations. The change to DRD is expected to have a positive economic and tax rate benefit. The changes to DAC and tax reserves are expected to have a negative economic impact, but will not impact our effective tax rate. The changes to deductibility of executive compensation will increase taxable income, which will have a negative economic impact and will increase our effective tax rate. The repeal of the corporate alternative minimum tax and refunding of corporate alternative minimum tax credits will have a positive economic impact, with little to no impact on our effective tax rate.

The impacts of Tax Reform discussed above do not include any potential changes to State tax law. It is reasonable to expect that States that stand to lose tax revenue as a consequence of Tax Reform would enact measures of their own to counteract this effect, which could increase our tax costs.

For more information on Tax Reform, see *Critical Accounting Judgments and Estimates* in Part II, Item 7. of this Annual Report on Form 10-K and the *Income taxes* Note to the accompanying Consolidated Financial Statements.

### **Carried Interest**

Net investment income and net realized gains (losses), within our Investment Management segment, includes, for this and previous periods, performance-based capital allocations related to sponsored private equity funds ("carried interest") that are subject to later reversal based on subsequent fund performance, to the extent that cumulative rates of investment return fall below specified investment hurdle rates. Should the market value of this portfolio increase in future periods, this reversal could be fully or partially recovered. For the year ended December 31, 2017, our carried interest total net results were a gain of \$35 million, including the recovery of \$25 million in previously reversed accrued carried interest related to a private equity fund which experienced an increase in fund performance during 2017. As of December 31, 2017, approximately \$66 million of accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds. For the year ended December 31, 2016, our carried interest total net results were a loss of \$24 million, including the reversal of \$30 million in previously accrued carried interest related to a private equity fund which experienced significant declines in the market value of its investment portfolio during 2016. Should the market value of this portfolio increase in future periods, this reversal could be fully or partially recovered. As of December 31, 2016, approximately \$31 million of accrued carried interest, none of which was related to the private equity fund referenced above, were subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds. For additional information on carried interest, see *Risk Factors - 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, or if certain performance hurdles are not realized* in Part I, Item 1A. of this Annual Report on Form 10-K.

### **Strategic Investment Program**

In 2015, we announced that we would incur an incremental \$350 million of expenses through 2018 for IT simplification, digital and analytics and cross-enterprise initiatives ("Strategic Investment Program"). We expect these strategic investments to result in expense efficiency as well as business growth by improving how we engage our customers. For the year ended December 31, 2017, we incurred \$80 million of expenses related to the Strategic Investment Program, which is reported in Corporate. For 2018, we anticipate incurring between \$60 million and \$80 million of expense related to the Strategic Investment Program. Beginning in 2018, these amounts will be allocated to our segments.

## **Restructuring**

### ***2016 Restructuring***

In 2016, we began implementing a series of initiatives designed to make us a simpler, more agile company able to deliver an enhanced customer experience ("2016 Restructuring"). These initiatives include an increasing emphasis on less capital-intensive products and the achievement of operational synergies.

For the year ended December 31, 2017, these initiatives resulted in restructuring expenses of \$82 million, which are reflected in Operating expenses in the Consolidated Statements of Operations, but are excluded from Adjusted operating earnings before income taxes. These expenses are classified as a component of Other adjustments to Income (loss) from continuing operations before income taxes and consequently are not included in the adjusted operating results of our segments.

On July 31, 2017, we executed a variable 5-year information technology services agreement with a third-party service provider at an expected annualized cost of \$70 - \$90 million per year, with a total cumulative 5-year cost of approximately \$400 million, subject to potential reduction as a result of the Organizational Restructuring program discussed below. Included in these costs are approximately \$35 million of transition costs. This initiative, which is a component of our 2016 Restructuring program, improves expense efficiency and upgrades our technology capabilities. Entry into this agreement resulted in severance, asset write-off, transition and other implementation costs. We incurred restructuring expenses of \$56 million during 2017. Beyond 2017, we anticipate additional restructuring expenses related to this initiative of approximately \$30 - \$35 million for the year ended December 31, 2018 and an immaterial amount of restructuring expenses thereafter. The restructuring expenses to be incurred for the year ended December 31, 2018 will mainly reflect the transition costs to implement this information technology services agreement as all anticipated asset write-off costs were incurred in 2017.

In addition to the restructuring expenses incurred above, the reduction in employees from the execution of the contract described above caused the aggregate reduction in employees under our 2016 Restructuring program to trigger an immaterial curtailment and related remeasurement of our qualified defined benefit pension plan and active non-qualified defined benefit plan.

As we further develop these initiatives, we will incur additional restructuring expenses in one or more periods through the end of 2018. These costs, which include severance and other costs, cannot currently be estimated, but could be material, and are not reflected in our run-rate cost savings estimates for 2018.

### ***Organizational Restructuring***

As a result of our entry into the Transaction, we are undertaking further restructuring efforts to reduce expenses associated with our CBVA and fixed and fixed indexed annuities businesses, as well as our corporate and shared services functions.

The Transaction resulted in recognition of severance and other restructuring expenses. For the year ended December 31, 2017, we incurred restructuring expenses of \$4 million, primarily related to severance, which are reflected in Income (loss) from discontinued operations, net of tax, in the Consolidated Statements of Operations. Through the closing of the Transaction, we anticipate incurring additional restructuring expenses, directly related to the disposition. These costs, which include severance, transition and other costs, cannot currently be estimated but could be material.

In addition to restructuring expenses associated with discontinued operations, we will develop and approve additional Organizational Restructuring initiatives to simplify the organization as a result of the Transaction, and expect to incur restructuring expenses in one or more periods through the end of 2019. These costs, which include severance, transition and other costs, cannot currently be estimated but could be material. These costs will be reported in Operating expenses in the Consolidated Statement of Operations, but excluded from Adjusted operating earnings before income taxes and consequently are not included in the adjusted operating results of our segments.

The cumulative effect of all our previously discussed programs and related initiatives should help us to address the Stranded Costs that will result from the Transaction. Refer to *Stranded Costs* in Part II, Item 7. of this Annual Report on Form 10-K for further information on Stranded Costs.

## Operating Measures

This MD&A includes a discussion of Adjusted operating earnings before income taxes and Adjusted operating revenues, each of which is a measure used by management to evaluate segment performance. We believe that Adjusted operating earnings before income taxes provides a meaningful measure of our business performance and enhances the understanding of our financial results by focusing on the operating performance and trends of the underlying business segments and excluding items that tend to be highly variable from period to period based on capital market conditions or other factors. Adjusted operating earnings before income taxes does not replace Income (loss) from continuing operations before income taxes as the comparable U.S. GAAP measure of our consolidated results of operations. Therefore, we believe that it is useful to evaluate both Income (loss) from continuing operations before income taxes and Adjusted operating earnings before income taxes when reviewing our financial and operating performance.

### *Adjusted Operating Earnings before Income Taxes*

*Adjusted operating earnings before income taxes* is a measure used by management to evaluate segment performance. We believe that Adjusted operating earnings before income taxes provides a meaningful measure of our business and segment performances and enhances the understanding of our financial results by focusing on the operating performance and trends of the underlying business segments and excluding items that tend to be highly variable from period to period based on capital market conditions and/or other factors. We use the same accounting policies and procedures to measure segment Adjusted operating earnings before income taxes as we do for the directly comparable U.S. GAAP measure Income (loss) from continuing operations before income taxes. Adjusted operating earnings before income taxes does not replace Income (loss) from continuing operations before income taxes as the comparable U.S. GAAP measure of our consolidated results of operations. Therefore, we believe that it is useful to evaluate both Income (loss) from continuing operations before income taxes and Adjusted operating earnings before income taxes when reviewing our financial and operating performance. Each segment's Adjusted operating earnings before income taxes is calculated by adjusting Income (loss) from continuing operations before income taxes for the following items:

- Net investment gains (losses), net of related amortization of DAC, VOBA, sales inducements and unearned revenue, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. 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 are significantly influenced by economic and market conditions and are not indicative of normal operations, 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 estimated cost, which is reflected in adjusted operating earnings, reflects the expected cost of these benefits if markets perform in line with our long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from adjusted operating earnings, including the impacts related to changes in our nonperformance spread;
- Income (loss) related to businesses exited through reinsurance or divestment that do not qualify as discontinued operations, which includes gains and (losses) associated with transactions to exit blocks of business (including net investment gains (losses) on securities sold and expenses directly related to these transactions) and residual run-off activity; these gains and (losses) are often related to infrequent events and do not reflect performance of operating segments. Excluding this activity better reveals trends in our core business, which would be obscured by including the effects of business exited, and more closely aligns Adjusted operating earnings before income taxes with how we manage our segments;
- Income (loss) attributable to noncontrolling interest; which represents the interest of shareholders, other than Voya Financial, Inc., in consolidated entities. Income (loss) attributable to noncontrolling interest represents such shareholders' interests in the gains and losses of those entities, or the attribution of results from consolidated variable interest entities ("VIEs") or voting interest entities ("VOEs") to which we are not economically entitled;
- Income (loss) related to early extinguishment of debt; which includes losses incurred as a part of transactions where we repurchase outstanding principal amounts of debt; these losses are excluded from Adjusted operating earnings before income taxes since the outcome of decisions to restructure debt are infrequent and not indicative of normal operations;

- Impairment of goodwill, value of management contract rights and value of customer relationships acquired, which includes losses as a result of impairment analysis; these represent losses related to infrequent events and do not reflect normal, cash-settled expenses;
- Immediate recognition of net actuarial gains (losses) related to our pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments, which includes actuarial gains and losses as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during a given period. We immediately recognize actuarial gains and losses related to pension and other postretirement benefit obligations gains and losses from plan adjustments and curtailments. These amounts do not reflect normal, cash-settled expenses and are not indicative of current Operating expense fundamentals; and
- Other items not indicative of normal operations or performance of our segments or related to infrequent events including capital or organizational restructurings including certain costs related to debt and equity offerings as well as stock and/or cash based deal contingent awards; expenses associated with the rebranding of Voya Financial, Inc.; severance and other third-party expenses associated with our 2016 Restructuring. These items vary widely in timing, scope and frequency between periods as well as between companies to which we are compared. Accordingly, we adjust for these items as our management believes that these items distort the ability to make a meaningful evaluation of the current and future performance of our segments. Additionally, with respect to restructuring, these costs represent changes in our operations rather than investments in the future capabilities of our operating businesses.

The most directly comparable U.S. GAAP measure to Adjusted operating earnings before income taxes is Income (loss) from continuing operations before income taxes. For a reconciliation of Income (loss) from continuing operations before income taxes to Adjusted operating earnings before income taxes, see *Results of Operations—Company Consolidated* below.

### ***Adjusted Operating Revenues***

*Adjusted operating revenues* is a measure of our segment revenues. Each segment's Adjusted operating revenues are calculated by adjusting Total revenues to exclude the following items:

- Net investment gains (losses) and related charges and adjustments, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. Net investment gains (losses) 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 are net of related amortization of unearned revenue;
- Gain (loss) on change in fair value of derivatives related to guaranteed benefits, which is significantly influenced by economic and market conditions and not indicative of normal operations, includes 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 adjusted operating revenues, reflects the expected cost of these benefits if markets perform in line with our long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from Adjusted operating revenues, including the impacts related to changes in our nonperformance spread;
- Revenues related to businesses exited through reinsurance or divestment that do not qualify as discontinued operations, which includes revenues associated with transactions to exit blocks of business (including net investment gains (losses) on securities sold related to these transactions) and residual run-off activity; these gains and (losses) are often related to infrequent events and do not reflect performance of operating segments. Excluding this activity better reveals trends in our core business, which would be obscured by including the effects of business exited, and more closely aligns Adjusted operating revenues with how we manage our segments;
- Revenues attributable to noncontrolling interest; which represents the interests of shareholders, other than Voya Financial, Inc., in consolidated entities. Income (loss) attributable to noncontrolling interest represents such shareholders' interests in the gains and losses of those entities, or the attribution of results from consolidated VIEs or VOEs to which we are not economically entitled; and
- Other adjustments to Total 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, other items where the income is passed on to third parties and the elimination of intercompany investment expenses included in Adjusted operating revenues.

The most directly comparable U.S. GAAP measure to Adjusted operating revenues is Total revenues. For a reconciliation of Total revenues to Adjusted operating 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 type 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 sheets. 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 as well as assets managed for third parties.

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 are generally based on the number of participants, asset levels and/or the level of services or product guarantees that are provided.

Our consolidated AUM/AUA includes eliminations of AUM/AUA managed by our Investment Management segment that is also reflected in other segments' AUM/AUA and adjustments for AUM not reflected in any segments.

### ***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 U.S. 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 represent regular premiums on new policies, plus a portion of new single 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 U.S. GAAP. Renewal premiums on existing policies are included in U.S. 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.

### ***Other Measures***

*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 the consolidated financial information for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Revenues:</b>			
Net investment income . . . . .	\$ 3,294	\$ 3,354	\$ 3,343
Fee income . . . . .	2,627	2,471	2,470
Premiums . . . . .	2,121	2,795	2,554
Net realized capital gains (losses) . . . . .	(227)	(363)	(560)
Other revenue . . . . .	371	342	385
Income (loss) related to consolidated investment entities . . . . .	432	189	524
Total revenues . . . . .	<u>8,618</u>	<u>8,788</u>	<u>8,716</u>
<b>Benefits and expenses:</b>			
Interest credited and other benefits to contract owners/ policyholders . . . . .	4,636	5,314	4,698
Operating expenses . . . . .	2,654	2,655	2,684
Net amortization of Deferred policy acquisition costs and Value of business acquired . . . . .	529	415	377
Interest expense . . . . .	184	288	197
Operating expenses related to consolidated investment entities . . . . .	87	106	284
Total benefits and expenses . . . . .	<u>8,090</u>	<u>8,778</u>	<u>8,240</u>
Income (loss) from continuing operations before income taxes . . . . .	528	10	476
Income tax expense (benefit) . . . . .	740	(29)	84
Income (loss) from continuing operations . . . . .	(212)	39	392
Income (loss) from discontinued operations, net of tax . . . . .	(2,580)	(337)	146
Net Income (loss) . . . . .	<u>(2,792)</u>	<u>(298)</u>	<u>538</u>
Less: Net income (loss) attributable to noncontrolling interest . . . . .	200	29	130
<b>Net income (loss) available to our common shareholders . . . . .</b>	<u><u>\$ (2,992)</u></u>	<u><u>\$ (327)</u></u>	<u><u>\$ 408</u></u>

The following table presents information about our Operating expenses for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Operating expenses:</b>			
Commissions .....	\$ 695	\$ 747	\$ 949
General and administrative expenses:			
Net actuarial (gains)/losses related to pension and other postretirement benefit obligations .....	16	55	(63)
Restructuring expenses .....	82	34	—
Strategic Investment Program .....	80	117	79
Other general and administrative expenses .....	2,023	1,966	1,989
Total general and administrative expenses .....	2,201	2,172	2,005
Total operating expenses, before DAC/VOBA deferrals .....	2,896	2,919	2,954
DAC/VOBA deferrals .....	(242)	(264)	(270)
<b>Total operating expenses</b> .....	<b>\$ 2,654</b>	<b>\$ 2,655</b>	<b>\$ 2,684</b>

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

	As of December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>AUM and AUA:</b>			
Retirement .....	\$ 382,708	\$ 316,849	\$ 291,757
Investment Management .....	274,304	260,691	249,541
Individual Life .....	15,633	15,221	15,124
Employee Benefits .....	1,829	1,791	1,793
Eliminations/Other .....	(119,958)	(110,199)	(105,804)
<b>Total AUM and AUA<sup>(1)</sup></b> .....	<b>\$ 554,516</b>	<b>\$ 484,353</b>	<b>\$ 452,411</b>
AUM .....	\$ 307,980	\$ 287,109	\$ 270,815
AUA .....	246,536	197,244	181,596
<b>Total AUM and AUA<sup>(1)</sup></b> .....	<b>\$ 554,516</b>	<b>\$ 484,353</b>	<b>\$ 452,411</b>

<sup>(1)</sup> Includes AUM and AUA related to businesses held for sale, for which a substantial portion of the assets will continue to be managed by our Investment Management segment.

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Income (loss) from continuing operations before income taxes . . . . .</b>	\$ 528	\$ 10	\$ 476
Less Adjustments <sup>(1)</sup> :			
Net investment gains (losses) and related charges and adjustments . . . . .	(84)	(108)	(55)
Net guaranteed benefit hedging gains (losses) and related charges and adjustments . . . . .	46	4	(69)
Loss related to businesses exited through reinsurance or divestment . . . . .	(45)	(14)	(169)
Income (loss) attributable to noncontrolling interests . . . . .	200	29	130
Loss related to early extinguishment of debt . . . . .	(4)	(104)	(10)
Immediate recognition of net actuarial gains (losses) related to pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments . . . . .	(16)	(55)	63
Other adjustments . . . . .	(97)	(71)	(58)
<b>Total adjustments to income (loss) from continuing operations before income taxes . . . . .</b>	<b>\$ —</b>	<b>\$ (319)</b>	<b>\$ (168)</b>
<b>Adjusted operating earnings before income taxes by segment:</b>			
Retirement . . . . .	\$ 456	\$ 450	\$ 471
Investment Management . . . . .	248	171	182
Individual Life . . . . .	92	59	173
Employee Benefits . . . . .	127	126	146
Corporate <sup>(2)</sup> . . . . .	(395)	(477)	(328)
<b>Total adjusted operating earnings before income taxes . . . . .</b>	<b>\$ 528</b>	<b>\$ 329</b>	<b>\$ 644</b>

<sup>(1)</sup> Refer to the *Segments* Note in our Consolidated Financial Statements in Part II, Item 8, of this Annual Report on Form 10-K for a description of these items.

<sup>(2)</sup> Adjusted operating earnings before income taxes for Corporate includes Net investment gains (losses) and Net guaranteed benefit hedging gains (losses) associated with the Retained Business. These amounts are insignificant and do not distort the ability to make a meaningful evaluation of the trends of Corporate activities.

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Total revenues</b> .....	\$ 8,618	\$ 8,788	\$ 8,716
<b>Adjustments<sup>(1)</sup>:</b>			
Net realized investment gains (losses) and related charges and adjustments .....	(100)	(112)	(121)
Gain (loss) on change in fair value of derivatives related to guaranteed benefits .....	52	9	(63)
Revenues related to businesses exited through reinsurance or divestment .....	122	96	26
Revenues attributable to noncontrolling interests .....	286	133	414
Other adjustments .....	212	183	223
<b>Total adjustments to revenues</b> .....	\$ 572	\$ 309	\$ 479
<b>Adjusted operating revenues by segment:</b>			
Retirement .....	\$ 2,538	\$ 3,257	\$ 2,994
Investment Management .....	731	627	622
Individual Life .....	2,563	2,528	2,617
Employee Benefits .....	1,767	1,616	1,507
Corporate <sup>(2)</sup> .....	447	451	497
<b>Total adjusted operating revenues</b> .....	\$ 8,046	\$ 8,479	\$ 8,237

<sup>(1)</sup> Refer to the *Segments* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for a description of these items.

<sup>(2)</sup> Adjusted operating revenues for Corporate includes Net investment gains (losses) and Gains (losses) on change in fair value of derivatives related to guaranteed benefits associated with the Retained Business. These amounts are insignificant and do not distort the ability to make a meaningful evaluation of the trends of Corporate activities.

The following tables describe the components of the reconciliation between Adjusted operating earnings before income taxes and Income (loss) from continuing operations before income taxes related to Net investment gains (losses) and Net guaranteed benefits hedging gains (losses) and related charges and adjustments.

The following table presents the adjustment to Income (loss) from continuing operations before income taxes related to Total investment gains (losses) and the related Net amortization of DAC/VOBA and other intangibles for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Other-than-temporary impairments .....	\$ (22)	\$ (34)	\$ (83)
CMO-B fair value adjustments <sup>(1)</sup> .....	(86)	(43)	(18)
Gains (losses) on the sale of securities .....	18	(65)	(6)
Other, including changes in the fair value of derivatives .....	(10)	31	(6)
Total investment gains (losses) .....	(100)	(111)	(113)
Net amortization of DAC/VOBA and other intangibles on above .....	16	3	58
<b>Net investment gains (losses)</b> .....	\$ (84)	\$ (108)	\$ (55)

<sup>(1)</sup> For a description of our CMO-B portfolio, see *Investments - CMO-B Portfolio* in Part II, Item 7. of this Annual Report on Form 10-K.

The following table presents the adjustment to Income (loss) from continuing operations before income taxes related to Guaranteed benefit hedging gains (losses) net of DAC/VOBA and other intangibles amortization for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Gain (loss), excluding nonperformance risk	\$ 63	\$ (3)	\$ (75)
Gain (loss) due to nonperformance risk <sup>(1)</sup>	(17)	7	6
Net gain (loss) prior to related amortization of DAC/VOBA and sales inducements	46	4	(69)
Net amortization of DAC/VOBA and sales inducements	—	—	—
<b>Net guaranteed benefit hedging gains (losses) and related charges and adjustments</b>	<b>\$ 46</b>	<b>\$ 4</b>	<b>\$ (69)</b>

<sup>(1)</sup> Refer to *Critical Accounting Judgments and Estimates* in Part II, Item 7. of this Annual Report on Form 10-K for further detail.

The following table presents significant items included in Income (loss) from discontinued operations, net of tax for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Loss on sale, net of tax excluding costs to sell	\$ (2,392)	\$ —	\$ —
Transaction costs	(31)	—	—
Net results of discontinued operations, excluding notable items	1,072	868	1,124
Income tax benefit	178	287	38
Notable items in CBVA results:			
Net gains (losses) related to incurred guaranteed benefits and CBVA hedge program, excluding nonperformance risk	(1,136)	(1,470)	(1,097)
Gain (loss) due to nonperformance risk	(284)	74	79
DAC/VOBA and other intangibles unlocking	13	(96)	2
<b>Income (loss) from discontinued operations, net of tax<sup>(1)</sup></b>	<b>\$ (2,580)</b>	<b>\$ (337)</b>	<b>\$ 146</b>

<sup>(1)</sup> Refer to the *Business Held for Sale and Discontinued Operations* Note in Part II, Item 8. of this Annual Report on Form 10-K for further detail.

## Notable Items

The tables below highlight notable items that are included in Adjusted operating earnings before income taxes from the following categories: (1) large gains (losses) that are not indicative of performance in the period; and (2) items that typically recur but can be volatile from period to period (e.g., DAC/VOBA and other intangibles unlocking).

Each quarter, we update our DAC/VOBA and other intangibles based on actual historical gross profits and projections of estimated gross profits. During the third quarter of 2017, 2016 and 2015, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for the Investment Management segment, for which assumption reviews are not relevant). As a result of these reviews, we have made a number of changes to our assumptions resulting in net unfavorable impacts to segment Adjusted operating earnings before income taxes for the years ended December 31, 2017, 2016 and 2015 of \$189 million, \$191 million, and \$64 million, respectively. These unfavorable impacts are included in the table below as components of DAC/VOBA and other intangibles unlocking. For information about the impacts of the annual review of assumptions on DAC/VOBA and other intangibles and Adjusted operating earnings before income taxes related to our segments, see *Results of Operations - Segment by Segment* in Part II, Item 7. of this Annual Report on Form 10-K.

During 2017, we solicited customer consents to execute a change to reduce the guaranteed minimum interest rate ("GMIR initiative") applicable to future deposits and transfers into fixed investment options for certain retirement plan contracts with above-market GMIRs. This change reduces our interest rate exposure on new deposits, transfers and in certain plans existing fixed account assets. Because the GMIR initiative for 2017 is classified as a contract modification under insurance accounting, it requires an acceleration of DAC/VOBA amortization resulting in unfavorable unlocking for the Retirement segment and will favorably impact the DAC/VOBA amortization rate and Adjusted operating earnings in the future. The unfavorable unlocking, which amounted to \$220 million for 2017 included \$92 million reflected in the annual assumption updates described above. The GMIR initiative unlocking was recorded in Net amortization of DAC/VOBA and included in the table below, was determined based on legally

binding consent acceptances received from customers and expected future acceptances of consents from customers solicited during 2017 as well as for customers that will be solicited as part of the GMIR initiative.

During 2016 and 2015, we received distributions of cash in the amount of \$16 million and \$3 million, respectively, in conjunction with a Lehman Brothers bankruptcy settlement ("Lehman Recovery") which was recognized in Net investment income. In addition, in 2015, we recognized losses on certain receivables associated with previously disposed Low Income Housing Tax Credit partnerships ("LIHTC"). These losses, in the amount of \$1 million, were also recognized in Net investment income.

Collectively, the Lehman Recovery and LIHTC losses, net of DAC/VOBA and other intangibles impacts, are referred to as "Net gain from Lehman Recovery/LIHTC" and presented in the table below:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
DAC/VOBA and other intangibles unlocking <sup>(1)(2)</sup>	\$ (299)	\$ (213)	\$ (79)
Net gain from Lehman Recovery/LIHTC <sup>(3)</sup>	—	16	2

<sup>(1)</sup> DAC/VOBA and other intangibles unlocking are included in *Fee income, Interest credited and other benefits to contract owners/policyholders* and *Net amortization of DAC/VOBA* and includes the impact of the annual review of the assumptions. See *DAC/VOBA and Other Intangibles Unlocking* in Part II, Item 7. of this Annual Report on Form 10-K for further description.

<sup>(2)</sup> Unlocking related to the Net gain from Lehman Recovery is excluded from DAC/VOBA and other intangibles unlocking for the year ended December 31, 2016 (and included in Net gain from Lehman Recovery/LIHTC).

<sup>(3)</sup> Net gain (loss) from Lehman Recovery/LIHTC is included in segment Adjusted operating earnings before income taxes in 2016, and in Corporate in 2015.

The following table presents the net impact to Adjusted operating earnings before income taxes of the Net gain from Lehman Recovery and the related amortization and unlocking of DAC/VOBA and other intangibles by segment for 2016:

	Year Ended December 31, 2016			
	Net investment income (loss)	DAC/VOBA and other intangibles amortization <sup>(1)</sup>	DAC/VOBA and other intangibles unlocking <sup>(1)</sup>	Net gain from Lehman Recovery
<i>(\$ in millions)</i>				
Retirement	\$ 5	\$ (1)	\$ —	\$ 4
Investment Management	3	—	—	3
Individual Life	9	(3)	2	8
Employee Benefits	1	—	—	1
<b>Net gain (loss) included in Adjusted operating earnings before income taxes</b>	<b>\$ 18</b>	<b>\$ (4)</b>	<b>\$ 2</b>	<b>\$ 16</b>

<sup>(1)</sup> DAC/VOBA and other intangibles amortization and DAC/VOBA and other intangibles unlocking are included in *Fee income, Interest credited and other benefits to contract owners/policyholders* and *Net amortization of DAC/VOBA*. See *DAC/VOBA and Other Intangibles Unlocking* in Part II, Item 7. of this Annual Report on Form 10-K for further description.

The following table presents the impact on segment Adjusted operating earnings before income taxes of the annual assumption updates for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Retirement	\$ (47)	\$ (83)	\$ (39)
Individual Life	(142)	(109)	(23)
Employee Benefits	—	1	(2)
<b>Total</b>	<b>\$ (189)</b>	<b>\$ (191)</b>	<b>\$ (64)</b>

## 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."

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

### ***Consolidated - Year Ended December 31, 2017 Compared to Year Ended December 31, 2016***

#### ***Net Income (Loss)***

*Net investment income* decreased \$60 million from \$3,354 million to \$3,294 million primarily due to:

- the consolidation of investment entities as a result of higher income earned in underlying consolidated investments;
- the impact of the continued low interest rate environment on reinvestment rates;
- decline related to a certain block of GICs and funding agreements as a result of continued run-off;
- lower prepayment fee income; and
- the net gain from Lehman recovery in the prior period.

The decrease was partially offset by:

- higher alternative investment income across segments driven by favorable equity market performance in the current period, including the recovery of previously reversed carried interest in our Investment Management segment; and
- growth in general account assets.

*Fee income* increased \$156 million from \$2,471 million to \$2,627 million primarily due to:

- an increase in separate account and institutional/mutual fund AUM in our Retirement segment driven by market improvements and the cumulative impact of positive net flows resulting in higher full service fees;
- a favorable variance due to annual assumption updates and amortization of unearned revenue reserve due to higher gross profits on our universal life blocks in our Individual Life segment (refer to *Results of Operations - Segment by Segment* for further description); and
- an increase in average AUM in our Investment Management segment, driven by market improvements and the cumulative impact of positive net flows resulting in higher management and administrative fees earned.

*Premiums* decreased \$674 million from \$2,795 million to \$2,121 million primarily due to:

- lower sales for pension risk transfer contracts in our Retirement segment as this business was closed to new sales at the end of 2016.

The decrease was partially offset by:

- higher Premiums driven by stop loss and voluntary block growth in our Employee Benefits segment.

*Net realized capital losses* decreased \$136 million from \$363 million to \$227 million primarily due to:

- a favorable variance in net guaranteed benefit derivatives, excluding nonperformance risk due to changes in interest rates;
- lower Net realized investment losses primarily as a result of lower impairments and gains on the sale of securities, partially offset by unfavorable changes in CMO-Bs and the fair value of derivatives; and
- favorable market value changes associated with business reinsured.

The decrease was partially offset by:

- unfavorable changes in the fair value of guaranteed benefit derivatives due to nonperformance risk.

*Other revenue* increased \$29 million from \$342 million to \$371 million primarily due to:

- higher broker-dealer revenues in our Retirement segment.

The increase was partially offset by:

- lower performance fees in our Investment Management segment; and

- higher amortization of the deferred loss associated with a closed block of business due to an annual update of the amortization schedules.

*Interest credited and other benefits to contract owners/policyholders* decreased \$678 million from \$5,314 million to \$4,636 million primarily due to:

- the discontinuation of sales of pension risk transfer contracts in our Retirement Segment at the end of 2016;
- favorable changes in reserves related to unlocking on universal life blocks and the run-off of the term block in our Individual Life segment;
- an increase in recognition of deferred prepayment penalties associated with the early termination of certain Federal Home Loan Bank ("FHLB") funding agreements in the prior period; and
- decline related to a certain block of GICs and funding agreements as a result of continued run-off.

The decrease was partially offset by:

- higher benefits incurred due to a higher loss ratio on stop loss and growth of the business in our Employee Benefits segment;
- growth in general account liabilities in our Retirement segment;
- loss recognition in the Retained Business resulting from the re-definition of our contract groupings for premium deficiency testing purposes, driven by the decision to dispose of substantially all of our Annuities businesses;
- market value impacts and changes in the reinsurance deposit asset associated with business reinsured; and
- unfavorable net mortality in our Individual Life segment.

*Operating expenses* decreased \$1 million from \$2,655 million to \$2,654 million primarily due to:

- lower net actuarial losses related to our pension and other postretirement benefit obligations;
- a decrease in costs associated with our Strategic Investment Program;
- the impact of continued expense management efforts and favorable accrual developments in the current period;
- lower net financing costs in our Individual Life segment; and
- release of contingency accruals in the current period.

The decrease was partially offset by:

- higher restructuring charges in the current period;
- higher expenses for net compensation and benefit adjustments;
- higher compensation related expenses in our Investment Management segment primarily associated with higher earnings in the current period;
- higher volume-related expenses associated with growth of the business in our Employee Benefits segment;
- higher broker-dealer expenses; and
- an increase in compliance-related expenses in the current period.

*Net amortization of DAC/VOBA* increased \$114 million from \$415 million to \$529 million primarily due to:

- unfavorable changes in DAC/VOBA unlocking associated with changes in terms related to GMIR provisions for certain retirement plan contracts with fixed investment options in our Retirement segment; and
- unfavorable impact of annual assumption updates in our Individual Life segment (refer to *Results of Operations - Segment by Segment* for further description).

The increase was partially offset by:

- favorable DAC/VOBA unlocking in our Retirement segment, primarily due to the impact of annual assumption updates, excluding GMIR; and
- favorable changes in unlocking on net investment gains (losses).

*Interest expense* decreased \$104 million from \$288 million to \$184 million primarily due to:

- debt extinguishment in connection with repurchased debt in 2016. See *Liquidity and Capital Resources - Debt Securities* in Part II, Item 7. of our Annual Report on Form 10-K for further description.

*Income (loss) from continuing operations before income taxes* increased \$518 million from income of \$10 million to income of \$528 million primarily due to:

- higher Adjusted operating earnings before income taxes, excluding DAC/VOBA and other intangible unlocking, discussed below;
- a favorable variance attributable to noncontrolling interest;
- lower expenses related to early extinguishment of debt;
- higher Net guaranteed benefit hedging gains and related charges and adjustments, discussed below;
- lower Immediate recognition of net actuarial losses related to pension and other postretirement benefit obligations and losses from plan adjustments and curtailments, discussed below; and
- lower Net investment losses and related charges and adjustments, discussed below.

The increase was partially offset by:

- unfavorable changes in DAC/VOBA and other intangibles unlocking primarily due to changes in terms related to GMIR provisions for certain retirement plan contracts with fixed investment options in our Retirement segment and the impact of annual assumption updates on our Individual Life segment;
- an increase in restructuring charges in the current period; and
- an increase in Loss related to businesses exited through reinsurance or divestment, discussed below.

*Income tax expense (benefit)* changed by \$769 million from a benefit of \$29 million to an expense of \$740 million due to:

- expense associated with the revaluing of deferred balances impacted by the federal rate change;
- benefit associated with the revaluing of valuation allowance impacted by the federal rate change; and
- an increase in income before income taxes.

*Loss from discontinued operations, net of tax* increased \$2,243 million from \$337 million to \$2,580 million primarily due to:

- the estimated Loss on sale, net of tax excluding costs to sell in the current period;
- losses due to changes in the fair value of guaranteed benefit derivatives related to nonperformance risk in businesses held for sale; and
- estimated costs to sell, which will be incurred through and upon closing of the Transaction.

The increase was partially offset by:

- a decrease in net losses related to incurred guaranteed benefits and CBVA hedge program, excluding nonperformance risk in businesses held for sale; and
- unfavorable DAC/VOBA unlocking in businesses held for sale in the prior period as a result of loss recognition.

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

*Adjusted operating earnings before income taxes* increased \$199 million from \$329 million to \$528 million primarily due to:

- higher alternative investment income across segments driven by favorable equity market performance and the recovery of carried interest in the current period, partially offset by the Net gain from Lehman Recovery in the prior period;
- higher fee based margin due to market improvement and the cumulative impact of positive net flows;
- lower Operating expenses, primarily due to continued expense management efforts and a decrease in costs associated with our Strategic Investment Program;
- increase in recognition of deferred prepayment penalties associated with the early termination of certain FHLB funding agreements in the prior period; and
- higher underwriting gains in our Individual Life segment, net of DAC/VOBA and other intangibles amortization, primarily driven by lower net financing costs and favorable net mortality.

The increase was partially offset by:

- unfavorable changes in DAC/VOBA and other intangibles unlocking primarily due to changes in terms related to GMIR provisions for certain retirement plan contracts with fixed investment options in our Retirement segment partially offset by the net impact of other annual assumption updates;

- lower prepayment fee income; and
- the impact of the continued low interest rate environment on reinvestment rates.

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

*Net investment gains (losses) and related charges and adjustments* improved by \$24 million from a loss of \$108 million to a loss of \$84 million primarily due to:

- gains on the sales of securities in the current period;
- favorable changes in DAC/VOBA and other intangibles unlocking related to net investment gains and losses; and
- lower impairments in the current period.

The improvement was partially offset by:

- unfavorable changes in CMO-B fair value adjustments; and
- unfavorable changes in the fair value of derivatives.

*Net guaranteed benefit hedging gains (losses) and related charges and adjustments* increased \$42 million from \$4 million to \$46 million primarily due to:

- favorable changes in fair value of guaranteed benefit derivatives related to nonperformance risk.

*Loss related to businesses exited through reinsurance or divestment* increased \$31 million from \$14 million to \$45 million primarily due to:

- loss recognition in the Retained Business resulting from the re-definition of our contract groupings for premium deficiency testing purposes, driven by the decision to dispose of substantially all of our Annuities businesses and therefore is not indicative of future results.

*Loss related to early extinguishment of debt* decreased \$100 million from \$104 million to \$4 million primarily due to:

- losses on early debt extinguishment in connection with repurchased debt in 2016. See *Liquidity and Capital Resources - Debt Securities - Aetna Notes* in Part II, Item 7. of this Annual Report on Form 10-K for further description.

*Immediate recognition of net actuarial gains (losses) related to pension and other postretirement benefit obligations and gains (losses) from plan adjustments and curtailments* changed \$39 million. See *Critical Accounting Judgments and Estimates - Employee Benefits Plans* in Part II, Item 7. of this Annual Report on Form 10-K for further information.

*Other adjustments* changed \$26 million from a loss of \$71 million to a loss of \$97 million primarily due to:

- higher costs recorded in the current period related to our 2016 Restructuring.

The unfavorable change was partially offset by:

- lower rebranding costs in the current period.

***Consolidated - Year Ended December 31, 2016 Compared to Year Ended December 31, 2015***

***Net Income (Loss)***

*Net investment income* increased \$11 million from \$3,343 million to \$3,354 million primarily due to:

- growth in general account assets in our Retirement segment; and
- proceeds from the Lehman Recovery in the current period.

The increase was partially offset by:

- the impact of the continued low interest rate environment on reinvestment rates; and

- the impact of the Fourth Quarter 2015 Reinsurance Transaction (defined below in our Individual Life segment's results of operations).

*Fee income* increased \$1 million from \$2,470 million to \$2,471 million primarily due to:

- an increase in cost of insurance fees on the aging in-force UL block in our Individual Life segment; and
- higher contractual charges from higher UL sales.

The increase was partially offset by:

- lower Fee income in our Retirement segment primarily due to the shift in the business mix and lower retirement plan fees resulting from participants' transfers from variable investment options into fixed, and terminated contracts in the recordkeeping business including the planned exit of the defined benefit business.

*Premiums* increased \$241 million from \$2,554 million to \$2,795 million primarily due to:

- higher sales of pension risk transfer contracts in our Retirement segment; and
- an increased block size across several product lines in our Employee Benefits segment.

The increase was partially offset by:

- lower premiums as a result of the Fourth Quarter 2015 Reinsurance Transaction.

*Net realized capital losses* decreased \$197 million from \$560 million to \$363 million primarily due to:

- changes in fair value of guaranteed benefit derivatives, excluding nonperformance risk primarily due to changes in interest rates; and
- gains from market value changes associated with business reinsured.

*Other revenue* decreased \$43 million from \$385 million to \$342 million primarily due to:

- lower letter of credit ("LOC") recoveries as a result of changes to credit facilities in September of 2015 (see Liquidity and Capital Resources - Other Credit Facilities in Part II, Item 7. of our Annual Report on Form 10-K for further description); and
- lower broker-dealer revenues.

*Interest credited and other benefits to contract owners/policyholders* increased \$616 million from \$4,698 million to \$5,314 million as a result of the following:

- unfavorable changes in net mortality of the UL block driven by severity in our Individual Life segment;
- higher group stop loss and group life benefits associated with growth and favorable loss ratio experience in the prior period that did not reoccur in our Employee Benefits segment;
- higher sales of pension risk transfer contracts in our Retirement segment;
- increase in recognition of deferred prepayment penalties associated with the early termination of certain FHLB funding agreements in connection with the run-off of the block; and
- an increase in the funds withheld reserve and changes in the reinsurance deposit asset associated with business reinsured resulting from market value changes in the related assets.

The increase was partially offset by:

- a decrease in reserves as a result of the Fourth Quarter 2015 Reinsurance Transaction.

*Operating expenses* decreased \$29 million from \$2,684 million to \$2,655 million primarily due to:

- impacts of the Fourth Quarter 2015 Reinsurance Transaction and the Second Quarter 2015 Reinsurance Transaction (see *Liquidity and Capital Resources - Reinsurance* in Part II, Item 7. of our Annual Report on Form 10-K for further description), including fees supporting the transactions in the prior period;
- lower LOC fees as a result of changes to credit facilities in September of 2015, described above;
- lower rebranding expense;

- lower broker-dealer expenses; and
- lower recordkeeping expenses associated with terminated contracts including the planned exit of the defined benefit business in our Retirement segment.

The decrease was partially offset by:

- recognition of net actuarial losses related to our pension and other postretirement benefit obligations in the current period compared to gains in the prior period;
- higher expenses related to our Strategic Investment Program;
- higher restructuring costs;
- higher commission expenses associated with growth of the business in our Employee Benefits segment; and
- net compensation adjustments.

*Net amortization of DAC/VOBA* increased \$38 million from \$377 million to \$415 million primarily due to:

- unfavorable net changes in DAC/VOBA unlocking, mostly resulting from annual assumption updates.

*Interest expense* increased \$91 million from \$197 million to \$288 million primarily due to:

- losses on early debt extinguishment in connection with repurchased debt. See *Liquidity and Capital Resources - Debt Securities - Aetna Notes* in Part II, Item 7. of this Annual Report on Form 10-K for further description.

*Income (loss) from continuing operations before income taxes* decreased \$466 million from income of \$476 million to income of \$10 million primarily due to:

- lower Adjusted operating earnings before income taxes, described below;
- net actuarial losses related to our pension and other postretirement benefit obligations in the current period;
- losses attributable to noncontrolling interests; and
- higher losses related to the early extinguishment of debt.

The decrease was partially offset by:

- lower losses on business exited through reinsurance or divestment, primarily due to fees supporting the transactions in the prior period that did not reoccur; and
- lower LOC fees as a result of changes to credit facilities in September of 2015, described above.

*Income tax expense (benefit)* changed \$113 million from an expense of \$84 million to a benefit of \$29 million primarily due to:

- a decrease in income before income taxes.

*Income (loss) from discontinued operations, net of tax* changed \$483 million from income of \$146 million to a loss of \$337 million primarily due to:

- an increase in net losses related to incurred guaranteed benefits and CBVA hedge program, excluding nonperformance risk in businesses held for sale; and
- unfavorable DAC/VOBA unlocking in businesses held for sale in the current period as a result of loss recognition.

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

*Adjusted operating earnings before income taxes* decreased \$315 million from \$644 million to \$329 million primarily due to:

- higher unfavorable DAC/VOBA and other intangible unlocking from annual assumption updates;
- higher expenses related to our Strategic Investment Program;
- an increase in recognition of deferred prepayment penalties associated with the early termination of certain FHLB funding agreements associated with the run-off of the block;
- more favorable reserve refinements in the prior period compared to the current period;
- reversal in the current period of previously accrued carried interest in our Investment Management segment;
- the impact of the continued low interest rate environment on reinvestment rates;
- lower prepayment fee income; and

- higher benefits incurred in our Employee Benefits segment.

The decrease was partially offset by:

- higher other alternative investment income;
- growth in general account assets in our Retirement segment;
- higher performance fees in our Investment Management segment; and
- net Gain from Lehman Recovery in the current period.

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

*Net investment gains (losses) and related charges and adjustments* changed \$53 million from a loss of \$55 million to a loss of \$108 million primarily due to:

- higher losses on the sale of securities;
- losses resulting from fair value adjustments on our CMO-B portfolio; and
- unfavorable changes in net amortization of DAC/VOBA and other intangibles, primarily due to the impact of unlocking.

The losses were partially offset by:

- net improvement due to lower impairments.

*Net guaranteed benefit hedging gains (losses) and related charges and adjustments* increased \$73 million from a loss of \$69 million to a gain of \$4 million primarily due to:

- a favorable variance in guaranteed benefit derivatives excluding nonperformance risk, primarily due to changes in interest rates.

*Losses related to businesses exited through reinsurance or divestment* decreased \$155 million from \$169 million to \$14 million primarily due to:

- fees supporting reinsurance transactions in the prior period that did not reoccur.

The decrease was partially offset by:

- lower LOC fees as a result of changes to credit facilities in September of 2015, described above.

*Loss related to early extinguishment of debt* of \$104 million in the current period was primarily due to:

- losses on early debt extinguishment in connection with repurchased debt. See *Liquidity and Capital Resources - Debt Securities - Aetna Notes* in Part II, Item 7. of this Annual Report on Form 10-K for further description.

*Immediate recognition of net actuarial gains (losses) related to pension and other postretirement benefit obligations and gains (losses) from plan adjustments and curtailments* changed \$118 million from a gain of \$63 million to a loss of \$55 million. See *Critical Accounting Judgments and Estimates - Employee Benefits Plans* in Part II, Item 7. of this Annual Report on Form 10-K for further information.

*Other adjustments* changed \$13 million from a loss of \$58 million to a loss of \$71 million primarily due to:

- higher restructuring costs.

The unfavorable change was partially offset by:

- lower rebranding costs.

## Results of Operations - Segment by Segment

### Retirement

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Adjusted operating revenues:</b>			
Net investment income and net realized gains (losses) . . . . .	\$ 1,703	\$ 1,674	\$ 1,578
Fee income . . . . .	744	687	736
Premiums . . . . .	6	824	613
Other revenue . . . . .	85	72	67
Total adjusted operating revenues . . . . .	2,538	3,257	2,994
<b>Operating benefits and expenses:</b>			
Interest credited and other benefits to contract owners/ policyholders . . . . .	958	1,744	1,469
Operating expenses . . . . .	850	854	870
Net amortization of DAC/VOBA . . . . .	274	209	184
Total operating benefits and expenses . . . . .	2,082	2,807	2,523
<b>Adjusted operating earnings before income taxes . . . . .</b>	<b>\$ 456</b>	<b>\$ 450</b>	<b>\$ 471</b>

The following table presents certain notable items that represented the volatility in Adjusted operating earnings before income taxes for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
DAC/VOBA and other intangibles unlocking <sup>(1)</sup> . . . . .	\$ (137)	\$ (66)	\$ (37)
Net gain from Lehman Recovery . . . . .	—	4	—

<sup>(1)</sup> Includes the impacts of the annual review of assumptions. See *DAC/VOBA and Other Intangibles Unlocking* in Part II, Item 7. of this Annual Report on Form 10-K for further description.

The DAC/VOBA and other intangibles unlocking in the table above includes the net unfavorable impact of the annual review of the assumptions, completed in the third quarter 2017, 2016 and 2015, of \$47 million, \$83 million and \$39 million, respectively, which was included in Net amortization of DAC/VOBA. The net unfavorable unlocking in 2017 reflects \$220 million related to the GMIR initiative. Excluding the GMIR-related unlocking, the favorable DAC/VOBA unlocking from the annual review of assumptions was primarily driven by favorable liability and expense assumption changes. The unlocking in 2016 was primarily driven by changes in portfolio yields and expectations for future contract changes. The unlocking in 2015 was primarily driven by changes in portfolio yields and projected margins partially offset by favorable lapse and renewal premium experience.

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

	As of December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Corporate markets . . . . .	\$ 60,495	\$ 49,921	\$ 45,088
Tax exempt markets . . . . .	62,070	55,497	51,642
Total full service plans . . . . .	122,565	105,418	96,730
Stable value <sup>(1)</sup> and pension risk transfer . . . . .	11,982	12,505	10,763
Retail wealth management . . . . .	3,644	3,485	3,314
Total AUM . . . . .	138,191	121,408	110,807
AUA . . . . .	244,517	195,441	180,950
<b>Total AUM and AUA . . . . .</b>	<b>\$ 382,708</b>	<b>\$ 316,849</b>	<b>\$ 291,757</b>

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

	As of December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
General Account . . . . .	\$ 32,571	\$ 32,469	\$ 29,752
Separate Account . . . . .	71,233	60,074	56,642
Mutual Fund/Institutional Funds . . . . .	34,387	28,865	24,413
AUA . . . . .	244,517	195,441	180,950
<b>Total AUM and AUA . . . . .</b>	<b>\$ 382,708</b>	<b>\$ 316,849</b>	<b>\$ 291,757</b>

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Balance as of beginning of period . . . . .	\$ 121,408	\$ 110,807	\$ 109,693
Deposits . . . . .	18,014	17,071	15,922
Surrenders, benefits and product charges . . . . .	(16,509)	(13,137)	(15,358)
Net flows . . . . .	1,505	3,934	564
Interest credited and investment performance . . . . .	15,278	6,667	550
<b>Balance as of end of period . . . . .</b>	<b>\$ 138,191</b>	<b>\$ 121,408</b>	<b>\$ 110,807</b>

**Retirement - Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

Adjusted operating earnings before income taxes increased \$6 million from \$450 million to \$456 million primarily due to:

- favorable changes in DAC/VOBA unlocking primarily due to annual assumption updates;
- an increase in separate account and institutional/mutual fund AUM driven by equity market improvements and the cumulative impact of positive net flows resulting in higher full service fees;
- growth in general account assets resulting from the cumulative impact of participants' transfers from variable investment options into fixed investment options;
- an increase in alternative investment income primarily driven by market performance; and
- the impact of expense management efforts partially offset by higher expenses due to the growth in business.

The increase was partially offset by:

- unfavorable DAC/VOBA unlocking due to the GMIR initiative which reduces our interest rate exposure on new deposits, transfers and in certain plans existing fixed account assets;
- lower investment yields, including the impact of the continued low interest rate environment;
- lower prepayment fee income; and
- the shift in the business mix from participants' transfers from variable investment options into fixed investment options.

**Retirement - Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**

Adjusted operating earnings before income taxes decreased \$21 million from \$471 million to \$450 million primarily due to:

- lower investment yields, including the impact of the continued low interest rate environment;
- the shift in the business mix from participants' transfers from variable investment options into fixed investment options; and
- higher unfavorable DAC/VOBA unlocking as a result of annual assumption updates.

The decrease was partially offset by:

- growth in the general account assets and an increase in alternative investment income including proceeds from the Lehman Recovery.

**Investment Management**

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Adjusted operating revenues:</b>			
Net investment income and net realized gains (losses) . . . . .	\$ 57	\$ (8)	\$ 1
Fee income . . . . .	632	582	585
Other revenue . . . . .	42	53	36
Total adjusted operating revenues . . . . .	731	627	622
<b>Operating benefits and expenses:</b>			
Operating expenses . . . . .	483	456	440
Total operating benefits and expenses . . . . .	483	456	440
<b>Adjusted operating earnings before income taxes . . . . .</b>	<b>\$ 248</b>	<b>\$ 171</b>	<b>\$ 182</b>

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Investment Management intersegment revenues . . . . .	\$ 118	\$ 114	\$ 110

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Net gain from Lehman Recovery . . . . .	\$ —	\$ 3	\$ —

The following table presents AUM and AUA for our Investment Management segment as of the dates indicated:

	As of December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>AUM:</b>			
Institutional/retail			
Investment Management sourced	\$ 85,804	\$ 73,992	\$ 68,144
Affiliate sourced <sup>(1)</sup>	56,476	54,254	54,403
General account	82,006	82,760	78,174
<b>Total AUM</b>	<b>224,286</b>	<b>211,006</b>	<b>200,721</b>
<b>AUA:</b>			
Affiliate sourced <sup>(2)</sup>	50,018	49,685	48,820
<b>Total AUM and AUA</b>	<b>\$ 274,304</b>	<b>\$ 260,691</b>	<b>\$ 249,541</b>

<sup>(1)</sup> Affiliate sourced AUM includes assets sourced by other segments and also reported as AUM or AUA 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:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Net Flows:</b>			
Investment Management sourced	\$ 5,017	\$ 2,739	\$ (518)
Affiliate sourced	(4,626)	(2,871)	(4,088)
<b>Total</b>	<b>\$ 391</b>	<b>\$ (132)</b>	<b>\$ (4,606)</b>

#### **Investment Management - Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

Adjusted operating earnings before income taxes increased \$77 million from \$171 million to \$248 million primarily due to:

- higher alternative investment income primarily driven by the recovery of accrued carried interest previously reversed in the prior period related to a sponsored private equity fund that experienced market value improvements in the current period; and
- an increase in average AUM driven by market improvements and the cumulative impact of positive net flows resulting in higher management and administrative fees earned.

The increase was partially offset by:

- higher operating expenses including higher compensation related expenses primarily associated with higher operating earnings; and
- lower Other revenue related to performance fees earned in the current period.

#### **Investment Management - Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**

Adjusted operating earnings before income taxes decreased \$11 million from \$182 million to \$171 million primarily due to:

- reversal of previously accrued carried interest related to a sponsored private equity fund; and
- higher compensation and benefit expenses.

The decrease was partially offset by:

- higher performance fees earned in the current period; and
- higher other alternative investment income, including proceeds from a Lehman Recovery.

## Individual Life

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Adjusted operating revenues:</b>			
Net investment income and net realized gains (losses) . . . . .	\$ 860	\$ 857	\$ 879
Fee income . . . . .	1,259	1,209	1,173
Premiums . . . . .	428	446	548
Other revenue . . . . .	16	16	17
Total adjusted operating revenues . . . . .	2,563	2,528	2,617
<b>Operating benefits and expenses:</b>			
Interest credited and other benefits to contract owners/ policyholders . . . . .	1,935	1,973	1,923
Operating expenses . . . . .	275	330	352
Net amortization of DAC/VOBA . . . . .	261	166	169
Total operating benefits and expenses . . . . .	2,471	2,469	2,444
<b>Adjusted operating earnings before income taxes . . . . .</b>	<b>\$ 92</b>	<b>\$ 59</b>	<b>\$ 173</b>

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
DAC/VOBA and other intangibles unlocking <sup>(1)(2)</sup> . . . . .	\$ (160)	\$ (143)	\$ (38)
Net gain from Lehman Recovery . . . . .	—	8	—

<sup>(1)</sup> Includes the impacts of the annual review of assumptions. See *DAC/VOBA and Other Intangibles Unlocking* in Part II, Item 7. of this Annual Report on Form 10-K for further description.

<sup>(2)</sup> Unlocking related to the Net gain from Lehman Recovery is excluded from DAC/VOBA and other intangibles unlocking for the year ended December 31, 2016 (and included in Net gain from Lehman Recovery).

The DAC/VOBA and other intangibles unlocking in the table above includes the net unfavorable impact of the annual review of the assumptions, completed in the third quarter 2017, 2016 and 2015, of \$142 million, \$109 million and \$23 million, respectively. The net unfavorable unlocking in 2017 was driven primarily by reinsurer rate increases, changes in portfolio yields and expense assumptions. The net unfavorable unlocking in 2016 was driven primarily by changes in portfolio yields and reinsurer rate increases. The unlocking in 2015 was driven primarily by higher persistency on less profitable policies.

The following table presents the impact of the annual review of assumptions by line item for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Fee income . . . . .	\$ 35	\$ 9	\$ 15
Interest credited and other benefits to contract owners/policyholders	(97)	(106)	(20)
Net amortization of DAC/VOBA . . . . .	(80)	(12)	(18)
Total . . . . .	\$ (142)	\$ (109)	\$ (23)

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Sales by Product Line:</b>			
Universal life:			
Indexed . . . . .	\$ 73	\$ 80	\$ 72
Accumulation . . . . .	4	5	5
Guaranteed . . . . .	—	—	—
Total universal life . . . . .	77	85	77
Variable life . . . . .	3	3	5
Whole life . . . . .	—	—	—
Term . . . . .	2	12	18
Total sales by product line . . . . .	<u>\$ 82</u>	<u>\$ 100</u>	<u>\$ 100</u>
Total gross premiums and deposits . . . . .	\$ 1,806	\$ 1,798	\$ 1,877
End of period:			
In-force face amount . . . . .	\$ 328,120	\$ 347,070	\$ 357,220
In-force policy count . . . . .	831,936	886,357	926,918
New business policy count (paid) . . . . .	6,532	15,124	20,220

**Individual Life - Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

Adjusted operating earnings before income taxes increased \$33 million from \$59 million to \$92 million primarily due to:

- lower expenses primarily driven by actions taken to simplify the organization;
- higher alternative investment income driven by changes in equity markets, partially offset by the Net gain from Lehman recovery in the prior period; and
- higher underwriting gains net of DAC/VOBA and other intangibles amortization primarily driven by lower overall financing costs and favorable reserve changes related to the run-off of the term block, partially offset by unfavorable net mortality mostly within the non-interest sensitive block.

The increase was partially offset by:

- higher net unfavorable DAC/VOBA and other intangibles unlocking primarily due to annual assumption updates; and
- lower prepayment fee income.

**Individual Life - Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**

Adjusted operating earnings before income taxes decreased \$114 million from \$173 million to \$59 million primarily due to:

- higher net unfavorable DAC/VOBA and other intangibles unlocking, mostly driven by assumption updates;
- unfavorable net mortality driven by higher severity in the current period compared to favorable mortality; and
- favorable reserve refinements in the prior period that did not reoccur.

The decrease was partially offset by:

- lower net intangible amortization driven by lower profits on universal life blocks; and
- an increase in the cost of insurance fees on the aging in-force universal life blocks.

## Employee Benefits

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Adjusted operating revenues:</b>			
Net investment income and net realized gains (losses) . . . . .	\$ 109	\$ 111	\$ 108
Fee income . . . . .	63	62	68
Premiums . . . . .	1,600	1,447	1,337
Other revenue . . . . .	(5)	(4)	(6)
Total adjusted operating revenues . . . . .	1,767	1,616	1,507
<b>Operating benefits and expenses:</b>			
Interest credited and other benefits to contract owners/ policyholders . . . . .	1,293	1,169	1,051
Operating expenses . . . . .	336	306	289
Net amortization of DAC/VOBA . . . . .	11	15	21
Total operating benefits and expenses . . . . .	1,640	1,490	1,361
<b>Adjusted operating earnings before income taxes . . . . .</b>	<b>\$ 127</b>	<b>\$ 126</b>	<b>\$ 146</b>

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

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
DAC/VOBA and other intangibles unlocking <sup>(1)</sup> . . . . .	\$ (2)	\$ (4)	\$ (4)
Net gain from Lehman Recovery . . . . .	—	1	—

<sup>(1)</sup> DAC/VOBA and other intangibles unlocking are included in Fee income, Interest credited and other benefits to contract owners/policyholders and Net amortization of DAC/VOBA and includes the impact of the review of the assumptions. See *DAC/VOBA and Other Intangibles Unlocking* in Part II, Item 7. of this Annual Report on Form 10-K for further description.

The DAC/VOBA and other intangibles unlocking in the table above includes the impact of the annual review of the assumptions, completed in the third quarter 2016 and 2015 of \$1 million and \$(2) million, respectively. The Company had immaterial unlocking in the third quarter 2017. The unlocking in 2016 and 2015 was driven primarily by in-force assumption updates.

The following table presents the impact of the annual review of assumptions by line item for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Fee income . . . . .	\$ —	\$ —	\$ 4
Net amortization of DAC/VOBA . . . . .	—	1	(6)
Total . . . . .	\$ —	\$ 1	\$ (2)

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,		
	2017	2016	2015
<b>Sales by Product Line:</b>			
Group life . . . . .	\$ 52	\$ 61	\$ 54
Group stop loss . . . . .	286	237	270
Other group products . . . . .	33	35	27
Total group products . . . . .	371	333	351
Voluntary products . . . . .	70	56	37
<b>Total sales by product line . . . . .</b>	<b>\$ 441</b>	<b>\$ 389</b>	<b>\$ 388</b>
Total gross premiums and deposits . . . . .	\$ 1,806	\$ 1,643	\$ 1,529
Total annualized in-force premiums . . . . .	1,849	1,714	1,604
<b>Loss Ratios:</b>			
Group life (interest adjusted) . . . . .	76.0%	77.2%	75.6%
Group stop loss . . . . .	82.7%	78.4%	71.5%

**Employee Benefits - Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

Adjusted operating earnings before income taxes increased \$1 million from \$126 million to \$127 million primarily due to:

- higher premiums driven by growth of the stop loss and voluntary business;
- favorable group life and voluntary experience;
- a favorable reserve refinement related to expired claims on the stop loss block; excluding the effect of this refinement, the loss ratio for stop loss is 83.7% for the current period; and
- the current and prior periods both benefited from favorable voluntary reserve refinements.

The increase was partially offset by:

- higher benefits incurred due to a higher loss ratio on stop loss and growth of the business; and
- higher volume related expenses associated with growth of the stop loss and voluntary business.

**Employee Benefits - Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**

Adjusted operating earnings before income taxes decreased \$20 million from \$146 million to \$126 million primarily due to:

- higher benefits incurred and higher commissions.

The decrease was partially offset by:

- higher premiums driven by growth of the business;
- favorable reserve refinement in the current period; and
- the current period group stop loss and group life loss ratios are within the expected range although higher than the prior period.

## Corporate

The following table presents Adjusted operating earnings before income taxes of Corporate for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2017	2016	2015
<b>Adjusted operating revenues:</b>			
Net investment income and net realized gains (losses) . . . . .	\$ 246	\$ 277	\$ 328
Fee income . . . . .	110	100	103
Premiums . . . . .	82	72	65
Other revenue . . . . .	9	2	1
Total adjusted operating revenues . . . . .	447	451	497
<b>Operating benefits and expenses:</b>			
Interest credited and other benefits to contract owners/ policyholders . . . . .	249	307	272
Operating expenses . . . . .	396	417	352
Net amortization of DAC/VOBA . . . . .	11	17	12
Interest Expense . . . . .	186	187	189
Total operating benefits and expenses . . . . .	842	928	825
<b>Adjusted operating earnings before income taxes<sup>(1)</sup></b> . . . . .	<b>\$ (395)</b>	<b>\$ (477)</b>	<b>\$ (328)</b>

<sup>(1)</sup> Includes insignificant amounts related to net investment gains (losses) and changes in fair value of derivatives related to guaranteed benefits associated with the Retained Business.

The following table presents information about our Operating expenses of Corporate for the periods indicated:

(\$ in millions)	Year Ended December 31,		
	2017	2016	2015
Strategic Investment Program . . . . .	\$ 80	\$ 117	\$ 79
Amortization of intangibles . . . . .	35	36	37
Other <sup>(1)</sup> . . . . .	281	264	236
<b>Total Operating expenses</b> . . . . .	<b>\$ 396</b>	<b>\$ 417</b>	<b>\$ 352</b>

<sup>(1)</sup> Includes expense from corporate operations, Retained Business and other closed blocks, and expense not allocated to our segments, including Stranded Costs.

### Corporate - Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Adjusted operating earnings before income taxes increased \$82 million from a loss of \$477 million to a loss of \$395 million primarily due to:

- lower spending in our Strategic Investment Program;
- residual activity from Retained Business, which will have volatility due to the nature of the block;
- lower legal costs primarily due to lower reserves with respect to several litigation and regulatory matters; and
- lower losses in our run-off block of business primarily due to an increase in recognition of deferred prepayment penalties associated with the early termination of certain FHLB funding agreements in the prior period.

The increase was partially offset by:

- higher net compensation and benefit adjustments.

**Corporate - Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**

Adjusted operating earnings before income taxes decreased \$149 million from a loss of \$328 million to a loss of \$477 million primarily related to:

- higher spending in our Strategic Investment Program;
- higher operating expenses, including net compensation adjustments, as well as higher legal costs primarily due to higher reserves with respect to several litigation and regulatory matters;
- losses in our run-off blocks of business included:
  - higher Interest credited and other benefits to contract owners/policyholders primarily due to an increase in recognition of deferred prepayment penalties associated with the early termination of certain FHLB funding agreements;
  - lower Net investment income and net realized gains (losses) primarily due to declines in the block size of GICs and funding agreements; and
  - lower earnings as a result of the Second Quarter 2015 Reinsurance Transaction (Defined in *Liquidity and Capital Resources-Reinsurance* in Part II, Item 7. of this Annual Report on Form 10-K); and
- residual activity from Retained Business, which will have volatility due to the nature of the block.

**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 in segment Adjusted 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 net asset value ("NAV") of these funds. The investment income on alternative investments shown below for the periods stated excludes the net investment income from Lehman Recovery/LIHTC.

While investment income on these assets can be volatile, based on current plans, we expect to earn 8.0% to 9.0% on these assets over the long-term.

The following table presents the investment income for the years ended December 31, 2017, 2016 and 2015, respectively, and the average assets of alternative investments as of the dates indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Retirement:</b>			
Alternative investment income . . . . .	\$ 62	\$ 16	\$ 9
Average alternative investments . . . . .	517	438	407
<b>Investment Management:</b>			
Alternative investment income <sup>(1)</sup> . . . . .	57	(11)	1
Average alternative investments . . . . .	229	181	187
<b>Individual Life:</b>			
Alternative investment income . . . . .	30	8	5
Average alternative investments . . . . .	259	188	172
<b>Employee Benefits:</b>			
Alternative investment income . . . . .	6	2	1
Average alternative investments . . . . .	49	42	41
<b>Corporate:<sup>(2)</sup></b>			
Alternative investment income . . . . .	26	10	10
Average alternative investments . . . . .	208	191	234
<b>Total<sup>(3)</sup></b>			
Alternative investment income . . . . .	\$ 181	\$ 25	\$ 26
Average alternative investments . . . . .	\$ 1,262	\$ 1,040	\$ 1,041

- <sup>(1)</sup> Includes the recovery of \$25 million in 2017 of previously reversed accrued carried interest related to a private equity fund which experienced an increase in fund performance and the reversal of \$30 million in 2016 of previously accrued carried interest related to a private equity fund which experienced significant declines in the market value of its investment portfolio.
- <sup>(2)</sup> Effective in the second quarter of 2015, approximately \$110 million of alternative assets previously allocated to excess capital in Corporate was allocated to all segments in proportion to each segment's target statutory capital. Corporate includes alternative investments that are not components of the CBVA and Annuities businesses held for sale.
- <sup>(3)</sup> Excludes alternative investments and income that are a component of Assets held for sale and Income (loss) from discontinued operations, net of tax, respectively.

### ***DAC/VOBA and Other Intangibles Unlocking***

Changes in Adjusted operating earnings before income taxes and Net income (loss) are influenced by increases and decreases in amortization of DAC, VOBA, deferred sales inducements ("DSI"), and unearned revenue ("URR") (collectively, "DAC/VOBA and other intangibles"). For Individual Life, changes in Adjusted operating earnings before income taxes and Net income (loss) are also influenced by increases and decreases in amortization of net cost of reinsurance, as well as by changes in reserves associated with UL and variable universal life ("VUL") secondary guarantees and paid-up guarantees. Unlocking, described below, related to DAC, VOBA, DSI and URR, as well as amortization of net cost of reinsurance and reserve adjustments associated with UL and VUL secondary guarantees and paid-up guarantees are referred to as "DAC/VOBA and other intangibles unlocking." See the "Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles," "Reinsurance," and "Future Policy Benefits and Contract Owner Account Balances" sections in the *Business, Basis of Presentation and Significant Accounting Policies* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for more information.

We amortize DAC/VOBA and other intangibles related to universal life-type contracts and fixed and variable deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits. Net cost of reinsurance is amortized in a similar manner. 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, 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, which is referred to as unlocking. As a result of this process, the cumulative balances of DAC/VOBA and other intangibles and net cost of reinsurance 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. Changes in DAC/VOBA and other intangibles and net cost of reinsurance due to contract changes or contract terminations higher than estimated are also included in "unlocking." 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. As a result of unlocking, the amortization schedules for future periods are also adjusted.

Reserves for UL and VUL 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. At each valuation date, we evaluate these assumptions and, if actual experience or other evidence suggests that earlier assumptions should be revised, we adjust the reserve balance, with a related charge or credit to Policyholder benefits. These reserve adjustments are included in unlocking associated with all our segments.

We also review the estimated gross profits for each of our blocks of business to determine recoverability of DAC, VOBA and DSI balances each period. If these assets are deemed to be unrecoverable, a write-down is recorded that is referred to as loss recognition. During the year ended December 31, 2017, our reviews resulted in loss recognition related to the re-definition of our contract groupings for premium deficiency testing purposes in the Retained Business of \$43 million, which is excluded from Adjusted operating earnings before income taxes as it was driven by the decision to dispose of substantially all of our Annuities businesses and therefore is not indicative of future results. During the year ended December 31, 2016, our reviews resulted in loss recognition in CBVA of \$313 million, before income taxes, included in Income (loss) from discontinued operations, net of tax, of which \$78 million and \$19 million related to DAC/VOBA and DSI, respectively. The loss recognition also included the establishment of \$216 million premium deficiency reserve. For our continued operations, our reviews resulted in loss recognition of \$8 million, before income taxes, of which \$7 million was related to DAC/VOBA. The remaining loss recognition of \$1 million was related to the establishment of premium deficiency reserves. There was no loss recognition for 2015. Refer to *Critical Accounting Judgments and Estimates* in Part II, Item 7. of this Annual Report on Form 10-K for more information.

During the third quarter of 2017, we completed our annual review of the assumptions, including projection model inputs, in each of our segments (except for Investment Management segment and Corporate, for which assumption reviews are not relevant). As a result of this review, we made a number of changes to our assumptions resulting in a net unfavorable impact of \$189 million to Adjusted operating earnings before income taxes in the current period, compared to an unfavorable impact of \$191 million in the third quarter of 2016 and an unfavorable impact of \$64 million in the third quarter of 2015. These are included in the DAC/VOBA and other intangibles unlocking.

The following table presents the amount of DAC/VOBA and other intangibles unlocking that is included in segment Adjusted operating earnings before income taxes for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Retirement . . . . .	\$ (137)	\$ (66)	\$ (37)
Individual Life . . . . .	(160)	(143)	(38)
Employee Benefits . . . . .	(2)	(4)	(4)
<b>Total DAC/VOBA and other intangibles unlocking<sup>(1)(2)(3)</sup></b> . . . . .	<b>\$ (299)</b>	<b>\$ (213)</b>	<b>\$ (79)</b>

<sup>(1)</sup> Includes unlocking related to cost of reinsurance and secondary and paid-up guarantees.

<sup>(2)</sup> Includes the impacts of the annual review of assumptions.

<sup>(3)</sup> Unlocking related to the Net gain from Lehman Recovery is excluded from DAC/VOBA and other intangibles unlocking for the year ended December 31, 2016.

### 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, share repurchases, 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 Voya Financial, Inc. from the cash flow needs of the Company as a whole. Voya Financial, Inc. is largely dependent on cash flows from its operating subsidiaries to meet its obligations. The principal sources of funds available to Voya Financial, 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 Voya Financial, Inc.'s access to the \$750 million revolving credit sublimit of its Second Amended and Restated Credit Agreement 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.

Voya Financial, Inc.'s primary sources and uses of cash for the periods indicated are presented in the following table:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
<b>Beginning cash and cash equivalents balance</b> . . . . .	\$ 257	\$ 377	\$ 682
<b>Sources:</b>			
Proceeds from loans from subsidiaries, net of repayments . . . . .	408	11	—
Dividends and returns of capital from subsidiaries . . . . .	1,093	977	1,709
Repayment of loans to subsidiaries, net of new issuances . . . . .	87	52	—
Proceeds from 2026 Notes offering . . . . .	—	499	—
Proceeds from 2046 Notes offering . . . . .	—	300	—
Proceeds from 2024 Notes offering . . . . .	399	—	—
Amounts received from subsidiaries under tax sharing agreements, net	—	—	109
Receipt of income taxes, net . . . . .	154	—	—
Other, net . . . . .	—	6	—
Total sources . . . . .	<u>2,141</u>	<u>1,845</u>	<u>1,818</u>
<b>Uses:</b>			
Repurchase of Senior Notes . . . . .	490	660	—
Premium paid and other fees related to debt extinguishment . . . . .	4	84	—
Payment of interest expense . . . . .	138	156	144
Capital provided to subsidiaries . . . . .	467	215	—
New issuances of loans to subsidiaries, net of repayments . . . . .	—	—	161
Amounts paid to subsidiaries under tax sharing arrangements, net . . . . .	104	68	—
Payment of income taxes, net . . . . .	—	64	77
Debt issuance costs . . . . .	3	16	7
Common stock acquired - Share repurchase . . . . .	923	687	1,487
Share-based compensation . . . . .	8	7	5
Dividends paid . . . . .	8	8	9
Acquisition of short term investments . . . . .	—	—	212
Other, net . . . . .	9	—	21
Total uses . . . . .	<u>2,154</u>	<u>1,965</u>	<u>2,123</u>
Net decrease in cash and cash equivalents . . . . .	<u>(13)</u>	<u>(120)</u>	<u>(305)</u>
<b>Ending cash and cash equivalents balance</b> . . . . .	<u>\$ 244</u>	<u>\$ 257</u>	<u>\$ 377</u>

**Share Repurchase Program and Dividends to Shareholders**

On March 13, 2014, our Board of Directors authorized a share repurchase program, pursuant to which we may, from time to time, purchase shares of our common shares through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase transactions or tender offers.

Since 2014, our Board of Directors has periodically renewed our authority to repurchase our shares. As of December 31, 2017, we are authorized to repurchase shares up to an aggregate purchase price of \$511 million, with such authorization expiring (unless subsequently extended) December 31, 2018.

During the year ended December 31, 2015, we repurchased 13,599,274 shares of our common stock from ING Group for an aggregate purchase price of \$600 million, 14,960,463 shares of our common stock in open market repurchases for an aggregate purchase price of \$640 million and 5,788,306 shares of our common stock under an accelerated share repurchase arrangement for an aggregate purchase price \$250 million.

During the year ended December 31, 2016, we repurchased 11,313,031 shares of our common stock in open market repurchases for an aggregate purchase price of \$337 million and 5,690,254 shares of our common stock under an accelerated share repurchase arrangement for an aggregate purchase price of \$150 million. In addition, on November 3, 2016, we entered into a further share repurchase arrangement with a third-party financial institution, pursuant to which we made an up-front payment of \$200 million during the fourth quarter of 2016, and received delivery of 5,216,025 shares during the first quarter of 2017.

During the year ended December 31, 2017, we repurchased 7,437,994 shares of our common stock in open market repurchases for an aggregate purchase price of \$273 million and 3,986,647 shares of our common stock under a share repurchase arrangement with a third-party financial institution for an aggregate purchase price of \$150 million. In addition, on December 26, 2017, we entered into a further share repurchase arrangement with a third-party financial institution, pursuant to which we made an up-front payment of \$500 million and received initial delivery of 7,821,666 shares during the fourth quarter of 2017. The transaction is scheduled to terminate during the first quarter of 2018, at which time additional shares may be delivered or returned depending on the daily volume-weighted average price of our common stock. This share repurchase arrangement reduced the remaining amount of our share repurchase authorization to \$511 million as of December 31, 2017.

On February 1, 2018, the Board of Directors provided its most recent share repurchase authorization, increasing the aggregate amount of the Company's common stock authorized for repurchase by \$500 million. The current share repurchase authorization expires on December 31, 2018 (unless extended), and does not obligate the Company to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by the Board of Directors at any time.

The following table summarizes our return of capital to common shareholders:

*(\$ in millions)*

	Year Ended December 31,		
	2017	2016	2015
Dividends to shareholders . . . . .	\$ 8	\$ 8	\$ 9
Repurchase of common shares . . . . .	1,023	487	1,490
Total capital returned to shareholders . . . . .	<u>\$ 1,031</u>	<u>\$ 495</u>	<u>\$ 1,499</u>

**Liquidity**

We manage liquidity through access to substantial investment portfolios as well as a variety of other sources of liquidity including committed credit facilities, securities lending and repurchase agreements. Our asset-liability management ("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.

**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 Voya Financial, Inc. and of its insurance company subsidiaries and general macroeconomic conditions.

As of December 31, 2017, we had \$337 million short-term debt borrowings outstanding consisting entirely of current portion of long-term debt.

The following table summarizes our borrowing activities for the year ended December 31, 2017:

<i>(\$ in millions)</i>	<b>Beginning Balance</b>	<b>Issuance</b>	<b>Maturities and Repayment</b>	<b>Other Changes</b>	<b>Ending Balance</b>
<b>Long-Term Debt:</b>					
Debt securities .....	\$ 3,545	\$ 400	\$ (490)	\$ —	\$ 3,455
Windsor property loan .....	5	—	—	—	5
Subtotal .....	3,550	400	(490)	—	3,460
Less: Current portion of long-term debt ..	—	—	(490)	827	337
Total long-term debt .....	<u>\$ 3,550</u>	<u>\$ 400</u>	<u>\$ —</u>	<u>\$ (827)</u>	<u>\$ 3,123</u>

We did not have any short-term debt borrowings outstanding as of December 31, 2016. The following table summarizes our borrowing activities for the year ended December 31, 2016:

<i>(\$ in millions)</i>	<b>Beginning Balance</b>	<b>Issuance</b>	<b>Maturities and Repayment</b>	<b>Other Changes</b>	<b>Ending Balance</b>
<b>Long-Term Debt:</b>					
Debt securities .....	\$ 3,455	\$ 798	\$ (708)	\$ —	\$ 3,545
Windsor property loan .....	5	—	—	—	5
Subtotal .....	3,460	798	(708)	—	3,550
Less: Current portion of long-term debt ..	—	—	—	—	—
Total long-term debt .....	<u>\$ 3,460</u>	<u>\$ 798</u>	<u>\$ (708)</u>	<u>\$ —</u>	<u>\$ 3,550</u>

As of December 31, 2017, we were in compliance with our debt covenants.

### **Debt Securities**

#### *Senior Notes*

On July 13, 2012, Voya Financial, Inc. issued \$850 million of unsecured 5.5% Senior Notes due 2022 (the "2022 Notes") in a private placement with registration rights. The 2022 Notes are guaranteed by Voya Holdings Inc. ("Voya Holdings"), a wholly owned subsidiary of Voya Financial, Inc. Interest is paid semi-annually, in arrears, on each January 15 and July 15.

On February 11, 2013, Voya Financial, Inc. issued \$1.0 billion of unsecured 2.9% Senior Notes due 2018 (the "2018 Notes") in a private placement with registration rights. The 2018 Notes are guaranteed by Voya Holdings. Interest is paid semi-annually, in arrears, on each February 15 and August 15.

On July 26, 2013, Voya Financial, Inc. issued \$400 million of unsecured 5.7% Senior Notes due 2043 (the "2043 Notes") in a private placement with registration rights. The 2043 Notes are guaranteed by Voya Holdings. Interest is paid semi-annually on each January 15 and July 15.

The 2022 Notes, 2018 Notes and 2043 Notes were the subject of SEC-registered exchange offers during 2013, pursuant to which our registration obligations with respect to each of these series were satisfied.

On June 13, 2016, Voya Financial, Inc. issued \$500 million of unsecured 3.65% Senior Notes due 2026 (the "2026 Notes") and \$300 million of unsecured 4.8% Senior Notes due 2046 (the "2046 Notes") in a registered public offering. The 2026 Notes and 2046 Notes are fully, irrevocably and unconditionally guaranteed by Voya Holdings. Interest is paid semi-annually, in arrears, on each June 15 and December 15.

On July 5, 2017, Voya Financial, Inc. issued \$400 million of unsecured 3.125% Senior Notes due July 15, 2024 (the "2024 Notes") in a registered public offering. The 2024 Notes are fully, irrevocably and unconditionally guaranteed by Voya Holdings. Interest is paid semi-annually, in arrears on January 15 and July 15 of each year, commencing on January 15, 2018. The offering resulted in aggregate net proceeds to the Company of \$395 million, after deducting commissions and expenses. We used all of the net proceeds of the offering to redeem a portion of our 2018 Notes and to pay accrued interest, related premiums, fees and expenses.

As of December 31, 2017 and 2016, Voya Financial, Inc. had an aggregate principal amount outstanding for 2018 Notes, 2022 Notes, 2024 Notes, 2026 Notes, 2043 Notes and 2046 Notes (collectively, the "Senior Notes") of \$2,300 million and \$2,390 million, respectively. We may elect to redeem all or any portion of the Senior Notes at any time at a redemption price equal to the principal amount redeemed, or, if greater, a "make-whole redemption price," plus, in each case accrued and unpaid interest.

During the year ended December 31, 2016, Voya Financial, Inc. repurchased \$487 million and \$173 million of the outstanding principal amounts of the 2022 Notes and the 2018 Notes, respectively. In connection with these transactions, the Company incurred a loss on debt extinguishment of \$88 million for the year ended December 31, 2016, which was recorded in Interest expense in the Consolidated Statements of Operations.

During the year ended December 31, 2017, Voya Financial, Inc. repurchased \$90 million and redeemed \$400 million in aggregate principal amounts of the outstanding 2018 Notes, following which, \$337 million aggregate principal amount of 2018 Notes remained outstanding. In connection with these transactions, we incurred a loss on debt extinguishment of \$4 million for the year ended December 31, 2017, which was recorded in Interest expense in the Consolidated Statements of Operations.

On February 15, 2018, the remaining 2018 Notes matured and Voya Financial paid the principal and interest due.

#### *Junior Subordinated Notes*

On May 16, 2013, Voya Financial, Inc. issued \$750 million of 5.65% Fixed-to-Floating Rate Junior Subordinated Notes due 2053 (the "2053 Notes") in a private placement with registration rights. The 2053 Notes are guaranteed on an unsecured, junior subordinated basis by Voya Holdings. Interest is paid semi-annually, in arrears, on each May 15 and November 15, at a fixed rate of 5.65% until May 15, 2023. From May 15, 2023, the 2053 Notes bear interest at an annual rate equal to three-month London Interbank Offered Rates ("LIBOR") plus 3.58% payable quarterly, in arrears, on February 15, May 15, August 15 and November 15. So long as no event of default with respect to the 2053 Notes has occurred and is continuing, we have the right on one or more occasions, to defer the payment of interest on the 2053 Notes for one or more consecutive interest periods for up to five years. During the deferral period, interest will continue to accrue at the then-applicable rate and deferred interest will bear additional interest at the then-applicable rate.

At any time following notice of our plan to defer interest and during the period interest is deferred, we and our subsidiaries generally, with certain exceptions, may not make payments on or redeem or purchase any shares of our common stock or any of the debt securities or guarantees that rank in liquidation on a parity with or are junior to the 2053 Notes.

We may elect to redeem the 2053 Notes (i) in whole at any time or in part on or after May 15, 2023 at a redemption price equal to the principal amount plus accrued and unpaid interest. If the notes are not redeemed in whole, \$25 million of aggregate principal (excluding the principal amount of the 2053 Notes held by us or our affiliates) must remain outstanding after giving effect to the redemption; or (ii) in whole, but not in part, at any time prior to May 15, 2023 within 90 days after the occurrence of a "tax event" or "rating agency event", as defined in the 2053 Notes offering memorandum, at a redemption price equal to the principal amount, or, if greater, a "make-whole redemption price," as defined in the 2053 Notes offering memorandum, plus, in each case accrued and unpaid interest.

The 2053 Notes were the subject of an SEC-registered exchange offer during 2013, pursuant to which our registration obligations with respect to the 2053 Notes were satisfied.

On January 23, 2018, Voya Financial, Inc. completed an offering, through a private placement, of \$350 million aggregate principal amount of 4.7% Fixed-to-Floating Rate Junior Subordinated Notes due 2048 (the "2048 Notes"). The 2048 Notes are guaranteed on an unsecured, junior subordinated basis by Voya Holdings. We used the net proceeds from the offering to repay at maturity our 2018 Notes and to pay accrued interest thereon. The remaining proceeds after the repayment of the 2018 Notes were used for general corporate purposes.

Interest is paid on the 2048 Notes semi-annually, in arrears, on each January 23 and July 23, at a fixed rate of 4.7% until January 23, 2028. From January 23, 2028, the 2048 Notes bear interest at an annual rate equal to three-month LIBOR plus 2.084% payable quarterly, in arrears, on January 23, April 23, July 23 and October 23. So long as no event of default with respect to the 2048 Notes has occurred and is continuing, we have the right on one or more occasions, to defer the payment of interest on the 2048 Notes for one or more consecutive interest periods for up to five years. During the deferral period, interest will continue to accrue at the then-applicable rate and deferred interest will bear additional interest at the then-applicable rate.

At any time following notice of our plan to defer interest and during the period interest is deferred, we and our subsidiaries generally, with certain exceptions, may not make payments on or redeem or purchase any shares of our common stock or any of the debt securities or guarantees that rank in liquidation on a parity with or are junior to the 2048 Notes.

We may elect to redeem the 2048 Notes (i) in whole at any time or in part on or after January 23, 2028 at a redemption price equal to the principal amount plus accrued and unpaid interest. If the notes are not redeemed in whole, \$25 million of aggregate principal (excluding the principal amount of the 2048 Notes held by us or our affiliates) must remain outstanding after giving effect to the redemption; or (ii) in whole, but not in part, at any time prior to January 23, 2028 within 90 days after the occurrence of a "tax event", a "rating agency event" or a "regulatory capital event", as defined in the 2048 Notes offering memorandum, at a redemption price equal to (a) with respect to a "rating agency event" 102% of their principal amount and (ii) with respect to a "tax event" or a "regulatory capital event", their principal amount, in each case plus accrued and unpaid interest.

Pursuant to a registration rights agreement that we have entered into with respect to the 2048 Notes, we have agreed to use commercially reasonable efforts to file a registration statement with respect to the 2048 Notes within 320 days from the closing date.

#### *Put Option Agreement for Senior Debt Issuance*

On March 17, 2015, we entered into an off-balance sheet ten-year put option agreement with a Delaware trust that we formed, in connection with the completion of the sale by the trust of \$500 million aggregate amount of pre-capitalized trust securities redeemable February 15, 2025 ("P-Caps") in a Rule 144A private placement. The trust invested the proceeds from the sale of the P-Caps in a portfolio of principal and interest strips of U.S. Treasury securities. The put option agreement provides Voya Financial, Inc. the right to sell to the trust at any time up to \$500 million of its 3.976% Senior Notes due 2025 ("3.976% Senior Notes") and receive in exchange a corresponding amount of the principal and interest strips of U.S. Treasury securities held by the trust. The 3.976% Senior Notes will not be issued unless and until the put option is exercised. In return, we agreed to pay a semi-annual put premium to the trust at a rate of 1.875% per annum applied to the unexercised portion of the put option, and to reimburse the trust for its expenses. The put premium is recorded in Operating expenses in the Consolidated Statements of Operations. The 3.976% Senior Notes will be fully, irrevocably and unconditionally guaranteed by Voya Holdings. Our obligations under the put option agreement and the expense reimbursement agreement with the trust are also guaranteed by Voya Holdings.

The put option agreement with the trust provides Voya Financial, Inc. with a source of liquid assets, which could be used to meet future financial obligations or to provide additional capital.

The put option described above will be exercised automatically in full if we fail to make certain payments to the trust, including any failure to pay the put option premium or expense reimbursements when due, if such failure is not cured within 30 days, and upon certain bankruptcy event involving us or Voya Holdings. We are also required to exercise the put option in full: (i) if we reasonably believe that our consolidated shareholders' equity, calculated in accordance with U.S. GAAP but excluding Accumulated other comprehensive income (loss) and Noncontrolling interest, has fallen below \$3.0 billion, subject to adjustment in certain cases; (ii) upon the occurrence of an event of default under the 3.976% Senior Notes; and (iii) if certain events occur relating to the trust's status as an "investment company" under the Investment Company Act of 1940.

We have a one-time right to unwind a prior voluntary exercise of the put option by repurchasing all of the 3.976% Senior Notes then held by the trust in exchange for a corresponding amount of U.S. Treasury securities. If the put option has been fully exercised, the 3.976% Senior Notes issued may be redeemed by us prior to their maturity at par or, if greater, at a make-whole redemption price, in each case plus accrued and unpaid interest to the date of redemption. The P-Caps are to be redeemed by the trust on February 15, 2025 or upon any early redemption of the 3.976% Senior Notes.

#### *Aetna Notes*

As of December 31, 2017 and December 31, 2016, Voya Holdings had outstanding \$146 million principal amount of 7.25% Debentures due August 15, 2023, \$187 million principal amount of 7.63% Debentures due August 15, 2026, and \$93 million principal amount of 6.97% Debentures due August 15, 2036 (collectively, the "Aetna Notes"), which were issued by a predecessor of Voya 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 million principal amount of 8.42% Series B Capital Securities due April 1, 2027 (the "Equitable Notes"). ING Group guarantees the Aetna Notes. The Equitable Notes are guaranteed by Voya Financial, Inc.

During the year ended December 31, 2016, Voya Holdings repurchased \$15 million, \$16 million, and \$17 million of the outstanding principal amount of 6.97% Debentures due August 15, 2036, 7.63% Debentures due August 15, 2026, and 7.25% Debentures due

August 15, 2023, respectively. In connection with these transactions, we incurred a loss on debt extinguishment of \$17 million for the year ended December 31, 2016, which was recorded in Interest expense in the Consolidated Statements of Operations.

Concurrent with the completion of our Initial Public Offering ("IPO"), we entered into a shareholder agreement with ING Group that governs certain aspects of our continuing relationship. We agreed to reduce the aggregate outstanding principal amount of Aetna Notes to:

- no more than \$200 million as of December 31, 2017;
- no more than \$100 million as of December 31, 2018;
- and zero as of December 31, 2019.

The reduction in principal amount of Aetna Notes can be accomplished, at our option, through redemptions, repurchases or other means, but will also be deemed to have been reduced to the extent we post collateral with a third-party collateral agent, for the benefit of ING Group, which may consist of cash collateral; certain investment-grade debt instruments; LOCs meeting certain requirements; or senior debt obligations of ING Group or a wholly owned subsidiary of ING Group.

If we fail to reduce the outstanding principal amount of the Aetna Notes by the means noted above, we agreed to pay a quarterly fee (ranging from 0.75% per quarter for 2017 to 1.25% per quarter for 2019) to ING Group based on the outstanding principal amount of Aetna Notes which exceed the limits set forth above.

As of December 31, 2017 and 2016, the outstanding principal amounts of Aetna Notes were \$426 million. For the years ended December 31, 2017 and 2016, the amounts of collateral required to avoid the payment of a fee to ING Group were \$226 million and \$127 million, respectively. On December 30, 2015, we exercised our option to establish a control account benefiting ING Group with a third-party collateral agent. During the years ended December 31, 2017 and 2016, we deposited \$104 million and \$50 million of collateral, respectively, increasing the remaining collateral balance to \$231 million and \$127 million, respectively. The cash collateral may be exchanged at any time upon the posting of any other form of acceptable collateral to the account.

On January 16, 2018, Voya Holdings repurchased \$10 million of the outstanding principal amount of 7.63% Debentures due August 15, 2026. In connection with this transaction, the Company incurred a loss on debt extinguishment of \$3 million which will be recorded in Interest expense in the Consolidated Statements of Operations in the first quarter of 2018.

### ***Senior Unsecured Credit Facility***

Effective May 6, 2016, we revised the terms of our Amended and Restated Revolving Credit Agreement ("Amended Credit Agreement"), dated February 14, 2014, by entering into a Second Amended and Restated Revolving Credit Agreement ("Second Amended and Restated Credit Agreement") with a syndicate of banks, a large majority of which participated in the Amended Credit Agreement. The Second Amended and Restated Credit Agreement modifies the Amended Credit Agreement by extending the term of the agreement to May 6, 2021 and reducing the total amount of LOCs that may be issued from \$3.0 billion to \$2.25 billion. The revolving credit sublimit of \$750 million present in the Amended Credit Agreement remained unchanged.

As of December 31, 2017, there were no amounts outstanding as revolving credit borrowings and an immaterial amount of LOCs outstanding under the senior unsecured credit facility.

On January 24, 2018, we further amended the Second Amended and Restated Credit Agreement, dated as of May 6, 2016, by entering into a Second Amendment to the Second Amended and Restated Revolving Credit Agreement ("Second Amendment") with the lenders thereunder. The Second Amendment modifies the Second Amended and Restated Credit Agreement by requiring us to maintain a minimum net worth in light of the classification of substantially all of our CBVA and Annuities businesses to businesses held for sale. Upon entering into the MTA for the Transaction, the Company recorded an estimated loss on sale in the fourth quarter of 2017. Consequently, Voya Financial, Inc. is now required to maintain a minimum net worth equal to the greater of (i) \$6 billion or (ii) 75% of our actual net worth as of December 31, 2017 (as calculated in the manner set forth in the Second Amended Credit Agreement). The minimum net worth amount may increase upon any future equity issuances by us or if the Transaction does not close. The Second Amendment also provides that, upon the closing of the Transaction, the total amount of LOCs that may be issued shall be reduced from \$2.25 billion to \$1.25 billion. The \$750 million sublimit available for direct borrowings remains unchanged.

### ***Other Credit Facilities***

We use credit facilities primarily to provide collateral required under our affiliated reinsurance transactions as well as certain third-party reinsurance arrangements to which Security Life of Denver International Limited ("SLDI"), one of our Arizona captives, 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 statutory reserve requirements. By reinsuring business to our captive reinsurance subsidiaries and our Arizona captives, we are able to use alternative sources of collateral to fund the statutory reserve requirements and are generally able to secure longer term financing on a more capital efficient basis.

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 Life Reassurance Company of America ("Hannover US") and Hannover Re (Ireland) Limited ("HLRI") (collectively, "Hannover Re"). Pursuant to the MPA, we recaptured individual life reinsurance business that 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 refer to this block as the Hannover Re block and its results are reported as part of Corporate.

Prior to September 24, 2015, we were obligated to maintain collateral for the statutory reserve requirements associated with Statutory Regulations XXX and AG38 on the business transferred from us to Hannover Re. On September 24, 2015, we entered into a Hannover Re Buyer Facility Agreement ("Buyer Facility Agreement") among Hannover Life Reassurance Company of America, Hannover Re (Ireland) Limited, Hannover Ruck SE, Voya Financial, Inc. and SLDI. Under the Buyer Facility Agreement, the existing collateral, which had been provided by SLDI supporting the reserves on the Hannover Re block, was replaced by a \$1.5 billion senior unsecured floating rate note issued by Hannover Ruck SE and deposited into a reserve credit trust established by SLDI for the benefit of Security Life of Denver Insurance Company ("SLD"). Consequently, our financing expenses associated with collateral for reinsurance between SLD and SLDI covering individual reinsurance business have been eliminated and, therefore, we anticipate future savings.

In addition to the \$3.2 billion of credit facilities utilized by Individual Life, Retirement and Hannover Re block, \$47 million of LOCs were outstanding to support miscellaneous requirements. In total, \$3.2 billion of credit facilities were utilized as of December 31, 2017. As of December 31, 2017, the capacity of our unsecured and uncommitted credit facilities totaled \$496 million and the capacity of our unsecured and committed credit facilities totaled \$6.2 billion. We also have \$205 million in secured facilities.

The following table summarizes our credit facilities, including our senior unsecured credit facility, as of December 31, 2017:

(\$ in millions)

Obligor / Applicant	Business Supported	Secured/Unsecured	Committed/Uncommitted	Expiration	Capacity	Utilization	Unused Commitment
Voya Financial, Inc. . . . .	Other	Unsecured	Committed	05/06/2021	\$ 2,250	\$ —	\$ 2,250
SLDI. . . . .	Retirement	Unsecured	Committed	01/24/2018	175	175	—
Voya Financial, Inc. / Langhorne I, LLC . . . . .	Retirement	Unsecured	Committed	01/15/2019	500	—	500
SLDI. . . . .	Hannover Re	Unsecured	Committed	10/29/2023	61	61	—
Voya Financial, Inc. / SLDI. . . . .	Individual Life	Unsecured	Committed	12/31/2025	475	475	—
Voya Financial, Inc. / SLDI. . . . .	Individual Life	Unsecured	Committed	07/01/2037	1,525	1,292	233
Voya Financial, Inc. <sup>(1)</sup> . . . . .	Individual Life	Secured	Committed	02/11/2021	195	195	—
Voya Financial, Inc. . . . .	Other	Unsecured	Uncommitted	Various	1	1	—
Voya Financial, Inc. . . . .	Other	Secured	Uncommitted	Various	10	1	—
Voya Financial, Inc. / Roaring River LLC . . . . .	Individual Life	Unsecured	Committed	10/01/2025	425	328	97
Voya Financial, Inc. / Roaring River IV, LLC. . . . .	Individual Life	Unsecured	Committed	12/31/2028	565	295	270
Voya Financial, Inc. / SLDI <sup>(1)</sup> . . . . .	Other	Unsecured	Uncommitted	04/20/2018	300	45	—
Voya Financial, Inc. <sup>(1)</sup> . . . . .	Individual Life	Unsecured	Committed	12/09/2021	195	161	34
Voya Financial, Inc. <sup>(1)</sup> . . . . .	Hannover Re	Unsecured	Uncommitted	01/20/2022	195	168	—
Total . . . . .					<u>\$ 6,872</u>	<u>\$ 3,197</u>	<u>\$ 3,384</u>

<sup>(1)</sup>In addition to the Second Amendment, as of January 30, 2018, we entered into amendments to these credit facilities with the lenders thereunder. Consequently, Voya Financial, Inc. is now required to maintain a minimum net worth equal to the greater of (i) \$6 billion or (ii) 75% of our actual net worth as of December 31, 2017 (as calculated in the manner set forth in the amendments) under each of these facility agreements. The minimum net worth amount may increase upon any future equity issuances by us or if the Transaction does not close.

Total fees associated with credit facilities, including our senior unsecured credit facility, for the years ended December 31, 2017, 2016 and 2015 were \$50 million, \$46 million and \$89 million, respectively. The \$4 million increase in expenses associated with credit facilities during the year ended December 31, 2017 is primarily attributed to the implementation of an affiliated reinsurance agreement at the end of 2016 which utilized letters of credit through July 2017.

The following summarizes the activity for our credit facilities for the year ended December 31, 2017.

- Effective January 20, 2017, Voya Financial, Inc. and Voya Holdings entered into a \$195 million letter of credit facility agreement with a third-party bank used to provide letters of credit associated with reinsurance treaties.
- Effective July 1, 2017, SLDI entered into a master transaction agreement with a third party providing \$1.525 billion of committed capacity. Upon entry into this facility, SLDI caused a note issued under the facility, in an initial notional amount of \$1.245 billion, to be deposited into a credit for reinsurance trust. The note, which matures in 2037, serves as collateral supporting an affiliated reinsurance agreement and replaces \$1.25 billion of letters of credit that had previously served as collateral.
- Effective October 13, 2017, Voya Financial, Inc. entered into an amendment to renew a \$195 million letter of credit facility agreement with a third-party bank extending the expiration date of the facility from February 11, 2018 to February 11, 2021.
- Effective January 24, 2018, SLDI and Voya Financial, Inc. entered into an amendment to renew a \$175 million letter of credit facility agreement with a third-party bank increasing the commitment to \$195 million and extending the expiration date of the facility from January 24, 2018 to January 24, 2021.
- Effective January 18, 2018, a \$500 million financing arrangement between Langhorne I, LLC, Voya Financial, Inc. and a third party was cancelled.

The following tables present our existing financing facilities for each of our Individual Life, Retirement and Hannover Re blocks of business as of December 31, 2017. 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, we expect to periodically extend or replace and increase, as necessary, the existing financing as each block grows toward the peak reserve requirement noted below.

#### Individual Life

(\$ in millions)

Obligor / Applicant	Financing Structure	Product	Expiration	Capacity	Utilization
Voya Financial, Inc.	Credit Facility	XXX/AG38	02/11/2021	\$ 195	\$ 195
Voya Financial, Inc. / SLDI	Note Facility	XXX	07/01/2037	1,525	1,292
Voya Financial, Inc. / Roaring River LLC	LOC Facility	XXX	10/01/2025	425	328
Voya Financial, Inc. / Roaring River IV, LLC	Trust Note	AG38	12/31/2028	565	295
Voya Financial, Inc. / SLDI	LOC Facility	AG38	12/31/2025	475	475
Voya Financial, Inc.	Credit Facility	XXX/AG38	12/09/2021	195	161
Total				<u>\$ 3,380</u>	<u>\$ 2,746</u>

#### Retirement

(\$ in millions)

Obligor / Applicant	Financing Structure	Product	Expiration	Capacity	Utilization
SLDI	LOC Facility	Individual & Group Deferred Annuities	01/24/2018	\$ 175	\$ 175
Voya Financial, Inc. / Langhorne I, LLC	Trust Note	Stable Value	01/15/2019	500	—
Total				<u>\$ 675</u>	<u>\$ 175</u>

#### Hannover Re block

(\$ in millions)

Obligor / Applicant	Financing Structure	Product	Expiration	Capacity	Utilization
SLDI	LOC Facility	XXX/AG38	10/29/2023	\$ 61	\$ 61
Voya Financial, Inc.	LOC Facility	XXX/AG38	01/20/2022	195	168
Total				<u>\$ 256</u>	<u>\$ 229</u>

#### Voya Financial, Inc. Credit Support of Subsidiaries

In addition to our Senior Unsecured Credit Facility, Voya Financial, Inc. maintains credit facilities with third-party banks to support the reinsurance obligations of our captive reinsurance subsidiaries. As of December 31, 2017, such facilities provided for up to \$4.4 billion of capacity, of which \$3.0 billion was utilized.

In addition to providing credit facilities, we also provide credit support to our 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 credit facility agreements. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these agreements.

- On January 1, 2014, Voya Financial, Inc. entered into a reimbursement agreement with a third-party bank for its wholly owned subsidiary, Roaring River IV, LLC ("Roaring River IV") to provide up to \$565 million of statutory reserve financing through a trust note which matures December 31, 2028. At inception, the reimbursement agreement requires Voya Financial, Inc. to cause no less than \$79 million of capital to be maintained in Roaring River IV Holding LLC, the intermediate holding company of Roaring River IV, and \$45 million of capital to be maintained in Roaring River IV for a total of \$124 million. This amount will vary over time based on a percentage of Roaring River IV in force life insurance. This surplus maintenance agreement is effective for the duration of the related credit facility agreement and the maximum potential obligations are not specified or applicable.
- Effective January 15, 2014, Voya Financial, Inc. entered into a surplus maintenance agreement with Langhorne I, LLC ("Langhorne I"), a wholly owned captive reinsurance subsidiary, whereby Voya Financial, Inc. agrees to cause Langhorne I to maintain capital of at least \$85 million in support of its obligations associated with a credit facility arrangement supporting an affiliated reinsurance agreement. While the credit facility was cancelled effective January 18, 2018, this surplus maintenance agreement is effective until such time that the reinsurance is recaptured. The maximum potential obligations are not specified or applicable.

Voya Financial, Inc. and SLDI are parties to a LOC facility agreement with a third-party bank that provides up to \$475 million of LOC capacity. SLDI has reimbursement obligations to the bank under this agreement, in an aggregate amount of up to \$475 million, which obligations are guaranteed by Voya Financial, Inc. This agreement was entered into to facilitate collateral requirements supporting reinsurance. Voya Financial, Inc.'s guarantee obligations are effective for the duration of SLDI's reimbursement obligations to the bank.

Roaring River, LLC ("Roaring River") is party to a LOC facility agreement with a third-party bank that provides up to \$425 million of LOC capacity. Roaring River has reimbursement obligations to the bank under this agreement, in an aggregate amount of up to \$425 million, which obligations are guaranteed by Voya Financial, Inc. This agreement and the related guarantee were entered into to facilitate collateral requirements supporting reinsurance. The guarantee is effective for the duration of Roaring River's reimbursement obligations to the bank.

Voya Financial, Inc. guarantees the obligations of one of its subsidiaries, Voya Financial Products Inc. ("VFP"), under a credit default swap arrangement under which VFP has written credit protection in the notional amount of \$1.0 billion with respect to a portfolio of investment grade corporate debt instruments.

Under the Buyer Facility Agreement put into place by Hannover Re, Voya Financial, Inc. and SLDI have contingent reimbursement obligations and Voya Financial, Inc. has guarantee obligations, up to the full principal amount of the note issued pursuant to the agreement, if SLD or SLDI were to direct the sale or liquidation of the note other than as permitted by the Buyer Facility Agreement, or fail to return reinsurance collateral (including the note) upon termination of the Buyer Facility Agreement or as otherwise required by the Buyer Facility Agreement. In addition, Voya Financial, Inc. has agreed to indemnify Hannover Re for any losses it incurs in the event that SLD or SLDI were to exercise offset rights unrelated to the Hannover Re block.

Voya Financial, 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 US who is the claim paying party. The current amount of reserves outstanding as of December 31, 2017 is \$21 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.

Voya Financial, Inc. guarantees the obligations of Voya Holdings under the \$13 million principal amount Equitable Notes maturing in 2027 as well as \$426 million combined principal amount of Aetna Notes. For more information see "Debt Securities" above. From time to time, Voya Financial, Inc. may also have outstanding guarantees of various obligations of its subsidiaries.

Effective April 15, 2016, Voya Financial, Inc. and Voya Holdings entered into a \$300 million letter of credit facility agreement with a third party bank in order to guarantee the reimbursement obligations of SLDI as borrower.

Effective December 15, 2016, Voya Financial, Inc. entered into a \$600 million guaranty agreement with a third party bank in order to guarantee the reimbursement obligations of SLDI as borrower. This facility agreement was terminated on July 20, 2017.

Effective July 1, 2017, Voya Financial, Inc. entered into an agreement with its affiliate, SLDI and a third party whereby Voya Financial, Inc. guarantees certain reimbursement and fee payment obligations of SLDI as borrower.

Effective December 28, 2017, Voya Financial, Inc. and Voya Holdings entered into an agreement with VIAC in order to provide a joint and several guarantee of VIAC's payment obligations as the issuer of certain surplus notes to affiliates of Voya Financial, Inc. The agreement provides for Voya and Voya Holdings to reimburse the applicable holder to the extent that any interest on, principal of, and any redemption payment with respect to such Surplus Note unpaid by VIAC on its scheduled date of payment as a result of certain payment restrictions under the terms of such Surplus Notes and applicable law, including that any such payments may only be made with the prior approval of the commissioner of insurance of the VIAC's state of domicile.

Effective January 24, 2018, Voya entered into an agreement with a third party bank whereby Voya Financial, Inc. guarantees the payment obligations of SLDI as borrower under a credit facility agreement.

We did not recognize any asset or liability as of December 31, 2017 and 2016 in relation to intercompany indemnifications and support agreements. As of December 31, 2017 and 2016, no circumstances existed in which we were required to currently perform under these indemnifications and support agreements.

### ***Securities Lending***

We engage in securities lending whereby certain securities from our portfolio are loaned to other institutions for short periods of time. We have the right to approve any institution with whom the lending agent transacts on our behalf. Initial collateral, primarily cash, is required at a rate of 102% of the market value of the loaned securities. The lending agent retains the collateral and invests it in short-term 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. The lending agent indemnifies us against losses resulting from the failure of a counterparty to return securities pledged where collateral is insufficient to cover the loss. As of December 31, 2017 and 2016, the fair value of loaned securities was \$1,854 million and \$1,133 million, respectively, and is included in Securities pledged on the Consolidated Balance Sheets. As of December 31, 2017 and 2016, collateral retained by the lending agent and invested in liquid assets on our behalf was \$1,589 million and \$425 million, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Consolidated Balance Sheets. As of December 31, 2017 and 2016, liabilities to return collateral of \$1,589 million and \$425 million, respectively, are included in Payables under securities loan agreements, 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 mortgage-backed securities ("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, 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 within Other liabilities 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, 2017 and 2016, we did not have any securities pledged in dollar rolls or 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, 2017 and 2016, 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 to back any funding agreements 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 subject to the availability of eligible collateral. The limits across all programs are 30% of the total assets of the general and separate accounts of VIAC, 20% of the total assets of the general and separate accounts of RLI and potentially up to 40% of the total assets of the general account of SLD based on credit approval from FHLB of Topeka. Furthermore, collateral is pledged based on the outstanding balances of FHLB funding agreements. The amount varies based on the type, rating and maturity of the collateral posted to the FHLB. Generally, mortgage securities, commercial real estate and U.S. treasury 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 maximum borrowing capacity for our continuing operations under these credit facilities was \$9 billion as of December 31, 2017, and does not have an expiration date as long as we maintain a satisfactory level of creditworthiness based on the FHLBs' credit assessment. As of December 31, 2017 and 2016, we had \$501 million and \$300 million in non-putable funding agreements, respectively, which are included in Contract owner account balances on the Consolidated Balance Sheets. As of December 31, 2017 and 2016, we had assets with a market value of approximately \$602 million and \$405 million, respectively, which collateralized the FHLB funding agreements.

## ***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 between 2% and 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, 2017, the aggregate amount that may be borrowed or lent under agreements with life insurance subsidiaries was \$2.6 billion. 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, 2017, Voya Financial, Inc. had \$418 million in outstanding borrowings from subsidiaries and had loaned \$191 million to its subsidiaries.

## ***Collateral - Derivative Contracts***

Under the terms of our over-the-counter ("OTC") Derivative ISDA agreements, we may receive from, or deliver to, counterparties, collateral to assure that the terms of the International Swaps and Derivatives Association, Inc. ("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. To the extent cash collateral is received and delivered, it 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 and is reinvested in short-term investments. Collateral held is used in accordance with the CSA to satisfy any obligations. Investment grade bonds owned by us are the source of noncash collateral posted, which is reported in Securities pledged on the Consolidated Balance Sheets. As of December 31, 2017, we held \$174 million and \$73 million of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2016, we held \$154 million and \$234 million of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of December 31, 2017, we delivered \$233.0 million of securities and held \$38.0 million of securities as collateral. As of December 31, 2016, we delivered \$276.0 million of securities and held \$20.0 million of securities as collateral.

## ***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 impair 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, ratings of the Aetna Notes, which are guaranteed by ING Group, are influenced by ING Group's ratings. A change in the credit ratings of ING Group could result in a change in the ratings of these securities.

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.

The financial strength and credit ratings of Voya Financial, Inc. and its principal subsidiaries as of the date of this Annual Report on Form 10-K are summarized 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	Rating Agency			
	A.M. Best ("A.M. Best")	Fitch, Inc. ("Fitch")	Moody's Investors Service, Inc. ("Moody's")	Standard & Poor's ("S&P")
Voya Financial, Inc. (Long-term Issuer Credit) . . .	bbb+ (4 of 10)	BBB+ (4 of 11)	Baa2 (4 of 9)	BBB (4 of 11)
Voya Financial, Inc. (Senior Unsecured Debt) <sup>(1)</sup> . . .	bbb+ (4 of 10)	BBB (4 of 9)	Baa2 (4 of 9)	BBB (4 of 9)
Voya Financial, Inc. (Junior Subordinated Debt) <sup>(2)</sup> . . .	bbb- (4 of 10)	BB+ (5 of 9)	Baa3 (hyb) (4 of 9)	BB+ (5 of 9)
Voya Retirement Insurance and Annuity Company				
Financial Strength Rating . . . . .	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Voya Insurance and Annuity Company				
Financial Strength Rating . . . . .	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	BBB- (4 of 9)
Short-term Issuer Credit Rating . . . . .	NR*	NR	NR	NR
ReliaStar Life Insurance Company				
Financial Strength Rating . . . . .	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating . . . . .	NR	NR	NR	A-1 (1 of 8)
Security Life of Denver Insurance Company				
Financial Strength Rating . . . . .	A (3 of 16)	A (3 of 9)	A2 (3 of 9)	A (3 of 9)
Short-term Issuer Credit Rating . . . . .	NR	NR	NR	A-1 (1 of 8)
Midwestern United Life Insurance Company				
Financial Strength Rating . . . . .	A- (4 of 16)	NR	NR	A (3 of 9)
Voya Holdings Inc.				
Long-term Issuer Credit Rating . . . . .	NR	NR	Baa2 (4 of 9)	BBB (4 of 11)
Backed Senior Unsecured Debt Credit Rating <sup>(3)</sup> . . . . .	NR	A+	Baa1 (4 of 9)	A- (3 of 9)

\* "NR" indicates not rated.

<sup>(1)</sup> \$363 million, \$337 million, \$400 million, \$500 million, \$300 million and \$400 million of our Senior Notes.

<sup>(2)</sup> \$750 million of our Junior Subordinated Notes.

<sup>(3)</sup> \$426 million of our Aetna Notes guaranteed by ING Group.

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's <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 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.

<sup>(2)</sup> Fitch's financial strength ratings provide an assessment of the financial strength of an insurance organization. The National Insurer Financial Strength ("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.

<sup>(3)</sup> Moody's financial strength ratings are opinions of the ability of insurance companies to repay punctually senior policyholder claims and obligations. Moody's obligations append 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.

<sup>(4)</sup> 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 A.M. Best, Fitch, Moody's and S&P 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.

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 A.M. Best, Fitch, Moody's and S&P from December 31, 2016 through December 31, 2017 and subsequently through the date of this Annual Report on Form 10-K are as follows:

- On December 21, 2017, in response to Voya Financial, Inc.'s announcement about the Transaction, rating agencies took the following ratings actions:

AM Best placed under review with developing implications the financial strength ratings of Voya Financial, Inc.'s life insurance subsidiaries. Concurrently, AM Best has placed under review with developing implications Voya Financial Inc.'s long-term issuer credit rating.

S&P lowered the financial strength rating of VIAC from A to BBB- with a developing outlook. Concurrently, S&P affirmed the financial strength ratings of Voya Financial, Inc.'s remaining life subsidiaries and the long-term issuer credit ratings of Voya Financial Inc. and Voya Holdings and revised the outlook on these ratings to positive from stable.

Fitch placed the insurer financial strength rating of VIAC on Rating Watch Negative. Concurrently Fitch affirmed the ratings for Voya Financial, Inc. and revised the outlook to negative from stable. Fitch affirmed the insurer financial strength ratings of Voya's other life insurance subsidiaries with a stable outlook.

Moody's placed the financial strength rating of VIAC on review for possible downgrade. Moody's affirmed with a stable outlook the senior unsecured debt rating of Voya Financial, Inc. and the financial strength ratings of Voya Financial, Inc.'s remaining life subsidiaries.

- S&P, Moody's, Fitch and AM Best rated the \$400 million 3.125% senior unsecured notes due July 2024 BBB, Baa2, BBB and bbb+ respectively. All ratings were 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.

With respect to our credit facility agreements, based on the amount of credit outstanding as of December 31, 2017, no increase in collateral requirements would result from a ratings downgrade of the credit ratings of Voya Financial, Inc. by S&P or Moody's.

Certain of our derivative agreements contain provisions that are linked to the financial strength ratings of certain of our insurance subsidiaries. If financial strength ratings were downgraded in the future, these provisions might be triggered and counterparties to the agreements could demand collateralization which could negatively impact overall liquidity.

Based on the amount of credit outstanding as of December 31, 2017, a one-notch or two-notch downgrade in Voya Financial, Inc.'s credit ratings by S&P or Moody's would not have resulted in an additional increase in our collateral requirements.

Certain of our reinsurance agreements contain provisions that are linked to the financial strength ratings of the individual insurance subsidiary that entered into the reinsurance agreement. If the financial strength ratings of the relevant insurance subsidiary were downgraded in the future, counterparties to the credit facility agreements could in some cases demand collateralization, which could negatively impact overall liquidity. Based on the amount of reinsurance outstanding as of December 31, 2017 and December 31, 2016, a two-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our collateral requirements by approximately \$21 million and \$25 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.

### ***Reinsurance***

We have reinsurance treaties covering a portion of the mortality risks and guaranteed death and living benefits under our life insurance contracts. 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 our 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.

The S&P financial strength rating of our reinsurers with the two largest reinsurance recoverable balances are AA- rated or better. These reinsurers are (i) Lincoln National Life Insurance Company and Lincoln Life & Annuity Company of New York, subsidiaries of Lincoln National Corporation ("Lincoln") and (ii) Hannover Re. Only those reinsurance recoverable balances where recovery is deemed probable are recognized as assets on our Consolidated Balance Sheets.

In 1998, in order to divest of a block of individual life business, we entered into an indemnity reinsurance agreement with a subsidiary of Lincoln, which established a trust to secure its obligations to us under the reinsurance transaction. Of the Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets, \$1.5 billion and \$1.6 billion as of December 31, 2017 and 2016, respectively, is related to the reinsurance recoverable from the subsidiary of Lincoln 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, 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, 2017, trust assets with a market value of \$1.3 billion supported reserves of \$251 million.

Effective January 1, 2009, we entered into the MPA with Scottish Re and Hannover Re such that Hannover Re acquired the individual life reinsurance business from Scottish Re. Of the Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets, \$2.9 billion and \$1.9 billion as of December 31, 2017 and 2016, respectively, is related to the reinsurance recoverable from Hannover Re under this reinsurance agreement. During the year ended December 31, 2017, we established a premium deficiency reserve of \$591 million related to the business assumed which was recorded as an increase in Future policy benefits with a corresponding increase in Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets. As a result, the establishment of these premium deficiency reserves had no impact on the Consolidated Statements of Operations for the year ended December 31, 2017.

Effective October 1, 2014, we disposed of, via reinsurance, an in-force block of term life insurance policies to RGA Reinsurance Company, a subsidiary of Reinsurance Group of America, Inc., ("RGA") for \$448 million. We will continue to administer and service the policies. On October 1, 2014, there were \$1.5 billion of statutory reserves on approximately \$100 billion of in-force life insurance. As of December 31, 2017 and 2016, the reinsurance recoverable within Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets related to this agreement was \$542 million and \$499 million, respectively.

Effective April 1, 2015, we disposed of, via reinsurance, retained group reinsurance policies to Enstar Group Ltd. for \$305 million (the "Second Quarter 2015 Reinsurance Transaction"). On April 1, 2015, there were \$290 million of statutory reserves. In connection with this transaction, we recognized a non-operating loss, before income taxes, of \$39 million primarily related to intent impairments of assets included in the transaction and other transactions costs in the Consolidated Statement of Operations. As of December 31, 2017 and December 31, 2016, the reinsurance recoverable within Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets related to this transaction was \$164 million and \$198 million, respectively.

Effective October 1, 2015, we disposed of, via reinsurance, an in-force block of term life insurance policies to RGA Reinsurance Company. We will continue to administer and service the policies. On October 1, 2015, there were approximately \$1.4 billion of statutory reserves on approximately \$90.0 billion of in-force life insurance. During the year ended December 31, 2015, we recognized a non-operating loss, before income taxes, of \$110 million, composed of \$14 million in Other net realized capital gains on assets included in the transaction, \$4 million related to intent impairments and \$120 million of transaction and ongoing expenses in the Consolidated Statements of Operations. As of December 31, 2017 and December 31, 2016, the reinsurance recoverable within Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets related to this agreement was \$458 million and \$452 million, respectively.

For additional information regarding our reinsurance recoverable balances, see *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A. of this Annual Report on Form 10-K.

### ***Pension and Postretirement Plans***

When contributing to our qualified retirement plans we will take into consideration the minimum and maximum amounts required by ERISA, the attained funding target percentage of the plan, the variable-rate premiums that may be required by the Pension Benefit Guaranty Corporation ("PBGC") and any funding relief that might be enacted by Congress. Contributions to our nonqualified plans and other postretirement and post-employment plans are funded from general assets of the respective sponsoring subsidiary company as benefits are paid.

For additional information on our pension and postretirement plan arrangements, see the *Employee Benefit Arrangements* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

## 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. 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. In addition, under the insurance laws of our principal insurance subsidiaries domiciled in Connecticut, Iowa and Minnesota (these insurance subsidiaries, together with our insurance subsidiary domiciled in Colorado, are referred to collectively, as 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. Our principal insurance subsidiaries domiciled in Colorado, Connecticut and Iowa each have ordinary dividend capacity for 2018. However, as a result of the extraordinary dividends it paid in 2015 and 2016, together with statutory losses incurred in connection with the recapture and cession to one of our Arizona captives of certain term life business in the fourth quarter of 2016, our principal insurance subsidiary domiciled in Minnesota currently has negative earned surplus and therefore does not have capacity at this time to make ordinary dividend payments to Voya Holdings and cannot make an extraordinary dividend payment without domiciliary insurance regulatory approval, which can be granted or withheld at the discretion of the regulator.

For a summary of applicable laws and regulations governing dividends, see the Insurance Subsidiaries Dividend Restrictions section of the *Insurance Subsidiaries* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

The following table summarizes dividends permitted to be paid by our principal insurance subsidiaries to Voya Financial, Inc. or Voya Holdings without the need for insurance regulatory approval for the periods presented:

	Dividends Permitted without Approval		
	2018	2017	2016
(\$ in millions)			
<b>Subsidiary Name (State of domicile):</b>			
Voya Insurance and Annuity Company (IA) <sup>(1)</sup>	\$ 208	\$ 279	\$ 448
Voya Retirement Insurance and Annuity Company (CT)	158	266	364
Security Life of Denver Insurance Company (CO)	53	74	55
ReliaStar Life Insurance Company (MN)	—	—	—

<sup>(1)</sup> Due to the impending sale of VIAC, we do not expect VIAC to pay any ordinary dividends in 2018. The difference between the buyer's capital and statutory capital reflects the purchase price for VIAC and will represent either a capital contribution or extraordinary dividend upon closing.

The following table summarizes dividends and extraordinary distributions paid by each of the Company's principal insurance subsidiaries to Voya Financial, Inc. or Voya Holdings for the periods indicated:

	Dividends Paid		Extraordinary Distributions Paid	
	Year Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
(\$ in millions)				
<b>Subsidiary Name (State of domicile):</b>				
Voya Insurance and Annuity Company (IA)	\$ 278	\$ 373	\$ 250	\$ —
Voya Retirement Insurance and Annuity Company (CT)	265	278	—	—
Security Life of Denver Insurance Company (CO)	73	54	—	—
ReliaStar Life Insurance Company (MN)	—	—	231	100

In May 2017, VIAC declared an extraordinary distribution of \$250 million, subject to receipt of Iowa Division approval, and the condition to such regulatory approval was satisfied in July 2017. On July 5, 2017, VIAC reduced its cash flow testing reserves supporting CBVA by \$250 million and on July 5, 2017, paid the \$250 million extraordinary distribution out of the surplus generated by the cash flow testing reserve release. The proceeds of the VIAC extraordinary distribution ultimately were transferred as a capital contribution to Roaring River II, Inc. ("RRII"), one of our Arizona captives. RRII deposited the proceeds into a funds withheld trust at VIAC and VIAC established a corresponding funds withheld liability. Ultimately, these funds were used to rebalance the invested assets backing portions of the CBVA business liabilities reinsured to RRII. The cash flow testing reserve

release, subsequent extraordinary distribution and capital contribution to RRII has a net zero impact on the Company's excess capital position as it shifted resources from the principal insurance subsidiary to the Arizona captive. In addition, it does not change the amount of assets supporting CBVA.

In May 2017, RLI declared an extraordinary distribution of \$231 million, which was paid on June 29, 2017, following receipt of approval by the Minnesota Insurance Division.

#### *Other Subsidiaries - Dividends, Returns of Capital, and Capital Contributions*

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, 2017 and 2016, dividends net of capital contributions received by Voya Financial, Inc. and Voya Holdings from non-life subsidiaries were \$112 million and \$190 million, respectively.

#### *Statutory Capital and Risk-Based Capital of Principal Insurance Subsidiaries*

Each of our wholly owned principal insurance subsidiaries is subject to minimum risk based capital ("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 total adjusted capital ("TAC"), as defined by the NAIC, to RBC requirements, as defined by the NAIC. Each of our U.S. insurance subsidiaries exceeded the minimum RBC requirements that would require regulatory or corrective action for all periods presented herein. The Company's estimated RBC ratio on a combined basis primarily for our principal insurance subsidiaries, with adjustments for certain intercompany transactions, was approximately 476% as of December 31, 2017. This amount reflects a reduction in capital due to tax reform of approximately \$100 million. If the NAIC were to update the formula used to calculate the RBC ratio for the reduced corporate tax rates, we estimate the combined RBC ratio would be lower by 60 to 70 RBC percentage points.

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 U.S. 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.

The following table summarizes the statutory capital and surplus of our principal insurance subsidiaries as of the dates indicated:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
<i>(\$ in millions)</i>		
<b>Subsidiary Name (State of domicile):</b>		
Voya Insurance and Annuity Company (IA) . . . . .	\$ 1,835	\$ 1,906
Voya Retirement Insurance and Annuity Company (CT) . . . . .	1,793	1,959
Security Life of Denver Insurance Company (CO) . . . . .	950	897
ReliaStar Life Insurance Company (MN) . . . . .	1,483	1,662

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 following table summarizes the ratio of TAC to CAL on a combined basis primarily for our principal insurance subsidiaries, with adjustments for certain intercompany transactions, as of the dates indicated below:

<i>(\$ in millions)</i>			<i>(\$ in millions)</i>		
<b>As of December 31, 2017</b>			<b>As of December 31, 2016</b>		
<b>CAL</b>	<b>TAC</b>	<b>Ratio</b>	<b>CAL</b>	<b>TAC</b>	<b>Ratio</b>
\$ 1,374	\$ 6,538	476%	\$ 1,373	\$ 6,767	493%

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 Voya Financial, Inc. and our insurance subsidiaries.

As of December 31, 2017, VIAC had the following surplus notes ("the Surplus Notes") outstanding to its insurance company affiliates.

	<b>Maturity</b>	<b>2017</b>	<b>2016</b>
7.979% Security life of Denver Insurance Company, due 2029 <sup>(1)</sup> . . . . .	12/07/2029	\$ 35	\$ 35
6.257% Security Life of Denver International Limited, due 2034 <sup>(1)</sup> . . . . .	12/29/2034	50	50
6.257% ReliaStar Life Insurance Company, due 2034 . . . . .	12/29/2034	175	175
6.257% Voya Retirement Insurance and Annuity Company, due 2034 . . . . .	12/29/2034	175	175

<sup>(1)</sup> Under the Transaction, an affiliate of the buyer will purchase these surplus notes upon closing

As part of the restructuring associated with the MTA, effective December 28, 2017 Voya Financial, Inc. and Voya Holdings entered into an agreement with VIAC in order to provide a joint and several guarantee of VIAC's payment obligations as the issuer of the Surplus Notes. Accordingly, on January 9, 2018, Kroll Bond Rating Agency assigned a rating of BBB+, outlook Stable to the Surplus Notes.

*Captive Reinsurance Subsidiaries*

Our captive reinsurance subsidiaries provide reinsurance to the Company's insurance subsidiaries in order to facilitate the financing of statutory reserves including those associated with Regulation XXX or AG38 and to fund certain statutory annuity and reserve requirements. Each of our captive reinsurance subsidiaries, that is domiciled in Missouri, is subject to specific minimum capital requirements set forth in the insurance statutes of Missouri and is required to prepare statutory financial statements in accordance with statutory accounting practices prescribed in the Missouri insurance statutes or permitted by the Missouri insurance department. There are no prescribed practices material to the Missouri captive reinsurance subsidiaries, except that certain of these subsidiaries have included the value of LOCs and trust notes as admitted assets supporting the statutory reserves ceded to such subsidiaries. The effect of these prescribed practices was to increase statutory capital and surplus by \$623 million and \$577 million as of December 31, 2017 and 2016, respectively. The aggregate statutory capital and surplus, including the aforementioned prescribed practices, was \$398 million and \$352 million as of December 31, 2017 and 2016, respectively.

Our Arizona captives, SLDI and its wholly owned subsidiary RRII, provide reinsurance to the Company's insurance subsidiaries in order to facilitate the financing of statutory reserves including those associated with Regulation XXX or AG38 and to fund certain statutory annuity reserve requirements including the living benefit guarantees under the Company's CBVA business. Arizona state insurance statutes and regulations require our Arizona captives to file financial statements with the Arizona Department of Insurance ("ADOI") and allow the filing of such financial statements on a U.S. GAAP basis modified for certain prescribed practices outlined in the Arizona insurance statutes that are applicable to U.S. GAAP filers. These prescribed practices had no impact on our Arizona captives Shareholder's equity as of December 31, 2017 and 2016. In addition, our Arizona captives obtained approval from the ADOI for certain permitted practices, including, for SLDI, taking reinsurance credit for certain ceded reserves where the assets backing the liabilities are held by a wholly owned Principal Insurance Subsidiary of Voya Financial, Inc. SLDI has recorded a receivable for these assets. The effect of the permitted practice was to increase SLDI's Shareholder's equity by \$451 million and \$441 million as of December 31, 2017 and 2016, respectively, but has no effect on our Consolidated total shareholders' equity. In the unlikely event that the permitted practice is suspended in the future, the Company has various alternatives

which could be executed to allow the reinsurance credit for these ceded reserves. Additionally, RRII has obtained approval from the ADOI to present the U.S. GAAP deferred liability resulting from its assumption of business from a wholly owned Principal Insurance Subsidiary of Voya Financial, Inc. net of related federal income taxes, as a separate component of Shareholder's equity. The effect of the permitted practice was to increase RRII's Shareholder's equity by \$2,761 million and \$2,467 million as of December 31, 2017 and 2016, respectively, but has no effect on SLDI or our Consolidated total shareholders' equity. In conjunction with the Transaction disclosed in the *Business Held for Sale and Discontinued Operations* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K, the reinsurance treaty assumed by RRII is expected to be recaptured in 2018 and the associated liability will be released through RRII net income. At that time, the permitted practice will no longer be in effect.

The captive reinsurance subsidiaries may not declare or pay any dividends other than in accordance with their respective insurance reserve financing transaction agreements and their respective governing licensing orders. Likewise, our Arizona captives may not declare or pay dividends other than in accordance with their annual capital and dividend plans as approved by the ADOI, which include minimum capital requirements. Our Arizona captives did not make any dividend payments in 2017.

Uncertainties associated with our continued use of affiliated captive reinsurance subsidiaries and our Arizona captives are primarily related to potential regulatory changes. In 2014, the NAIC considered a proposal to require states to apply NAIC accreditation standards, applicable to traditional insurers, to captive reinsurers. In 2015, the NAIC adopted such a proposal, in the form of a revised preamble to the NAIC accreditation standards ("the Standard"), with an effective date of January 1, 2016 for application of the Standard to captives that assume XXX or AXXX business. Under the Standard, a state will be deemed in compliance as it relates to XXX and AXXX captives if the applicable reinsurance transaction satisfies Actuarial Guideline 48. In addition, the Standard applies prospectively, so that XXX and AXXX captives will not be subject to the Standard if reinsured policies were issued prior to January 1, 2015 and ceded so that they were part of a reinsurance arrangement as of December 31, 2014. The NAIC left for future action application of the Standard to captives that assume variable annuity business. As drafted, it appears that the Standard would apply to our Arizona captives.

At various time in the past several years, the NAIC has indicated that it might pursue changes to the current reserve and capital framework that applies to insurers, including several of our Insurance Subsidiaries, who write or reinsure variable annuity ("VA") policies. Since 2015, the NAIC's Variable Annuities Issues Working Group ("VAIWG") has been considering general proposals for VA reserve and capital reform that would create more uniformity in VA reserving practices and reduce incentives for the use of captive reinsurance for VA business. These proposals, if adopted, could change the reserves and capital we are required to hold with respect to VA business, particularly in our CBVA business.

During 2016 VAIWG engaged Oliver Wyman ("OW") to conduct an initial quantitative impact study ("QIS1") involving industry participants including Voya Financial, of possible revisions to the current VA reserve and capital framework. In late 2016, OW provided the VAIWG a QIS1 report that included preliminary findings and recommended a second quantitative impact study be conducted so that testing can inform the proper calibration for certain conceptual and/or preliminary parameters set out in the QIS1 report. The second quantitative impact study ("QIS2") began in February 2017 and OW provided the VAIWG a QIS2 report in late 2017. The NAIC deliberations on QIS2 results and proposed VA reserve and capital reforms began during the fourth quarter of 2017. It is unlikely that any changes adopted by the NAIC would be effective prior to 2019, although timing remains uncertain.

The outcome of QIS2, and the parameters of any VA reserve and capital reform to be proposed by OW or adopted by the VAIWG, is uncertain at this time. Certain proposals under consideration as part of QIS2, if adopted as a component of any final VA reserve and capital reform, could negatively impact VA reserve and capital calculations for our CBVA business and potentially result in increased collateral requirements at RRII, our Arizona captive that reinsures CBVA living benefit guarantees. It is possible that any negative impacts to statutory reserves or rating agency capital requirements as a result of VA reserve and capital reform could be material to our capital position. If we are required to increase reserves or collateral, we believe it is likely that such increases would be subject to a multiyear grade-in period. At the present time, we cannot predict what, if any, of these proposals, may become part of any VA framework reform proposal or what impact any final VAIWG VA framework reform would have on our CBVA reserves, capital or captive collateralization requirements.

### **Off-Balance Sheet Arrangements**

Through the normal course of investment operations, we commit to either purchase or sell securities, 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.

For our continuing business, as of December 31, 2017, we had off-balance sheet commitments to acquire mortgage loans of \$369 million and purchase limited partnerships and private placement investments of \$1,212 million, of which \$325 million related to

consolidated investment entities. For our businesses held for sale, as of December 31, 2017, we had off-balance sheet commitments to acquire mortgage loans of \$202 million and purchase limited partnerships and private placement investments of \$400 million.

We have obligations for the return of non-cash collateral under an amendment to our securities lending program. Non-cash collateral received in connection with the securities lending program may not be sold or re-pledged by our lending agent, except in the event of default, and is not reflected on our Consolidated Balance Sheets. As of December 31, 2017, the fair value of securities retained as collateral by the lending agent on our behalf was \$308 million. As of December 31, 2016, the fair value of securities retained as collateral by the lending agent on our behalf was \$743 million. For information regarding obligations under this program, see the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

During 2015, we entered into a put option agreement with a Delaware trust that gives Voya Financial, Inc. the right, at any time over a 10-year period, to issue up to \$500 million of senior notes to the trust in return for principal and interest strips of U.S. Treasury securities that are held by the trust. In return, we agreed to pay a semi-annual put premium to the trust at a rate of 1.875% per annum applied to the unexercised portion of the put option, and to reimburse the trust for its expenses. See the *Financing Agreements* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for more information on this put option agreement.

## Aggregate Contractual Obligations

As of December 31, 2017, we had certain contractual obligations due over a period of time as summarized 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.

<i>(\$ in millions)</i>	<u>Total</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More than 5 Years</u>
<b>Contractual Obligations of continuing business:</b>					
Purchase obligations <sup>(1)</sup>	\$ 1,581	\$ 1,491	\$ 88	\$ 2	\$ —
Reserves for insurance obligations <sup>(2)(3)</sup>	91,384	4,403	7,300	7,331	72,350
Retirement and other plans <sup>(4)</sup>	1,637	138	292	313	894
Short-term and long-term debt obligations <sup>(5)</sup>	7,224	508	327	327	6,062
Operating leases <sup>(6)</sup>	165	29	51	46	39
Securities lending and repurchase agreements <sup>(7)</sup>	1,897	1,897	—	—	—
<b>Total<sup>(8)</sup></b>	<b>\$ 103,888</b>	<b>\$ 8,466</b>	<b>\$ 8,058</b>	<b>\$ 8,019</b>	<b>\$ 79,345</b>
<b>Contractual Obligations of businesses held for sale:</b>					
Purchase obligations <sup>(1)</sup>	602	548	53	1	—
Reserves for insurance obligations <sup>(2)</sup>	33,710	2,715	4,897	4,783	21,315
Securities lending and repurchase agreements <sup>(7)</sup>	861	861	—	—	—
<b>Total<sup>(8)</sup></b>	<b>\$ 35,173</b>	<b>\$ 4,124</b>	<b>\$ 4,950</b>	<b>\$ 4,784</b>	<b>\$ 21,315</b>

<sup>(1)</sup> Purchase obligations consist primarily of outstanding commitments under alternative investments that may occur any time within the terms of the partnership and private loans. The exact timing, however, of funding these commitments related to partnerships and private loans cannot be estimated. Therefore, the amount of the commitments related to partnerships and private loans is included in the category "Less than 1 Year."

<sup>(2)</sup> 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. Estimated cash payments are undiscounted for the time value of money. Accordingly, the sum of cash flows presented of \$91.4 billion significantly exceeds the sum of Future policy benefits and Contract owner account balances of \$65.8 billion recorded on our Consolidated Balance Sheets as of December 31, 2017. 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.

<sup>(3)</sup> Contractual obligations related to certain closed blocks, with reserves in the amount of \$5.4 billion, have been excluded from the table because the blocks were divested through reinsurance contracts and collateral is provided by third parties that is accessible by us. Although we are not relieved of legal liability to the contract holder for these closed blocks, third-party collateral of \$9 billion has been provided for the payment of the related insurance obligations. The sufficiency of collateral held for any individual block may vary.

<sup>(4)</sup> Includes estimated benefit payments under our qualified and non-qualified pension plans, estimated benefit payments under our other postretirement benefit plans, and estimated payments of deferred compensation based on participant elections and an average retirement age.

<sup>(5)</sup> The estimated payments due by period for long-term debt reflects the contractual maturities of principal, 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 the *Financing Agreements* Note in our Consolidated Financial Statements in Part II, Item 8, of this Annual Report on Form 10-K for additional information concerning the short-term and long-term debt obligations.

<sup>(6)</sup> Operating leases consist primarily of outstanding commitments for office space, equipment and automobiles.

<sup>(7)</sup> Payables under securities loan agreements including collateral held represent 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. Additionally, Securities lending agreements include non-cash collateral of \$308 million. See the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8, of this Annual Report on Form 10-K for additional information concerning Securities lending agreements.

<sup>(8)</sup> Unrecognized tax benefits are excluded from the table due to immateriality.

## Critical Accounting Judgments and Estimates

### General

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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 judgments and estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability:

- Estimated loss on businesses held for sale;
- Reserves for future policy benefits;
- DAC, VOBA and other intangibles (collectively, "DAC/VOBA and other intangibles");
- Valuation of investments and derivatives;
- Impairments;
- Income taxes;
- Contingencies; and
- Employee benefit plans.

In developing these accounting estimates, 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 on 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 and the *Business Held for Sale and Discontinued Operations* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

#### ***Estimated loss on businesses held for sale***

On December 20, 2017, we entered into a MTA with VA Capital and Athene pursuant to which Venerable, a wholly owned subsidiary of VA Capital, will acquire two of our subsidiaries, VIAC and DSL, and will result in the disposition of substantially all of our Closed Block Variable Annuity and Annuities businesses. We have determined that the CBVA and Annuities businesses to be disposed of meet the criteria to be classified as held for sale and the sale represents a strategic shift that will have a major effect on our operations. Accordingly, the results of operations of the businesses to be sold have been presented as discontinued operations in the accompanying Consolidated Statements of Operations and Consolidated Statements of Cash Flows, and the assets and liabilities of the businesses have been classified as held for sale and segregated for all periods presented in the Consolidated Balance Sheets. A business classified as held for sale is recorded at the lower of its carrying value or estimated fair value less cost to sell. If the carrying value exceeds its estimated fair value less cost to sell, a loss is recognized. Transactions between the business held for sale and businesses in continuing operations that are expected to continue to exist after the disposal are not eliminated to appropriately reflect the continuing operations and the assets, liabilities and results of the businesses held for sale. In connection with the Transaction, we recorded an estimated loss on sale, net of tax, of \$2,423 million in the fourth quarter of 2017. The estimated loss on sale, net of tax is based on assumptions that are subject to change due to fluctuations in market conditions and other variables that may occur prior to the closing date, which is expected to take place during the second or third quarter of 2018. For additional information on the Transaction and the related estimated loss on sale, net of tax, see *Trends and Uncertainties* in Part II, Item 7. of this Annual Report on Form 10-K and the *Business Held for Sale and Discontinued Operations* Note to our accompanying 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 among 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 surrender charges. In general, policies with guarantees that are considered "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 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 *Reserves for Future Policy Benefits and Contract Owner Account Balances* Note and the *Guaranteed Benefit Features* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for further information on our reserves for future policy benefits, contract owner account balances and product guarantees.

#### *Insurance and Other Reserves*

Reserves for traditional life insurance contracts (term insurance, participating and 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 on 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 2.3% 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 on our estimates of anticipated 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 2.7% to 8.3%.

Although assumptions are "locked-in" upon the issuance of traditional life insurance contracts, certain accident and health insurance contracts and payout contracts with life contingencies, significant changes in experience or assumptions may require us 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. See "Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles" below for premium deficiency reserves established during 2017 and 2016.

#### *Product Guarantees and Index-crediting Features*

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 deviations from, the assumptions used can significantly affect our reserve levels and related results of operations.

*GMDB and GMIB:* 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 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 ("in the money") guarantees.

*GMWBL, GMWB, GMAB, FIA, IUL, Stabilizer and MCG:* We also issue certain products that contain embedded derivatives that are measured at estimated fair value separately from the host contracts. These products include deferred variable annuity contracts containing GMWBL, GMWB, and GMAB features and FIA, IUL, and Stabilizer contracts. The managed custody guarantee product ("MCG") is a stand-alone derivative and is measured in its entirety at estimated fair value.

At inception of the GMWBL, GMWB, and GMAB 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. After inception, the estimated fair value of the GMWBL, GMWB, and GMAB 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.).

The estimated fair value of the embedded derivative in the FIA contracts is based on the present value of the excess of interest payments to the contract owners over the growth in the minimum guaranteed contract value. 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.

Certain FIA contracts contain guaranteed withdrawal benefit provisions. Reserves for these benefits are calculated 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.

The estimated fair value of the embedded derivative in the IUL contracts is based on the present value of the excess of interest payments to the contract owners over the growth in the minimum guaranteed account value. 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 current indexed term of the related contracts, which takes into account best estimate actuarial assumptions, such as partial withdrawals, full surrenders, deaths and maturities.

The estimated fair value of the Stabilizer embedded derivative and MCG stand-alone derivative 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 liabilities for the GMWBL, GMWB, GMAB, FIA, IUL and Stabilizer embedded derivatives and the MCG stand-alone derivative 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 the liabilities for our GMWBL, GMWB, and GMAB, FIA, IUL and Stabilizer embedded derivatives and the MCG stand-alone derivative includes an adjustment to reflect the risk that these obligations will not be fulfilled ("nonperformance risk"). Our nonperformance risk adjustment is based on a blend of observable, similarly rated peer holding company credit default swap ("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 table below presents the increase (decrease) to the fair value of these liabilities due to the nonperformance risk adjustment and the gain (loss) due to nonperformance risk as of and for the periods indicated:

(\$ in millions)

	Nonperformance Risk Adjustment			Gain (Loss) due to Nonperformance Risk		
	As of December 31,			For the year ended December 31,		
	2017 <sup>(2)</sup>	2016 <sup>(2)</sup>	2015 <sup>(2)</sup>	2017	2016	2015
<b>Continuing Business:</b>						
GMWBL /GMWB / GMAB <sup>(1)</sup> . . . . .	\$ (6)	\$ (10)	\$ (9)	\$ (4)	\$ 1	\$ —
IUL <sup>(1)</sup> . . . . .	(1)	(1)	(1)	—	—	1
Stabilizer <sup>(1)</sup> . . . . .	(15)	(32)	(25)	(17)	7	6
<b>Total</b> . . . . .	<b>\$ (22)</b>	<b>\$ (43)</b>	<b>\$ (35)</b>	<b>\$ (21)</b>	<b>\$ 8</b>	<b>\$ 7</b>
<b>Discontinued Operations:</b>						
FIA <sup>(1)</sup> . . . . .	(143)	(169)	(101)	(26)	68	(3)
GMWBL /GMWB / GMAB <sup>(1)</sup> . . . . .	(482)	(766)	(691)	(284)	75	71
<b>Total</b> . . . . .	<b>\$ (625)</b>	<b>\$ (935)</b>	<b>\$ (792)</b>	<b>\$ (310)</b>	<b>\$ 143</b>	<b>\$ 68</b>

<sup>(1)</sup> GMWBL, GMWB and GMAB are features related to products within the CBVA business, FIAs are products within the Annuities business, IULs and Stabilizer are products offered within the Individual Life and Retirement segments.

<sup>(2)</sup> Represents reduction to liabilities.

The unfavorable change as of December 31, 2017 is primarily due to unfavorable changes in observable credit spreads partially offset by increases in associated reserves due to model changes and changes in capital markets. The favorable change as of December 31, 2016 is primarily due to favorable changes in observable credit spreads partially offset by decreases in associated reserves due to model changes and changes in capital markets. The favorable change as of December 31, 2015 is primarily due to the increases in observable credit spreads and an increase in the associated reserves.

*Universal and Variable Life:* Reserves for UL and variable universal life ("VUL") 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.

#### Assumptions and Periodic Review

We have only minimal experience regarding the long-term implications of policyholder behavior for our GMIB and, as a result, future experience could lead to significant changes in our assumptions. Our GMIB contracts, most of which were issued during the period from 2004 to 2006, have a ten-year waiting period before annuitization is available. These contracts first became eligible to annuitize during the period from 2014 through 2016, but contain significant incentives to delay annuitization beyond the first eligibility date. In recent years, we have made several surrender and income enhancement offers to holders of particular series of GMIB contracts, under which policyholders were offered an incentive to surrender their contract or annuitize prior to the end of the waiting period, and we have waived the remaining waiting period on these GMIB contracts. As a result, although we have increased experience on policyholder behavior for the first opportunity to annuitize, including from the acceptance rates of the surrender and income enhancement offers, we continue to have only a statistically small sample of experience used to set annuitization rates beyond the maximum rollup period. Therefore, we anticipate that observable experience data will become statistically credible later in this decade, when a large volume of GMIB benefits begin to reach their maximum rollup period over the period from 2019 to 2022.

Similarly, most of our GMWBL contracts were issued during the period from 2006 to 2009, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges. In addition, many of our GMWBL contracts contain significant incentives to delay withdrawal, with the GMWBL benefits reaching their maximum rollup over the period from 2016 to 2019. Our experience for GMWBL contracts has recently become more credible; however, it is possible that policyholders may choose to withdraw sooner or later than our current best estimate assumes. We expect customers decisions on withdrawal will be influenced by their financial plans and needs, as well as by market conditions over time, and by the availability and features of competing products.

We also make estimates of expected lapse rates, which represent the probability that a policy will not remain in force from one period to the next, for CBVA contracts. Lapse rates of our variable annuity contracts 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" 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.

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. Relative to our current expectations, actual lapse rates have generally demonstrated a declining trend over the period from 2006 to the present. We analyze actual experience over that entire period, as we believe that over the duration of the variable annuity policies we may experience the full range of policyholder behavior and market conditions. However, management's current best estimate of variable annuity policyholder lapse behavior is weighted more heavily toward more recent experience, as the last three years of data have shown a more consistent trend of lapse behavior. 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, and, as discussed above, future reserve increases in connection with experience updates could be material and adverse to our results of operations or financial condition.

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 policyholder experience is significantly different from that assumed, this could have a significant effect on our reserve levels and related results of operations.

During the third quarters of 2017, 2016 and 2015, we conducted our annual review of assumptions, including projection model inputs. The following results of annual review of assumptions for 2017, 2016 and 2015, are mostly related to CBVA contracts classified as discontinued operations, and include insignificant amounts related to the retained CBVA business classified as continuing operations.

In our most recent annual review of assumptions related to our CBVA contracts in the third quarter of 2017, annual assumption changes and revisions to projection model inputs resulted in a gain of \$373 million. This \$373 million gain included a favorable \$257 million as a result of updates made to assumptions principally related to mortality, volatility, and discount rates applicable to future cash flows from variable annuity contracts. This gain also included \$116 million of favorable policyholder behavior assumption changes, driven by a favorable update to utilization on GMWBL contracts and favorable updates to annuitizations on GMIB contracts, partially offset by an unfavorable update to lapse rates.

Annual assumption changes and revisions to projection model inputs implemented during 2016 resulted in a loss of \$95 million. This \$95 million loss included an unfavorable \$250 million as a result of updates made to assumptions principally related to expected earned rates on certain investment options available to variable annuity contract owners, and discount rates applicable to future cash flows from variable annuity contracts. This loss was partially offset by \$155 million of favorable policyholder behavior assumption changes, driven by a favorable update to utilization rates on GMWBL contracts, partially offset by an unfavorable update to lapse rates.

Annual assumption changes and revisions to projection model inputs implemented during 2015 resulted in a loss of \$86 million. This \$86 million loss included an unfavorable \$43 million resulting from policyholder behavior assumption changes primarily related to an update to lapse assumptions, partially offset by a favorable \$27 million resulting from changes to mortality assumptions. The loss also included an unfavorable \$70 million as a result of updates we made to other assumptions, principally relating to expected earned rates on certain investment options available to variable annuity contract owners, discount rates applicable to future cash flows from variable annuity contracts and long-term volatility.

As discussed above, our recent changes in lapse assumptions moved our assumptions to be in line with lapse experience over the past three years. Also as described above, future reserve increases in connection with experience updates could be material and adverse to our results of operations or financial condition.

See *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A. of this Annual Report on Form 10-K for additional information regarding the specific hedging strategies and reinsurance we utilize to mitigate risk for the product guarantees, as well as sensitivities of the embedded derivative and stand-alone derivative liabilities to changes in certain capital markets assumptions.

### ***Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles***

DAC represents policy acquisition costs that have been capitalized and are subject to amortization and interest. VOBA represents the outstanding value of in-force business acquired and is subject to amortization and interest. 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 UL and VUL 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 *Deferred Policy Acquisition Costs and Value of Business Acquired* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for additional information on DAC/VOBA and other intangibles.

### ***Amortization Methodologies***

We amortize DAC and VOBA related to certain traditional life insurance contracts and certain accident and health insurance contracts 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. Recoverability testing is performed for current issue year products to determine if gross premiums are sufficient to cover DAC or VOBA, estimated benefits and related expenses. In subsequent periods, the recoverability of DAC and VOBA is determined by assessing whether future gross premiums are sufficient to amortize DAC or VOBA, as well as provide for expected future benefits and related expenses. 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 universal life-type contracts and fixed and variable deferred annuity contracts, except for deferred annuity contracts within the CBVA business, 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, 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 a current period increase to earnings. The opposite result occurs when the assumption update causes estimated gross profits to decrease. We amortize the DSI and URR over the estimated lives of the related contracts using the same methodology and assumptions used to amortize DAC. For deferred annuity contracts within the CBVA business, we amortize DAC/VOBA and DSI in relation to the emergence of estimated gross revenue.

For universal life-type contracts and fixed and variable deferred annuity contracts, recoverability testing is performed for current issue year products to determine if gross profits are sufficient to cover DAC/VOBA and other intangibles, estimated benefits and related expenses. In subsequent periods, we perform testing to assess the recoverability of DAC/VOBA and other intangibles on an annual basis, or more frequently if circumstances indicate a potential loss recognition issue exists. If DAC/VOBA or other intangibles are not deemed recoverable from future gross profits, charges will be applied against the DAC/VOBA or other intangible balances before an additional reserve is established.

During the year ended December 31, 2017, as a result of the held for sale classification of substantially all of the Annuities and CBVA businesses discussed above, we have evaluated and redefined our contract groupings for loss recognition testing in those

businesses. This has resulted in the establishment of premium deficiency reserves for the Retained Business of \$43 million, which was recorded as an increase in Policyholder benefits in the Consolidated Statements of Operations, with a corresponding increase to Future policy benefits on the Consolidated Balance Sheets.

During the year ended December 31, 2016, for our continued operations, our reviews resulted in loss recognition of \$8 million, before income taxes, of which \$7 million was recorded to Net amortization of DAC/VOBA in the Consolidated Statements of Operations, with a corresponding decrease to Deferred policy acquisition costs and Value of business acquired on the Consolidated Balance Sheets. The remaining loss recognition of \$1 million was related to the establishment of premium deficiency reserves, which was recorded as an increase in Policyholder benefits in the Consolidated Statements of Operations, with a corresponding increase to Future policy benefits on the Consolidated Balance Sheets.

During the year ended December 31, 2016, for our discontinued operations, our reviews resulted in loss recognition of \$313 million, before income taxes, of which \$78 million and \$19 million were related to DAC/VOBA and Sales Inducements, respectively and reported as a loss in Income (loss) from discontinued operations, net of tax, with a corresponding decrease to Assets held for sale on the Consolidated Balance Sheets. The loss recognition also included the establishment of \$216 million of premium deficiency reserves related to the continued decline in earned rates in the current interest rate environment, which was reported as a loss in Income (loss) from discontinued operations, net of tax, with a corresponding increase in Liabilities held for sale on the Consolidated Balance Sheets.

There was no loss recognition for the year ended December 31 2015.

#### *Assumptions and Periodic Review*

Changes in assumptions can have a significant impact on DAC/VOBA and other intangibles balances, amortization rates, reserve levels, and results of operations. Assumptions are management's best estimates of future outcome. We periodically review these assumptions against actual experience and, based on additional information that becomes available, update our assumptions. Deviation of emerging experience from our assumptions could have a significant effect on our DAC/VOBA and other intangibles, reserves, and the related results of operations.

- One significant assumption is the assumed return associated with the variable account performance, which has historically had a greater impact on variable annuity than VUL 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. We use a reversion to the mean approach, which assumes that the market returns over the entire mean reversion period are consistent with a long-term level of equity market appreciation. 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.
- Another significant assumption used in the estimation of gross profits for certain products is mortality. We utilize a combination of actual and industry experience when setting our mortality assumptions, which 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 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 revenues and gross profits for 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 and IUL contracts in gross profits for purposes of determining DAC amortization. When performing loss recognition testing on the GMWBL, GMWB, and GMAB contracts, we include the change in value of the associated embedded derivatives in gross profits. In addition, we utilize the Variable Annuity Hedge Program to mitigate the exposure of our CBVA business to adverse capital market results and economic downturns and seek to ensure that the required assets are available to satisfy future death and 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 U.S. GAAP liability, we typically experience "breakage", or a difference between the change in the U.S. 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.

During the third quarter of 2017, 2016 and 2015, we conducted our annual review of assumptions, including projection model inputs, and made a number of changes to our assumptions which impacted the results of our segments reflected in Income (loss) from continuing operations. The following are the impacts of assumption changes on our continuing operations during 2017, 2016 and 2015.

During the third quarter of 2017, the impact of assumption changes on our results from continuing operations resulted in a loss of \$189 million, all of which was included in Adjusted operating earnings before income taxes and reflects net unfavorable DAC/VOBA and other intangibles unlocking.

During the third quarter of 2016, the impact of assumption changes on our results from continuing operations were a loss of \$228 million, of which \$191 million was included in Adjusted operating earnings before income taxes and reflected net unfavorable DAC/VOBA and other intangibles unlocking. The remaining loss of \$37 million mainly reflects unfavorable DAC/VOBA and other intangibles unlocking associated with realized investment gains and losses, including derivatives, as well as assumption updates for guaranteed benefit derivatives.

During the third quarter of 2015, the impact of assumption changes on our results from continuing operations were a loss of \$82 million, of which \$64 million was included in Adjusted operating earnings before income taxes and reflected net unfavorable DAC/VOBA and other intangibles unlocking. The remaining loss of \$18 million mainly reflects net unfavorable DAC/VOBA and other intangibles unlocking associated with realized investment gains and losses, including derivatives, as well as assumption updates for guaranteed benefit derivatives.

During the third quarter of 2017 and 2016, the impact of assumption changes related to our Annuities businesses and reported in discontinued operations was immaterial. For the third quarter of 2015, the impact of assumption changes related to our Annuities business reported in discontinued operations was \$47 million and reflected unfavorable DAC/VOBA and other intangibles unlocking partially offset by favorable changes related to FIA policyholder behavior. This amount included insignificant amounts related to Retained Business classified as continuing operations.

#### Sensitivity

We perform sensitivity analyses to assess the impact that certain assumptions have on DAC/VOBA and other intangibles, as well as certain reserves. The following table presents the estimated instantaneous net impact to income from continuing and discontinued operations of various assumption changes on our DAC/VOBA and other intangible balances and the impact on related reserves for future policy benefits and reinsurance. The effects 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.

(*\$ in millions*)

	As of December 31, 2017		
	Continuing Business	Discontinued Operations <sup>(1)</sup>	Total
Decrease in long-term equity rate of return assumption by 100 basis points . . . . .	\$ (33)	\$ (159)	\$ (192)
A change to the long-term interest rate assumption of -50 basis points . . . . .	(56)	(124)	(180)
A change to the long-term interest rate assumption of +50 basis points . . . . .	32	113	145
An assumed increase in future mortality by 1% . . . . .	(16)	(5)	(21)

<sup>(1)</sup> Includes insignificant impacts from assumption changes related to Retained Business.

We generally assume that the rate of return on fixed income investments backing CBVA contracts moves in a manner correlated with changes to our assumed long-term rate of return. Furthermore, 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 decreased equity market values generally decrease DAC/VOBA and other intangibles and increase future policy benefits, thus decreasing income before income taxes. Higher assumed interest rates generally increase DAC/VOBA and other intangibles and decrease future policy benefits, 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. We enter 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. We also utilize options and futures on equity indices to reduce and manage risks associated with our universal-life type and annuity products.

See the *Investments (excluding Consolidated Investment Entities)* Note and the *Derivative Financial Instruments* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for further information.

### *Investments*

We measure the fair value of our 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, including our own credit risk. The estimate of fair value is the price that would be received to sell an asset or transfer a liability ("exit price") in an orderly transaction between market participants 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, 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 that 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, S&P 500 prices, LIBOR and Overnight Index Swap Rates ("OIS") or through values established by third-party sources, such as 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 universal life-type and annuity products that contain embedded derivatives for which 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. 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 embedded derivatives and stand-alone derivatives associated with certain universal life-type and annuity contracts, see "Reserves for Future Policy Benefits" above.

In addition, we have entered into coinsurance with funds withheld reinsurance arrangements that contain embedded derivatives. The fair value of the embedded derivatives is 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 *Fair Value Measurements (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

### **Impairments**

We evaluate our available-for-sale 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:

- 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 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 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.
- When determining the amount of the credit loss for U.S. and foreign corporate securities, foreign government securities and state and political subdivision securities, we consider 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, we consider in the determination of recovery value the same considerations utilized in its overall impairment evaluation process, which incorporates available information and our best estimate of scenario-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.

- 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. The discount rate is generally the effective interest rate of the fixed maturity prior to impairment.

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, discounted at the loan's 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 *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

### **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 Consolidated 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. We will continue to evaluate as regulatory and business factors change.

Deferred tax assets represent the tax benefit of future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards. We evaluate and test the recoverability of 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, we consider many factors, including:

- The nature, frequency and severity of book income or losses in recent years;
- The nature and character of the deferred tax assets and liabilities;
- The nature and character of income by life and non-life subgroups;
- The recent cumulative book income (loss) position after adjustment for permanent differences;
- 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;
- Prudent and feasible tax planning strategies we would employ to avoid a tax benefit from expiring unused; and
- 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.

Positive evidence includes a recent history of earnings, projected earnings attributable to our 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 operating losses in certain

years 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 of or the entire deferred tax asset.

The deferred tax valuation allowance was approximately \$653 million and \$964 million as of December 31, 2017 and 2016, respectively. Pursuant to U.S. GAAP, we do not specifically identify the valuation allowance with individual categories. However, we estimate that approximately \$453 million as of December 31, 2017 and \$765 million as of December 31, 2016 were related to federal net operating and capital losses. The remaining balances of approximately \$200 million in each period, were attributable to various items, including state taxes and other deferred tax assets.

As of December 31, 2017, we have recognized \$73 million deferred tax assets based on tax planning strategies related to unrealized gains on investment assets. These tax planning strategies support recognition of deferred tax assets, which have been provided on deductible temporary differences. Future changes, such as interest rate movements, could adversely impact such tax planning strategies. To the extent unrealized gains decrease or to the extent loss utilization is limited, the tax benefit will likely be reduced by increasing the tax valuation allowance.

For further information on our income taxes see the *Income Taxes* Note to our Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

As of December 31, 2017, we had approximately \$4.4 billion of federal net operating loss carryforwards and \$30 million of capital loss carryforwards, which expire as follows (the deferred tax asset and offsetting valuation allowances, if any, are also presented).

(\$ in millions)

Expiration	Life Ordinary Loss	Non-Life Ordinary Losses	Life Capital Losses	Non-Life Capital Losses	Total Carryforward
2018	—	(5)	—	(2)	(7)
2019	—	(8)	—	(27)	(35)
2020	—	(25)	—	(1)	(26)
2021	—	(59)	—	—	(59)
2022	—	(7)	—	—	(7)
2023	—	(89)	—	—	(89)
2024	—	—	—	—	—
2025	—	(510)	—	—	(510)
2026	—	(355)	—	—	(355)
2027	—	(168)	—	—	(168)
2028	(44)	(214)	—	—	(258)
2029	—	(412)	—	—	(412)
2030	—	(379)	—	—	(379)
2031	(614)	(59)	—	—	(673)
2032	(258)	(131)	—	—	(389)
2033	—	(167)	—	—	(167)
2034	—	(478)	—	—	(478)
2035	—	(197)	—	—	(197)
2036	—	(189)	—	—	(189)
2037	\$ —	(42)	\$ —	—	(42)
<b>Total losses</b>	<b>\$ (916)</b>	<b>\$ (3,494)</b>	<b>\$ —</b>	<b>\$ (30)</b>	<b>\$ (4,440)</b>
Gross deferred tax asset	\$ 192	\$ 734	\$ —	\$ 6	\$ 932
Valuation allowance	9	438	—	6	453
<b>Deferred tax asset on losses</b>	<b>\$ 183</b>	<b>\$ 296</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 479</b>

During the three months ended March 31, 2014, we had 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 ("Section 382 event"). The deferred tax asset and the valuation allowance did not change as a result of the IRC Section 382 event. As part of our participation in the IRS's Compliance Assurance Process ("CAP"), in December 2014, we entered into an IA with the IRS relating to the IRC Section 382 calculation of the annual limitation on the use of certain of the Company's federal tax attributes that will apply as a consequence of the Section 382 event. Under the IA, this annual limitation is estimated to be (i) approximately \$520 million per year through 2018, plus certain capital gains and (ii) \$450 million per year for the 2019 and subsequent tax years. To the extent the annual limitation is not met within any one year, the excess will be available in subsequent years. The annual limitation under the IA will apply to an amount estimated to be not greater than approximately \$2.9 billion of the Company's federal tax attributes related to net operating losses and capital losses and approximately \$270 million related to tax credits. As with IAs entered into under the CAP, the matters addressed by the IA may be revisited by the IRS in connection with a tax audit or other examination or inquiry of the Company's tax position.

#### 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 the 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, 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.

As discussed above, Tax Reform makes broad changes to U.S. federal tax law. The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address situations where a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting under ASC Topic 740 for certain income tax effects of Tax Reform for the reporting period of enactment. SAB 118 allows us to provide a provisional estimate of the impacts of Tax Reform during a measurement period similar to the measurement period used when accounting for business combinations. Adjustments to provisional estimates and additional impacts from Tax Reform must be recorded as they are identified during the measurement period as provided for in SAB 118.

We have relied on SAB 118 to determine the impact of Tax Reform on our net deferred tax asset position as of December 31, 2017. 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.

Pursuant to SAB 118, the Company estimates that Tax Reform resulted in a one-time reduction in our net deferred tax asset position of \$679 million as of December 31, 2017. This reduction is substantially due to the remeasurement of our deferred tax assets and liabilities at 21%, the new federal corporate income tax rate at which the deferred tax assets and liabilities are expected to reverse in the future. This estimate includes the effect of a reduction in our deferred tax liability associated with accumulated other comprehensive income ("AOCI"). Exclusive of the AOCI amount, the reduction in our deferred tax asset position is estimated at \$1.0 billion. The impact of the \$679 million reduction in deferred tax assets, which includes a \$146 million reduction in deferred tax assets associated with assets held for sale, is reflected in income from continuing operations, decreasing our earnings for the fourth quarter and year ended December 31, 2017. The FASB issued guidance in February 2018 that allows reclassification of the reduction in the deferred tax liability associated with AOCI from retained earnings to AOCI. The Company is currently evaluating this new guidance, which is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. For additional information, see the *Business, Basis of Presentation and Significant Accounting Policies Note, Future Adoption of Accounting Pronouncements* section, to our accompanying Consolidated Financial Statements.

We continue to analyze the effects of Tax Reform and will record adjustments and additional impacts as they are identified during the measurement period. The final impact to our deferred taxes could differ materially from our provisional estimates as a result of future clarifications in, or guidance related to, Tax Reform.

### *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, based on our best estimate of the ultimate outcome. 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 our 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 discount rate, expected rate of return on plan assets, rate of future compensation increases and health care cost trend rates. These assumptions require considerable judgment, are subject to considerable variability and are established using our 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 other actuarial changes, which could be significant, are immediately recognized in the Consolidated Statements of Operations, generally in the fourth quarter.

The table below illustrates the breakdown of the net actuarial (gains) losses related to pension and other postretirement benefit obligations recognized within Operating expenses in our Consolidated Statements of Operations for the periods presented:

<i>(Gain)/Loss Recognized (\$ in millions)</i>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Discount Rate . . . . .	\$ 196	\$ 69	\$ (133)
Asset Returns . . . . .	(142)	24	123
Mortality Table Assumptions . . . . .	(14)	(22)	(32)
Demographic Data and other . . . . .	(25)	(16)	(21)
<b>Total Net Actuarial (Gain)/Loss Recognized . . . . .</b>	<b>\$ 15</b>	<b>\$ 55</b>	<b>\$ (63)</b>

For the year ended December 31, 2017, we decreased our pension and other postretirement benefit plans discount rate by 0.70%, and 0.91%, respectively, resulting in an increase in our benefit obligations and a corresponding actuarial loss of \$196 million. This decrease in the discount rate was driven by a decrease in corporate AA spreads of approximately 0.31% and a decrease in 30-year Treasury yields. For the year ended December 31, 2016, we decreased our pension and other postretirement benefit plans discount rate by 0.26%, resulting in an increase in our benefit obligations and a corresponding actuarial loss of \$69 million. This decrease in the discount rate was driven by a decrease in corporate AA spreads, partially offset by an increase in 30-year Treasury yields.

Our expected long-term rate of return on our Voya Retirement Plan (the "Retirement Plan") assets was 7.5% for 2017 and 2016. Our expected return on plan assets is calculated using 30-year forward looking assumptions based on the long-term target asset allocation. In 2017, the actual return on our Retirement Plan assets was approximately 17.4%, resulting in an actuarial gain of \$142 million. In 2016, the actual return on our Retirement Plan assets was approximately 6.8%, resulting in an actuarial loss of \$24 million.

On an annual basis, the Society of Actuaries ("SOA") releases new mortality improvement projection scales (MP-2017). This projection scale is applied to the base table (RP-2014), which can be used in the valuations of pension and postretirement plans. In reviewing our own plans' mortality experience and the new tables produced by the SOA, we changed our assumption of our base table as of December 31, 2014 from the RP-2000 blended table utilizing Scale AA to project mortality improvements to the RP-2014 White Collar table utilizing MP-2014 to project mortality improvements. During calendar year 2017, the SOA released new mortality improvement projection scales (MP-2017) that projected a lower rate of mortality improvement than what was issued in 2014. This change lowered our total benefit liability by approximately 0.7% in 2017 and 1.0% in 2016. Changes in mortality assumptions in 2017 and 2016 contributed \$(14) million and \$(22) million, respectively, to the net actuarial loss.

During the fourth quarter of 2015, terminated, vested participants of the Retirement Plan were offered an opportunity to receive their retirement plan benefit as a lump sum payment or an annuity. The lump sum payments and related settlement were recorded in the fourth quarter of 2015 and are reflected in the Demographic Data and other line in the table above.

The Retirement Plan is a tax qualified defined benefit plan, the benefits of which are guaranteed (within certain specified legal limits) by the Pension Benefit Guaranty Corporation ("PBGC"). Beginning January 1, 2012, the Retirement Plan adopted a cash balance pension formula instead of a final average pay ("FAP") formula, allowing all eligible employees to participate in the

Retirement Plan. Participants earn an annual credit equal to 4% of eligible compensation. Interest is credited monthly based on a 30-year U.S. Treasury securities bond rate published by the IRS in the preceding August of each year. The accrued vested cash pension balance benefit is portable; participants can take it if they leave the Company.

### 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 rates are based on 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 defined benefit pension and other postretirement benefit plans. The weighted average discount rate in 2017 for the net periodic benefit cost was 4.55%. The discount rates in 2017 for the benefit obligation of our pension and other postretirement benefit plans were 3.85% and 3.64%, respectively.

As of December 31, 2017, the sensitivities of the effect of a change in the discount rate are as presented below:

<i>(\$ in millions)</i>	<b>Increase (Decrease) in Net Periodic Benefit Cost-Pension Plans<sup>(1)</sup></b>	<b>Increase (Decrease) in Net Periodic Benefit Cost-Other Postretirement Benefits<sup>(1)</sup></b>
Increase in discount rate by 100 basis points . . . . .	\$ (260)	\$ (1)
Decrease in discount rate by 100 basis points . . . . .	323	2

<sup>(1)</sup> Represents the estimate of actuarial gains (losses) that would be recognized immediately through operating expenses.

<i>(\$ in millions)</i>	<b>Increase (Decrease) in Pension Benefit Obligation</b>	<b>Increase (Decrease) in Accumulated Postretirement Benefit Obligation</b>
Increase in discount rate by 100 basis points . . . . .	\$ (260)	\$ (1)
Decrease in discount rate by 100 basis points . . . . .	323	2

The expected rate of return considers the asset allocation, historical returns on the types of assets held and 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 manager fees paid to non-affiliated companies from the assets. For estimation purposes, we assume the long-term asset mix will be consistent with the current mix. Changes in 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.

The expected rate of return for 2017 was 7.5%, net of expenses, for the Retirement Plan. The expected rate of return assumption is only applicable to the Retirement Plan as assets are not held by any of the other pension and other postretirement plans.

As of December 31, 2017, the effect of a change in the actual rate of return on the net periodic benefit cost is presented in the table below:

<i>(\$ in millions)</i>	<b>Increase (Decrease) in Net Periodic Benefit Cost-Pension Plans<sup>(1)</sup></b>
Increase in actual rate of return by 100 basis points . . . . .	\$ (15)
Decrease in actual rate of return by 100 basis points . . . . .	15

<sup>(1)</sup> Represents the estimate of actuarial gains (losses) that would be recognized immediately through operating expenses.

For more information related to our employee benefit plans, see the *Employee Benefit Arrangements* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

### Impact of New Accounting Pronouncements

For information regarding the impact of new accounting pronouncements, see the *Business, Basis of Presentation and Significant Accounting Policies* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

**INVESTMENTS**  
**(excluding Consolidated Investment Entities)**

Investments for our general account are managed by our wholly owned asset manager, Voya 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 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, bonds issued by states and municipalities, 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.

See the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

**Portfolio Composition**

The following table presents the investment portfolio as of the dates indicated:

	December 31, 2017		December 31, 2016	
	Carrying Value	%	Carrying Value	%
<i>(\$ in millions)</i>				
Fixed maturities, available-for-sale, excluding securities pledged . . . . .	\$ 48,329	73.1%	\$ 47,394	74.4%
Fixed maturities, at fair value using the fair value option . . . . .	3,018	4.6%	3,065	4.8%
Equity securities, available-for-sale . . . . .	380	0.6%	258	0.4%
Short-term investments <sup>(1)</sup> . . . . .	471	0.7%	391	0.6%
Mortgage loans on real estate . . . . .	8,686	13.0%	8,003	12.5%
Policy loans . . . . .	1,888	2.9%	1,943	3.0%
Limited partnerships/corporations . . . . .	784	1.2%	536	0.8%
Derivatives . . . . .	397	0.6%	737	1.2%
Other investments . . . . .	47	0.1%	47	0.1%
Securities pledged . . . . .	2,087	3.2%	1,409	2.2%
<b>Total investments . . . . .</b>	<b>\$ 66,087</b>	<b>100.0%</b>	<b>\$ 63,783</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.

## Fixed Maturities

The following tables present total fixed maturities, including securities pledged, by market sector, as of the dates indicated:

December 31, 2017				
<i>(\$ in millions)</i>	Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:				
U.S. Treasuries . . . . .	\$ 2,047	4.2%	\$ 2,522	4.7%
U.S. Government agencies and authorities . . . . .	223	0.5%	275	0.5%
State, municipalities and political subdivisions . . . . .	1,856	3.8%	1,913	3.6%
U.S. corporate public securities . . . . .	20,857	42.3%	23,258	43.4%
U.S. corporate private securities . . . . .	5,628	11.4%	5,833	10.9%
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	5,241	10.7%	5,716	10.7%
Foreign corporate private securities <sup>(1)</sup> . . . . .	4,974	10.1%	5,161	9.7%
Residential mortgage-backed securities . . . . .	4,247	8.6%	4,524	8.5%
Commercial mortgage-backed securities . . . . .	2,646	5.4%	2,704	5.1%
Other asset-backed securities . . . . .	1,488	3.0%	1,528	2.9%
Total fixed maturities, including securities pledged . . . . .	<u>\$ 49,207</u>	<u>100.0%</u>	<u>\$ 53,434</u>	<u>100.0%</u>

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

December 31, 2016				
<i>(\$ in millions)</i>	Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:				
U.S. Treasuries . . . . .	\$ 2,150	4.4%	\$ 2,555	4.9%
U.S. Government agencies and authorities . . . . .	227	0.5%	268	0.5%
State, municipalities and political subdivisions . . . . .	1,647	3.4%	1,631	3.1%
U.S. corporate public securities . . . . .	21,873	44.6%	23,417	45.2%
U.S. corporate private securities . . . . .	5,076	10.3%	5,137	9.9%
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	5,161	10.5%	5,385	10.5%
Foreign corporate private securities <sup>(1)</sup> . . . . .	4,954	10.1%	5,108	9.8%
Residential mortgage-backed securities . . . . .	4,565	9.3%	4,878	9.4%
Commercial mortgage-backed securities . . . . .	2,320	4.7%	2,355	4.5%
Other asset-backed securities . . . . .	1,096	2.2%	1,134	2.2%
Total fixed maturities, including securities pledged . . . . .	<u>\$ 49,069</u>	<u>100.0%</u>	<u>\$ 51,868</u>	<u>100.0%</u>

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

As of December 31, 2017, the average duration of our fixed maturities portfolio, including securities pledged, is between 8.0 and 8.5 years.

## Fixed Maturities Credit Quality - Ratings

The Securities Valuation Office ("SVO") of the 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 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 each scenario are considered to have the highest designation of NAIC 1. A large percentage of our RMBS securities carry the NAIC 1 designation while the ARO rating indicates below investment grade. This is primarily due to the credit and intent impairments recorded by us that reduced the amortized cost on these securities to a level resulting in no expected loss in any scenario, which corresponds to the NAIC 1 designation. The methodology reduces regulatory reliance on rating agencies and allows 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 NAIC methodologies described above (which may not correspond to rating agency designations). NAIC designations (e.g., NAIC 1-6) are based on the 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.

Information about certain of our fixed maturity securities holdings by the 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, S&P and Fitch. If no rating is available from a rating agency, then an internally developed rating is used. As of December 31, 2017 and 2016, the weighted average NAIC quality rating of our fixed maturities portfolio was 1.5.

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. As of December 31, 2017 and 2016, the weighted average quality rating of our fixed maturities portfolio was A. 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:

(\$ in millions)

December 31, 2017

NAIC Quality Designation	1	2	3	4	5	6	Total Fair Value
U.S. Treasuries . . . . .	\$ 2,522	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,522
U.S. Government agencies and authorities . . . . .	275	—	—	—	—	—	275
State, municipalities and political subdivisions . . . . .	1,764	146	1	—	—	2	1,913
U.S. corporate public securities . . . . .	12,241	9,923	793	297	4	—	23,258
U.S. corporate private securities . . . . .	2,531	3,027	145	130	—	—	5,833
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	2,391	2,819	445	48	13	—	5,716
Foreign corporate private securities <sup>(1)</sup> . . . . .	831	3,822	474	27	3	4	5,161
Residential mortgage-backed securities . . . . .	4,385	33	13	7	13	73	4,524
Commercial mortgage-backed securities . . . . .	2,676	28	—	—	—	—	2,704
Other asset-backed securities . . . . .	1,326	149	18	3	—	32	1,528
Total fixed maturities . . . . .	\$ 30,942	\$ 19,947	\$ 1,889	\$ 512	\$ 33	\$ 111	\$ 53,434
% of Fair Value . . . . .	57.9%	37.3%	3.5%	1.0%	0.1%	0.2%	100.0%

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

(\$ in millions)

December 31, 2016

NAIC Quality Designation	1	2	3	4	5	6	Total Fair Value
U.S. Treasuries . . . . .	\$ 2,555	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,555
U.S. Government agencies and authorities . . . . .	268	—	—	—	—	—	268
State, municipalities and political subdivisions . . . . .	1,530	99	1	—	—	1	1,631
U.S. corporate public securities . . . . .	12,366	9,904	904	201	30	12	23,417
U.S. corporate private securities . . . . .	2,530	2,354	166	79	5	3	5,137
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	2,420	2,418	438	90	19	—	5,385
Foreign corporate private securities <sup>(1)</sup> . . . . .	795	3,882	414	7	3	7	5,108
Residential mortgage-backed securities . . . . .	4,729	9	28	8	14	90	4,878
Commercial mortgage-backed securities . . . . .	2,355	—	—	—	—	—	2,355
Other asset-backed securities . . . . .	1,019	73	12	3	—	27	1,134
Total fixed maturities . . . . .	\$ 30,567	\$ 18,739	\$ 1,963	\$ 388	\$ 71	\$ 140	\$ 51,868
% of Fair Value . . . . .	58.9%	36.1%	3.8%	0.8%	0.1%	0.3%	100.0%

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

The following tables present credit quality of fixed maturities, including securities pledged, using ARO ratings as of the dates indicated:

(\$ in millions)

December 31, 2017

ARO Quality Ratings	AAA	AA	A	BBB	BB and Below	Total Fair Value
U.S. Treasuries . . . . .	\$ 2,522	\$ —	\$ —	\$ —	\$ —	\$ 2,522
U.S. Government agencies and authorities . . . . .	266	9	—	—	—	275
State, municipalities and political subdivisions . . . . .	169	1,095	500	146	3	1,913
U.S. corporate public securities . . . . .	307	1,378	10,556	9,924	1,093	23,258
U.S. corporate private securities . . . . .	189	273	2,206	2,843	322	5,833
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	77	476	1,838	2,819	506	5,716
Foreign corporate private securities <sup>(1)</sup> . . . . .	—	—	826	4,107	228	5,161
Residential mortgage-backed securities . . . . .	3,240	20	76	40	1,148	4,524
Commercial mortgage-backed securities . . . . .	2,069	217	217	140	61	2,704
Other asset-backed securities . . . . .	863	143	110	185	227	1,528
Total fixed maturities . . . . .	\$ 9,702	\$ 3,611	\$ 16,329	\$ 20,204	\$ 3,588	\$ 53,434
% of Fair Value . . . . .	18.2%	6.8%	30.6%	37.7%	6.7%	100.0%

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

(\$ in millions)

December 31, 2016

<b>ARO Quality Ratings</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB and Below</b>	<b>Total Fair Value</b>
U.S. Treasuries . . . . .	\$ 2,555	\$ —	\$ —	\$ —	\$ —	\$ 2,555
U.S. Government agencies and authorities State, municipalities and political subdivisions . . . . .	260	8	—	—	—	268
U.S. corporate public securities . . . . .	177	937	416	99	2	1,631
U.S. corporate private securities . . . . .	277	1,751	10,333	9,879	1,177	23,417
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	176	308	1,885	2,475	293	5,137
Foreign corporate private securities <sup>(1)</sup> . . . . .	80	571	1,770	2,417	547	5,385
Residential mortgage-backed securities . . . . .	—	—	881	4,027	200	5,108
Commercial mortgage-backed securities . . . . .	3,911	3	11	38	915	4,878
Other asset-backed securities . . . . .	1,911	111	139	45	149	2,355
	698	60	34	90	252	1,134
Total fixed maturities . . . . .	<u>\$ 10,045</u>	<u>\$ 3,749</u>	<u>\$ 15,469</u>	<u>\$ 19,070</u>	<u>\$ 3,535</u>	<u>\$ 51,868</u>
% of Fair Value . . . . .	<u>19.4%</u>	<u>7.2%</u>	<u>29.8%</u>	<u>36.8%</u>	<u>6.8%</u>	<u>100.0%</u>

<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 that 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.

#### **Unrealized Capital Losses**

Gross unrealized capital losses on fixed maturities, including securities pledged, decreased \$287 million from \$530 million to \$243 million for the year ended December 31, 2017. The decrease in gross unrealized capital losses was primarily due to tightening credit spreads. Gross unrealized losses on fixed maturities, including securities pledged, decreased \$615 million from \$1,145 million to \$530 million for the year ended December 31, 2016. The decrease in gross unrealized capital losses was primarily due to narrowing credit spreads.

As of December 31, 2017, we held four fixed maturity with unrealized capital losses in excess of \$10 million. The unrealized capital losses on this fixed maturity equaled \$56 million, or 23.0% of the total unrealized losses. As of December 31, 2016, we held one fixed maturity with unrealized capital losses in excess of \$10 million. The unrealized capital losses on this fixed maturity equaled \$15 million, or 2.9% of the total unrealized losses.

As of December 31, 2017, we held \$4.7 billion of energy sector fixed maturity securities, constituting 8.8% of the total fixed maturities portfolio, with gross unrealized capital losses of \$45 million, including one energy sector fixed maturity security with unrealized capital losses in excess of \$10 million. The unrealized capital losses on this fixed maturity security equaled \$15 million. As of December 31, 2017, our fixed maturity exposure to the energy sector is comprised of 87.4% investment grade securities.

As of December 31, 2016, we held \$4.7 billion of energy sector fixed maturity securities, constituting 9.1% of the total fixed maturities portfolio, with gross unrealized capital losses of \$75 million including one energy sector fixed maturity security with unrealized capital losses in excess of \$10 million. The unrealized capital losses on this fixed maturity security equaled \$15 million. As of December 31, 2016, our fixed maturity exposure to the energy sector is comprised of 86.1% investment grade securities.

The following table presents the U.S. and foreign corporate securities within our energy holdings by sector as of the dates indicated:

(\$ in millions)

Sector Type	December 31, 2017			December 31, 2016		
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
Midstream . . . . .	\$ 1,517	\$ 1,698	36.2%	\$ 1,589	\$ 1,710	36.0%
Integrated Energy . .	1,027	1,114	23.8%	1,076	1,121	23.6%
Independent Energy	912	1,002	21.4%	977	1,026	21.6%
Oil Field Services . .	527	528	11.3%	544	535	11.3%
Refining . . . . .	285	340	7.3%	323	352	7.5%
Total . . . . .	\$ 4,268	\$ 4,682	100.0%	\$ 4,509	\$ 4,744	100.0%

See the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for further information on unrealized capital losses.

### 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 ("Ginnie Mae").

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 and interest rate futures. 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.

Prepayment risk represents the potential for adverse changes in portfolio value resulting from changes in residential mortgage prepayment speed (actual and projected), which in turn depends on a number of factors, including conditions in both credit markets and housing markets. 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 types and individual securities based on an in-depth quantitative analysis of prepayment incentives across available borrower types.

The following table presents fixed maturities balances held in the CMO-B portfolio by NAIC quality rating as of the dates indicated:

NAIC Quality Designation	December 31, 2017			December 31, 2016		
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
1	\$ 2,624	\$ 2,851	96.0%	\$ 2,526	\$ 2,802	96.1%
2	20	20	0.7%	1	1	—%
3	10	11	0.4%	6	9	0.3%
4	—	—	—%	1	1	—%
5	7	13	0.4%	7	14	0.5%
6	50	74	2.5%	62	90	3.1%
Total	\$ 2,711	\$ 2,969	100.0%	\$ 2,603	\$ 2,917	100.0%

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.

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:

	December 31, 2017			December 31, 2016		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
<b>Derivatives non-qualifying for hedge accounting:</b>						
Interest Rate Contracts	\$ 15,630	\$ 67	\$ 36	\$ 20,061	\$ 193	\$ 103

The Company utilizes interest rate futures contracts and interest rate swaps as a part of the CMO-B portfolio to hedge interest rate risk.

The following table presents our CMO-B fixed maturity securities balances and tranche type as of the dates indicated:

Tranche Type	December 31, 2017			December 31, 2016		
	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
Inverse Floater	\$ 439	\$ 563	19.0%	\$ 569	\$ 732	25.1%
Interest Only (IO)	185	191	6.4%	214	226	7.7%
Inverse IO	1,176	1,255	42.2%	1,160	1,268	43.5%
Principal Only (PO)	270	275	9.3%	307	311	10.7%
Floater	13	12	0.4%	15	15	0.5%
Agency Credit Risk Transfer	626	670	22.6%	335	361	12.4%
Other	2	3	0.1%	3	4	0.1%
Total	\$ 2,711	\$ 2,969	100.0%	\$ 2,603	\$ 2,917	100.0%

Generally, a continued increase in valuations, as well as muted prepayments despite low interest rates, led to strong performance for our CMO-B portfolio in recent years. Based on fundamental prepayment analysis, we have been 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 the underlying drivers of prepayment behavior across collateral type are varied.

For the year ended December 31, 2017, the market value of our CMO-B portfolio increased mainly due to new purchase activity exceeding paydowns and maturities. Yields within the CMO-B portfolio continue to decline as higher yielding historical CMO-B assets paydown or mature and are replaced with lower yielding new assets.

The following table presents returns for our CMO-B portfolio for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Net investment income . . . . .	\$ 499	\$ 555	\$ 547
Net realized capital gains (losses) <sup>(1)</sup> . . . . .	(345)	(341)	(348)
Income (loss) from continuing operations before income taxes . . . . .	\$ 154	\$ 214	\$ 199

<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 the Adjusted operating earnings before income taxes for our CMO-B portfolio, certain recharacterizations are recognized. The net coupon settlement on interest rate swaps hedging CMO-B securities that is included in Net realized capital gains (losses) is reflected as Adjusted operating earnings before income taxes in the table below. In addition, the premium amortization and change in fair value for securities designated under the FVO are included in Net realized capital gains (losses), whereas the coupon for these securities is included in Net investment income. 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) to Adjusted operating earnings before income taxes.

After adjusting for the two items referenced immediately above, the following table presents a reconciliation of Income (loss) from continuing operations before income taxes from our CMO-B portfolio to Adjusted operating earnings before income taxes from our CMO-B portfolio for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<i>(\$ in millions)</i>			
Income (loss) from continuing operations before income taxes . . . . .	\$ 154	\$ 214	\$ 199
Realized gains/(losses) including OTTI . . . . .	—	(5)	(5)
Fair value adjustments . . . . .	86	43	18
Total adjustments to income (loss) from continuing operations . . . . .	86	38	13
Adjusted operating earnings before income taxes . . . . .	\$ 240	\$ 252	\$ 212

### Subprime and Alt-A Mortgage Exposure

Pre-2008 vintage subprime and Alt-A mortgage collateral continues to reflect a housing market entrenched in recovery. While collateral losses continue to be realized, the pace and magnitude at which losses are being realized are steadily decreasing. Serious delinquencies and other measures of performance, like prepayments and loan defaults, have also displayed sustained periods of improvement. Reflecting these fundamental improvements, related bond prices and sector liquidity have increased substantially since the credit crisis. More broadly, home prices have moved steadily higher, further supporting bond payment performance. Year-over-year home price measures, while at a lower magnitude than experienced in the years following the trough in home prices, have stabilized at sustainable levels, when measured on a nationwide basis. This backdrop remains supportive of continued improvement in overall borrower payment behavior. 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.

While we actively invest in and continue to manage a portfolio of such exposures in the form of securitized investments, 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 be classified as prime but for which 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.

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, 2017, the fair value, amortized cost and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled \$212 million, \$181 million and \$1 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2016, the fair value, amortized cost and gross unrealized losses related to our exposure to subprime mortgage-backed securities totaled \$246 million, \$218 million and \$5 million, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value.

The following table presents our exposure to subprime mortgage-backed securities by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

<b>% of Total Subprime Mortgage-backed Securities</b>					
<b>NAIC Quality Designation</b>		<b>ARO Quality Ratings</b>		<b>Vintage</b>	
<b><u>December 31, 2017</u></b>					
1.....	91.3%	AAA.....	—%	2007.....	41.6%
2.....	5.9%	AA.....	0.6%	2006.....	27.3%
3.....	2.6%	A.....	0.7%	2005 and prior	31.1%
4.....	—%	BBB.....	1.0%		<u>100.0%</u>
5.....	—%	BB and below	97.7%		
6.....	0.2%		100.0%		
	<u>100.0%</u>				
<b><u>December 31, 2016</u></b>					
1.....	92.4%	AAA.....	—%	2007.....	39.2%
2.....	2.1%	AA.....	0.6%	2006.....	25.0%
3.....	5.1%	A.....	4.8%	2005 and prior	35.8%
4.....	0.4%	BBB.....	1.1%		<u>100.0%</u>
5.....	—%	BB and below	93.5%		
6.....	—%		100.0%		
	<u>100.0%</u>				

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, 2017, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled \$219 million, \$189 million and \$1 million, respectively, representing 0.4% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2016, the fair value, amortized cost and gross unrealized losses related to our exposure to Alt-A RMBS totaled \$268 million, \$237 million and \$3 million, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value.

The following table presents our exposure to Alt-A RMBS by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

<b>% of Total Alt-A Mortgage-backed Securities</b>						
<b>NAIC Quality Designation</b>		<b>ARO Quality Ratings</b>		<b>Vintage</b>		
<b>December 31, 2017</b>						
1	97.4%	AAA	—%	2017	1.5%	
2	1.6%	AA	0.3%	2007	29.1%	
3	0.5%	A	1.9%	2006	41.4%	
4	0.2%	BBB	1.5%	2005 and prior	28.0%	
5	0.1%	BB and below	96.3%			100.0%
6	0.2%		100.0%			
	100.0%					
<b>December 31, 2016</b>						
1	96.2%	AAA	—%	2007	33.3%	
2	1.0%	AA	0.1%	2006	37.5%	
3	1.7%	A	0.6%	2005 and prior	29.2%	
4	0.4%	BBB	1.6%			100.0%
5	—%	BB and below	97.7%			
6	0.7%		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 through mid-2012. The steep pace of increases observed in this time frame relented, and the percentage of delinquent loans declined through February 2016 (although certain months did post marginal increases). Since then, the delinquency rate has increased, with recent months showing more upward momentum. Other performance metrics like vacancies, property values and rent levels have posted sustained improvement trends, although these metrics are not observed uniformly, differing by dimensions such as geographic location and property type. These improvements have been buoyed by some of the same macro-economic tailwinds alluded to in regards to our subprime and Alt-A mortgage exposure. A robust environment for property refinancing was particularly supportive of improving credit performance metrics throughout much of the post-credit crisis period. In the first quarter of 2016, however, this virtuous lending cycle was disrupted as the dislocation in corporate credit markets negatively impacted liquidity conditions in CMBS. As a result, the new issuance market for CMBS slowed considerably during the first half of 2016 before normalizing to end the year. Spread performance somewhat mirrored these new issuance trends: volatile in the first half of 2016, signs of increased liquidity and more general stability in credit spreads have been observed since. Year to date performance of CMBS can be best characterized by issuance stability and liquid market conditions, fostering relatively prolific new issuance volumes. This backdrop has allowed for general success in the refinancing of the final large maturing loan populations from pre-crisis originated commercial mortgage loans, done in 2007.

For most forms of consumer ABS, delinquency and loss rates have been maintained at levels considered low by historical standards and indicative of high credit quality. Two exceptions exist in the form of auto loans to subprime borrowers and particular cohorts (loans originated in 2008-2010) of student loan borrowers. Payment performance in these particular ABS sub-sectors has been volatile and weak relative to most other forms of ABS, where relative strength in various credit metrics across multiple types of asset-backed loans have been observed on a sustained basis. In managing our risk exposure to other ABS, we take into account collateral performance and structural characteristics associated with our various positions

The following table presents our exposure to CMBS holdings by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

		% of Total CMBS			
<u>NAIC Quality Designation</u>		<u>ARO Quality Ratings</u>		<u>Vintage</u>	
<b><u>December 31, 2017</u></b>					
1.....	99.0%	AAA.....	76.5%	2017.....	25.1%
2.....	1.0%	AA.....	8.0%	2016.....	6.9%
3.....	—%	A.....	8.0%	2015.....	22.2%
4.....	—%	BBB.....	5.2%	2014.....	19.8%
5.....	—%	BB and below..	2.3%	2013.....	19.3%
6.....	—%		100.0%	2012.....	1.0%
	<u>100.0%</u>			2011 and prior	5.7%
					<u>100.0%</u>
<b><u>December 31, 2016</u></b>					
1.....	100.0%	AAA.....	81.1%	2016.....	10.4%
2.....	—%	AA.....	4.7%	2015.....	24.5%
3.....	—%	A.....	5.9%	2014.....	21.4%
4.....	—%	BBB.....	1.9%	2013.....	20.1%
5.....	—%	BB and below..	6.4%	2012.....	0.8%
6.....	—%		100.0%	2011.....	1.8%
	<u>100.0%</u>			2010 and prior	21.0%
					<u>100.0%</u>

As of December 31, 2017, the fair value, amortized cost and gross unrealized losses related to our exposure to Other ABS, excluding subprime exposure, totaled \$1,345 million, \$1,337 million and \$3 million, respectively. As of December 31, 2016, the fair value, amortized cost and gross unrealized losses related to our exposure to Other ABS, excluding subprime exposure, totaled \$905 million, \$897 million and \$2 million, respectively.

As of December 31, 2017, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 5.5%, 55.7% and 14.6%, respectively, of total Other ABS, excluding subprime exposure. As of December 31, 2016, Other ABS was broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 28.2%, 36.8% and 19.2%, respectively, of total Other ABS, excluding subprime exposure.

The following table presents our exposure to Other ABS holdings, excluding subprime exposure, by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

		<b>% of Total Other ABS</b>			
<b>NAIC Quality Designation</b>		<b>ARO Quality Ratings</b>		<b>Vintage</b>	
<b>December 31, 2017</b>					
1.....	85.9%	AAA.....	64.0%	2017.....	50.0%
2.....	10.6%	AA.....	10.6%	2016.....	33.2%
3.....	0.9%	A.....	8.1%	2015.....	8.5%
4.....	0.2%	BBB.....	13.7%	2014.....	2.9%
5.....	—%	BB and below..	3.6%	2013.....	0.4%
6.....	2.4%		100.0%	2012.....	0.5%
	100.0%			2011 and prior	4.5%
					100.0%
<b>December 31, 2016</b>					
1.....	88.0%	AAA.....	77.2%	2016.....	48.9%
2.....	8.1%	AA.....	6.4%	2015.....	12.3%
3.....	0.6%	A.....	2.6%	2014.....	11.3%
4.....	0.2%	BBB.....	9.7%	2013.....	3.5%
5.....	—%	BB and below..	4.1%	2012.....	1.4%
6.....	3.1%		100.0%	2011.....	—%
	100.0%			2010 and prior	22.6%
					100.0%

### **Mortgage Loans on Real Estate**

We rate 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 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.

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.

As of December 31, 2017 and 2016, our mortgage loans on real estate portfolio had a weighted average DSC of 2.2 times, and a weighted average LTV ratio of 60.9% and 60.3%, respectively. See the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8, of this Annual Report on Form 10-K for further information on mortgage loans on real estate.

		Recorded Investment						
		Debt Service Coverage Ratios						
						Commercial mortgage loans secured by land or construction loans	Total	% of Total
		> 1.5x	>1.25x - 1.5x	>1.0x - 1.25x	< 1.0x			
<i>(\$ in millions)</i>								
<b>December 31, 2017</b>								
Loan-to-Value Ratios:								
0% - 50%	\$	772	61	—	16	—	849	9.8%
>50% - 60%		1,984	58	70	8	5	2,125	24.5%
>60% - 70%		3,940	391	739	70	4	5,144	59.2%
>70% - 80%		313	145	83	2	8	551	6.3%
>80% and above		4	—	1	9	6	20	0.2%
Total	\$	7,013	655	893	105	23	8,689	100.0%

		Recorded Investment						
		Debt Service Coverage Ratios						
						Commercial mortgage loans secured by land or construction loans	Total	% of Total
		> 1.5x	>1.25x - 1.5x	>1.0x - 1.25x	< 1.0x			
<i>(\$ in millions)</i>								
<b>December 31, 2016</b>								
Loan-to-Value Ratios:								
0% - 50%	\$	886	42	18	4	—	950	11.9%
>50% - 60%		1,656	150	132	23	15	1,976	24.7%
>60% - 70%		3,658	437	377	58	14	4,544	56.7%
>70% - 80%		221	195	69	9	29	523	6.5%
>80% and above		—	—	1	11	1	13	0.2%
Total	\$	6,421	824	597	105	59	8,006	100.0%

### 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 *Business, Basis of Presentation and Significant Accounting Policies* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for the policy used to evaluate whether the investments are other-than-temporarily impaired.

For the year ended December 31, 2017, we recorded \$19 million of credit related OTTI. See the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements of Part II, Item 8. in this Annual Report on Form 10-K for further information on OTTI.

### 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 product features. See the *Business, Basis of Presentation and Significant Accounting Policies* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for further information.

### Closed Block Variable Annuity Hedging

See *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A. of this Annual Report on Form 10-K for further information.

## **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).

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.

## **European Exposures**

We quantify and allocate our exposure to the region by attempting to identify 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 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.

While financial conditions in Europe have broadly improved, the possibility of capital market volatility spreading through a highly integrated and interdependent banking system remains. Despite signs of continuous improvement in the region, we continue to closely monitor our exposure to the region.

For the year ended December 31, 2017, the Company's total European exposure had an amortized cost and fair value of \$5,278 million and \$5,793 million, respectively. European exposure with a primary focus on Greece, Ireland, Italy, Portugal and Spain (which we refer to as "peripheral Europe") amounts to \$508 million, which includes non-financial institutions exposure in Ireland of \$141 million, in Italy of \$182 million, in Portugal of \$10 million and in Spain of \$134 million. We also had financial institutions exposure in Italy of \$10 million and in Spain of \$31 million. We did not have any exposure to Greece.

Among the remaining \$5,285 million 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, 2017, our non-peripheral sovereign exposure was \$203 million, which consisted of fixed maturities and derivative assets. We also had \$708 million in net exposure to non-peripheral financial institutions, with a concentration in Switzerland of \$182 million and the United Kingdom of \$315 million. The balance of \$4,374 million was invested across non-peripheral, non-financial institutions.

Some of the major country level exposures were in the United Kingdom of \$2,460 million, in The Netherlands of \$622 million, in Belgium of \$362 million, in France of \$287 million, in Germany of \$419 million, in Switzerland of \$497 million, and in Russia of \$116 million. We believe the primary risk results from market value fluctuations resulting from spread volatility and the secondary risk is default risk, dependent upon the strength of continued recovery of economic conditions in Europe.

## **Consolidated Investment Entities**

We provide investment management services to, and have transactions with, various collateralized loan obligations ("CLO entities"), private equity funds, hedge funds, registered investment companies, insurance entities, securitizations 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 certain 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 of the entity, or when we otherwise have control through voting rights. In February 2015, the FASB issued ASU 2015-02, "Consolidation (ASC Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"), which significantly amends the consolidation analysis required under current consolidation guidance. We adopted the provisions of ASU 2015-02 on January 1, 2016 using the modified retrospective approach. See Adoption of New Accounting Pronouncements section in the *Business, Basis of Presentation and Significant Accounting Policies* Note to our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for the impact of the adoption.

We have no right to the benefits from, nor do we bear the risks associated with consolidated investment entities beyond our direct debt or equity investments in and management fees generated from these entities. Such direct investments amounted to approximately \$442 million and \$587 million as of December 31, 2017 and 2016, respectively. If we were to liquidate, the assets held by consolidated investment entities would not be available to our general creditors as a result of the liquidation.

### ***Fair Value Measurement***

Upon consolidation of CLO entities, we elected to apply the FVO for financial assets and financial liabilities held by these entities and have continued to measure these assets (primarily corporate loans) and liabilities (debt obligations issued by CLO entities) at fair value in subsequent periods. 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 (loss) 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 *Business, Basis of Presentation and Significant Accounting Policies* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

### ***Nonconsolidated VIEs***

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 the nonconsolidated CLO entities, but if we do, such ownership has been deemed to be insignificant. We have not provided and are not obligated to provide any financial or other support to these entities.

We manage or hold investments in certain private equity funds and hedge funds. 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. 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 and did not consolidate any of these investment funds.

In addition, we do not consolidate funds in which our involvement takes the 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. See the *Consolidated Investment Entities* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for more information.

### ***Securizations***

We invest in various tranches of securitization entities, including RMBS, CMBS and ABS. Through our investments, we are not obligated to provide any financial or other support to these entities. Each of 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, 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. We, through our investments or other arrangements, 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 will 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 (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K 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. Refer to the *Investments (excluding Consolidated Investment Entities)* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K for details regarding the carrying amounts and classifications of these assets.

## **Item 7A. Quantitative and Qualitative Disclosures 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 interest rate risk, equity market price risk, and credit 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 products and services, 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 on 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 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 our 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.

Each risk that is managed has been mapped for oversight by the Board of Directors or appropriate Board Committees. The Chief Risk Officer ("CRO") reports to the Chief Executive Officer and has direct access to the Board on a regular basis. The Company's Board of Directors and Board Committees are directly involved within the risk framework.

The CRO heads the risk management function and each of the businesses, as well as corporate, has a similar function that reports to the CRO. This functional approach is designed to promote consistent application of guidelines and procedures, regular reporting and appropriate communication 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 a Risk Management Policy to which our 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 a 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;
- Duration and convexity mismatch limits;
- Credit risk limits;
- Liquidity 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 several key risk metrics, including:

- At-risk metrics on sensitivities of earnings and regulatory capital;
- Stress scenario results: forecasted results under stress events covering the impact of changes in interest rates, equity markets, mortality rates, credit default and spread levels, and combined impacts;
- Economic capital: the amount of capital required to cover extreme scenarios

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;
- 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.

As disclosed in the *Business Held for Sale and Discontinued Operations* Note to the Consolidated Financial Statements, on December 20, 2017, we entered into a Master Transaction Agreement with VA Capital and Athene which will result in the disposition of substantially all of the Company's CBVA and Annuities businesses.

### **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, stable value contracts and secondary guarantee universal life contracts. 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 on those products that are being hedged. 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 on certain stable value contracts. Conversely, a steady increase in interest rates would tend to improve financial results due to reduced hedging costs, lower costs of guaranteed benefits and improvement to fixed margins.

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 or a period of rapidly increasing interest rates* in Part I, Item 1A. of this Annual Report on Form 10-K.

Derivatives strategies include the following:

- *Guaranteed Minimum Contract Value Guarantees.* For certain liability contracts, we provide the contract holder a guaranteed minimum contract value. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate swaps and interest rate options 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 swaps and interest rate options to reduce the 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 *Management's Discussion and Analysis of Financial Condition and Results of Operations-Investments-CMO-B Portfolio* in Part II, Item 7. of this Annual Report on Form 10-K.

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. The following tables summarize the net estimated potential change in fair value within our continuing operations from hypothetical 100 basis point upward and downward shifts in interest rates as of December 31, 2017 and 2016. In calculating these amounts, we exclude gains and losses on separate account fixed income 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 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.

		As of December 31, 2017			
		Fair Value <sup>(1)</sup>		Hypothetical Change in Fair Value <sup>(2)</sup>	
		Notional	Fair Value <sup>(1)</sup>	+ 100 Basis Points Yield Curve Shift	- 100 Basis Points Yield Curve Shift
<i>(\$ in millions)</i>					
<b>Continuing operations:</b>					
Financial assets with interest rate risk:					
Fixed maturity securities, including securities pledged	\$	—	\$ 53,434	\$ (4,275)	\$ 4,805
Commercial mortgage and other loans		—	8,748	(478)	527
Derivatives:					
Interest rate contracts		27,538	115	98	(124)
Notes Receivable <sup>(3)</sup>			445	(46)	53
Financial liabilities with interest rate risk:					
Investment contracts:					
Funding agreements without fixed maturities and deferred annuities <sup>(4)</sup>		—	38,553	(2,762)	3,441
Funding agreements with fixed maturities and GICs		—	501	(23)	25
Supplementary contracts and immediate annuities		—	1,285	(52)	59
Long-term debt		—	3,478	(260)	298
Embedded derivatives on reinsurance		—	129	132	(156)
Guaranteed benefit derivatives <sup>(4)</sup> :					
FIA		—	40	1	(2)
IUL		—	159	8	(8)
GMWBL/ GMWB / GMAB		—	10	(8)	11
Stabilizer and MCGs		—	97	(59)	104

<sup>(1)</sup> 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.

<sup>(2)</sup> (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

<sup>(3)</sup> Reflects surplus notes that will continue to be receivable from VIAC upon closing of the Transaction, see the *Business Held for Sale and Discontinued Operations* Note for further information.

<sup>(4)</sup> Certain amounts included in Funding agreements without fixed maturities and deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the tables above.

As of December 31, 2016

	Notional	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
(\$ in millions)				
<b>Continuing operations:</b>				
Financial assets with interest rate risk:				
Fixed maturity securities, including securities pledged	\$ —	\$ 51,868	\$ (4,004)	\$ 4,498
Commercial mortgage and other loans	—	8,185	(444)	489
Derivatives:				
Interest rate contracts	39,676	307	93	(107)
Notes Receivable <sup>(3)</sup>	—	432	(47)	54
Financial liabilities with interest rate risk:				
Investment contracts:				
Funding agreements without fixed maturities and deferred annuities <sup>(4)</sup>	—	38,368	(2,804)	3,420
Funding agreements with fixed maturities and GICs	—	470	(8)	8
Supplementary contracts and immediate annuities	—	1,337	(53)	62
Long-term debt	—	3,738	(239)	274
Embedded derivatives on reinsurance	—	79	(127)	150
Guaranteed benefit derivatives <sup>(4)</sup> :				
FIA	—	42	1	(1)
IUL	—	81	5	(5)
GMWBL/ GMWB / GMAB	—	18	(9)	12
Stabilizer and MCGs	—	150	(90)	143

- <sup>(1)</sup> 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.
- <sup>(2)</sup> (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.
- <sup>(3)</sup> Reflects surplus notes that will continue to be receivable from VIAC upon closing of the Transaction, see the *Business Held for Sale and Discontinued Operations* Note for further information.
- <sup>(4)</sup> Certain amounts included in Funding agreements without fixed maturities and deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the tables above.

For certain liability contracts, we provide the contract holder a guaranteed minimum interest rate ("GMIR"). These contracts include fixed annuities and other insurance liabilities. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with a resulting investment margin compression negatively impacting earnings. Credited rates are set either quarterly or annually. See the *Guaranteed Benefit Features* Note in our Consolidated Financial Statements in Part II, Item 8, of this Annual Report on Form 10-K.

The following table summarizes detail on the differences between the interest rate being credited to contract holders as of December 31, 2017, and the respective GMIRs for our continuing operations:

(\$ in millions)	Account Value <sup>(1)</sup>						Total
	At GMIR	Up to .50% Above GMIR	0.51% - 1.00% Above GMIR	1.01% - 1.50% Above GMIR	1.51% - 2.00% Above GMIR	More than 2.00% Above GMIR	
<b>Continuing operations:</b>							
<b>Guaranteed minimum interest rate of</b>							
Up to 1.00% . . . . .	\$ 2,926	\$ 1,293	\$ 1,266	\$ 351	\$ 1,491	\$ 425	\$ 7,752
1.01% - 2.00% . . . . .	1,147	105	62	5	9	73	1,401
2.01% - 3.00% . . . . .	15,856	328	332	179	30	28	16,753
3.01% - 4.00% . . . . .	12,594	748	485	—	—	—	13,827
4.01% and Above . . . . .	2,766	104	—	—	—	—	2,870
Renewable beyond 12 months (MYGA) <sup>(2)</sup> . . . . .	477	—	—	—	—	—	477
Total discretionary rate setting products . . . . .	<u>\$ 35,766</u>	<u>\$ 2,578</u>	<u>\$ 2,145</u>	<u>\$ 535</u>	<u>\$ 1,530</u>	<u>\$ 526</u>	<u>\$ 43,080</u>
Percentage of Total . . . . .	83.0%	6.0%	5.0%	1.2%	3.6%	1.2%	100.0%

<sup>(1)</sup> Includes only the account values for investment spread products with GMIRs and discretionary crediting rates, net of policy loans. Excludes Stabilizer products, which are fee based. Also, excludes the portion of the account value of FIA products for which the crediting rate is based on market indexed strategies.

<sup>(2)</sup> Represents MYGA contracts with renewal dates after December 31, 2018 on which we are required to credit interest above the contractual GMIR for at least the next twelve months.

#### Market Risk Related to Equity Market Prices

Our indexed universal life ("IUL") insurance 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.

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 summarize the net estimated potential change in fair value within our continuing operations from an instantaneous increase and decrease in all equity market benchmark levels of 10% as of December 31, 2017 and 2016. In calculating these amounts, we exclude gains and losses on 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 the future 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.

**As of December 31, 2017**

<i>(\$ in millions)</i>	As of December 31, 2017			
	Notional	Fair Value	Hypothetical Change in Fair Value <sup>(1)</sup>	
			+ 10% Equity Shock	-10% Equity Shock
<b>Continuing operations:</b>				
Financial assets with equity market risk:				
Equity securities, available-for-sale . . . . .	\$ —	\$ 380	\$ 35	\$ (35)
Limited liability partnerships/corporations . . . . .	—	784	49	(49)
Derivatives:				
Equity futures and total return swaps <sup>(2)</sup> . . . . .	161	—	(19)	19
Equity options . . . . .	1,365	179	68	(70)
Financial liabilities with equity market risk:				
Guaranteed benefit derivatives:				
FIA . . . . .	—	40	1	(1)
IUL . . . . .	—	159	60	(62)
GMWBL/ GMWB / GMAB . . . . .	—	10	(2)	3

<sup>(1)</sup> (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

<sup>(2)</sup> Primarily related to the Variable Annuity Hedging Program.

**As of December 31, 2016**

<i>(\$ in millions)</i>	As of December 31, 2016			
	Notional	Fair Value	Hypothetical Change in Fair Value <sup>(1)</sup>	
			+ 10% Equity Shock	-10% Equity Shock
<b>Continuing operations:</b>				
Financial assets with equity market risk:				
Equity securities, available-for-sale . . . . .	\$ —	\$ 258	\$ 21	\$ (21)
Limited liability partnerships/corporations . . . . .	—	759	48	(48)
Derivatives:				
Equity futures and total return swaps <sup>(2)</sup> . . . . .	157	—	(16)	16
Equity options . . . . .	760	94	44	(41)
Financial liabilities with equity market risk:				
Guaranteed benefit derivatives:				
FIA . . . . .	—	42	1	(1)
IUL . . . . .	—	81	38	(35)
GMWBL/ GMWB / GMAB . . . . .	—	18	(3)	4

<sup>(1)</sup> (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

<sup>(2)</sup> Primarily related to the Variable Annuity Hedging Program.

**Net Amount at Risk ("NAR")**

The NAR for Guaranteed Minimum Death Benefits ("GMDB"), Guaranteed Minimum Accumulation Benefits ("GMAB") and Guaranteed Minimum Withdrawal Benefits ("GMWB") 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 Guaranteed Minimum Income Benefits ("GMIB") and Guaranteed Minimum Withdrawal Benefits for Life ("GMWBL") 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 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 uses current new money investment yields. 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 U.S. 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 within our continuing operations are summarized below as of December 31, 2017.

As of December 31, 2017					
<i>(\$ in millions, unless otherwise indicated)</i>	Account Value <sup>(1)</sup>	Gross NAR	Retained NAR	% Contracts Retained NAR In-the-Money <sup>(2)</sup>	% Retained NAR In-the-Money <sup>(3)</sup>
<b>Continuing operations:</b>					
GMDB .....	\$ 1,939	\$ 125	\$ 48	11%	45%
Living Benefit					
GMIB.....	\$ 289	\$ 37	\$ 37	62%	17%
GMWBL/GMWB/GMAB.	312	4	4	19%	8%
Living Benefit Total .....	<u>\$ 601</u>	<u>\$ 41</u>	<u>\$ 41</u>	<u>43%</u>	<u>16%</u>

<sup>(1)</sup> Account value excludes \$138 million of Payout, Policy Loan and life insurance business which is included in consolidated account values.

<sup>(2)</sup> Percentage of contracts that have a Retained NAR greater than zero.

<sup>(3)</sup> For contracts with a Gross NAR greater than zero, % NAR In-the-Money is defined as NAR/(NAR + Account Value).

### **Variable Annuity Hedge Program**

We primarily mitigate market risk exposures through our Variable Annuity Hedge Program. 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 current objective of the Variable Annuity Hedge Program is to protect regulatory and rating agency capital from immediate market movements. The hedge program is executed through the purchase and sale of various instruments designed to limit the reserve and rating agency capital increases resulting from an immediate change in equity markets, and interest rates. The hedge targets may change over time with market movements, changes in regulatory and rating agency capital, available collateral and our risk tolerance. While the Variable Annuity Hedge Program does not explicitly hedge statutory or U.S. 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 U.S. GAAP reserve changes due to market movements.

### **Hedging of IUL Benefits**

We mitigate IUL market risk exposures through a combination of capital market hedging and product design. For IULs, these risks stem from the interest credits paid to policy owners based on exposure to various stock market indices. The minimum guarantees, interest rate and equity market exposures, are strongly dependent on capital markets and, to a lesser degree, policyholder behavior.

These hedge programs are limited to the current policy term of the liabilities, based on current participation rates and index caps. Future returns, which may be reflected in IUL credited rates beyond the current policy term, are not hedged until such time that policyholder selections of future crediting strategies have been made.

Equity 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 IUL contracts. The equity options offset this increased expense.

Interest rate options are used to hedge against an increase in the interest rate benchmark. The interest rate options offset this increased expense.

## **Market Risk Related to Credit Risk**

Credit risk is primarily embedded in the general account portfolio. The carrying value of our fixed maturity, including securities pledged, and equity portfolio totaled \$53.8 billion and \$52.1 billion as of December 31, 2017 and 2016, respectively. Our credit risk materializes primarily as impairment losses and/or credit risk related trading 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 caused by rating down-grades. 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, as well as by industry segment, using specific investment constraints. Limit compliance is monitored on a daily, monthly or quarterly basis. Limit violations are reported to senior management and we are actively involved in decisions around curing such limit violations.

We also have credit risk related to the ability of our derivatives and reinsurance counterparties to honor their obligations to pay the contract amounts under various agreements. In order to minimize the risk of credit loss on such contracts, we diversify our exposures among several counterparties and limit the amount of exposure to each based on credit rating. For most counterparties, we have collateral agreements in place that would substantially limit our credit losses in case of a counterparty default. We also generally limit our selection of counterparties that we do new transactions with 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. For derivatives counterparty risk exposures (which includes reverse repurchase and securities lending transactions), we measure and monitor our risks on a market value basis daily.

The following table summarizes our reinsurance recoverable balances, including collateral received and credit and financial strength ratings for our 10 largest reinsurance recoverable balances as of December 31, 2017:

	Reinsurance Recoverable	% Collateralized <sup>(1)</sup>	Financial Strength Rating		Credit Rating	
			S&P	Moody's	S&P	Moody's
<i>(\$ in millions)</i>						
<b>Continuing operations:</b>						
<b>Parent Company/Principal Reinsurers</b>						
Hannover RE Group . . . . .	\$ 2,910	55%			AA-	NR <sup>(2)</sup>
Hannover Life Reassurance Co of America			AA-	NR <sup>(2)</sup>		
Hannover Re (Ireland) Ltd . . . . .			AA-	0		
Lincoln National Corp . . . . .	1,535	96%			A-	Baa1
Lincoln Life & Annuity Company of New York . . . . .			AA-	A1		
Lincoln National Life Insurance Co . . . . .			AA-	A1		
Reinsurance Group of America Inc . . . . .	1,338	92%			A-	Baa1
RGA Reinsurance Company . . . . .			AA-	A1		
Prudential Plc (U.K.) . . . . .	482	61%			A+	A2
Jackson National Life Insurance Co . . . . .			AA	A1		
Scottish Re Group Ltd . . . . .	265	95%			NR <sup>(2)</sup>	NR <sup>(2)</sup>
Ballantyne Re Plc . . . . .			NR <sup>(2)</sup>	NR <sup>(2)</sup>		
Scottish Re (US) Inc . . . . .			NR <sup>(2)</sup>	NR <sup>(2)</sup>		
Scottish Re Life (Bermuda) Ltd . . . . .			NR <sup>(2)</sup>	NR <sup>(2)</sup>		
Scottish Re Life Corp . . . . .			NR <sup>(2)</sup>	NR <sup>(2)</sup>		
Scottish Re US Inc. . . . .			NR <sup>(2)</sup>	NR <sup>(2)</sup>		
Sun Life Financial Inc . . . . .	225	3%			A	Baa2
Sun Life Assurance Co of Canada (US) . . . . .			AA-	0		
Sun Life Assurance Company of Canada USB . . . . .			AA-	0		
Sun Life Assurance Company of Canada . . . . .			AA-	0		
Sun Life & Health . . . . .			AA-	0		
Swiss Re Ltd . . . . .	220	0%			AA-	Aa3
Swiss Re Life & Health America Inc . . . . .			AA-	Aa3		
Westport Insurance Corp . . . . .			AA-	Aa3		
Enstar Group Limited . . . . .	163	100%			BBB-	NR <sup>(2)</sup>
Fitzwilliam Insurance Ltd . . . . .			NR <sup>(2)</sup>	NR <sup>(2)</sup>		
Aegon N.V. . . . .	76	0%			A-	A3
Transamerica Financial Life Insurance Co . . . . .			AA-	A1		
Transamerica Life Insurance Co . . . . .			AA-	A1		
Munich Re Group . . . . .	44	1%			AA-	Aa3
Munich American Reassurance Co . . . . .			AA-	NR		
Munich American Reassurance Company . . . . .			AA-	NR		
All Other Reinsurers . . . . .	308	11%				
<b>Total reinsurance recoverable . . . . .</b>	<b>\$ 7,566</b>	<b>67%</b>				

<sup>(1)</sup> Collateral includes LOCs, assets held in trust and funds withheld. Percent collateralized is based on the total of individual contractual exposures aggregated at the reinsurer Parent Company level, which may differ for each individual contractual exposure.

<sup>(2)</sup> Not rated.

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 that would affect collectability, and, therefore, as of December 31, 2017, no allowance for uncollectible amounts was recorded.

The following tables summarize the outstanding notional amount by contract type of exchange traded derivatives and over the counter derivatives, which includes cleared derivatives, as of December 31, 2017 and 2016:

		<b>As of December 31, 2017</b>		
		<b>Derivative Notional Amounts</b>		
		<b>Exchange Traded</b>	<b>Over The Counter (OTC)</b>	<b>Total Notional</b>
<i>(\$ in millions)</i>				
<b>Continuing operations:</b>				
<b>Type of Contract</b>				
Credit Contracts .....	\$	—	\$ 1,983	\$ 1,983
Equity Contracts .....		144	1,382	1,526
Foreign Exchange Contracts .....		—	710	710
Interest Rate Contracts .....		3,048	24,490	27,538
Total .....	\$	<u>3,192</u>	<u>\$ 28,565</u>	<u>\$ 31,757</u>

		<b>As of December 31, 2016</b>		
		<b>Derivative Notional Amounts</b>		
		<b>Exchange Traded</b>	<b>Over The Counter (OTC)</b>	<b>Total Notional</b>
<i>(\$ in millions)</i>				
<b>Continuing operations:</b>				
<b>Type of Contract</b>				
Credit Contracts .....	\$	—	\$ 3,051	\$ 3,051
Equity Contracts .....		135	782	917
Foreign Exchange Contracts .....		—	692	692
Interest Rate Contracts .....		6,778	32,898	39,676
Total .....	\$	<u>6,913</u>	<u>\$ 37,423</u>	<u>\$ 44,336</u>

The following table summarizes our exposure by counterparty, including notional amount, fair value and the net exposure as of dates indicated, demonstrating that we do not have a concentration of credit risk with our OTC derivative counterparties, which includes cleared derivative counterparties:

As of December 31, 2017

(\$ in millions, unless otherwise specified)

	Concentration of OTC Derivative Counterparty			
	Notional Amount	Asset Fair Value	Liability Fair Value	OTC Derivative Exposure <sup>(1)</sup>
<b>Continuing operations:</b>				
<b>OTC Derivative Counterparty</b>				
Goldman Sachs International .....	\$ 3,532	\$ 37	\$ 23	\$ 3
Morgan Stanley & Co. LLC (CME) .....	7,758	4	3	2
Royal Bank of Canada .....	208	12	2	1
Credit Suisse International .....	973	39	7	1
Deutsche Bank AG .....	688	—	3	1
Goldman Sachs and Co. (CME) .....	530	—	—	1
ING BANK .....	7	2	—	—
BNP Paribas .....	1,137	14	8	—
Morgan Stanley Capital Services LLC .....	714	6	3	—
Morgan Stanley & Co. LLC (LCH) .....	8,150	77	16	—
HSBC Bank USA, National Association .....	469	9	3	—
JPMORGAN CHASE BANK, N.A. ....	333	9	4	—
Bank of America, N.A. ....	155	35	1	—
Barelays Bank, PLC .....	449	19	14	—
NATIXIS SA .....	110	32	—	—
CREDIT AGRICOLE CORPORATE & INVESTMENT BANK .....	—	—	—	—
Citibank, N.A. ....	721	16	36	—
Cournot Financial Products, LLC .....	—	—	—	—
All Other OTC Counterparties .....	2,631	85	25	—
<b>Total .....</b>	<b>\$ 28,565</b>	<b>\$ 396</b>	<b>\$ 148</b>	<b>\$ 9</b>

<sup>(1)</sup> 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 summarizes the maturities, associated notional, and fair value of our exchange traded derivatives and over the counter derivatives, which includes cleared derivatives, as of December 31, 2017:

As of December 31, 2017

(\$ in millions)

	Volume of Derivative Activities			
	Notional Amount	Asset Fair Value	Liability Fair Value	Net Fair Value
<b>Continuing operations:</b>				
<b>By Maturity</b>				
<b>OTC Contracts:</b>				
Within 1 Year .....	\$ 4,232	\$ 112	\$ 23	\$ 89
1 Year to 5 Years .....	11,397	181	38	143
5 Years to 10 Years .....	6,326	41	56	(15)
10 Years and longer .....	6,610	62	31	31
<b>Total OTC Contracts .....</b>	<b>28,565</b>	<b>396</b>	<b>148</b>	<b>248</b>
Exchange Traded Contracts .....	3,192	1	1	—
<b>Total Derivatives .....</b>	<b>\$ 31,757</b>	<b>\$ 397</b>	<b>\$ 149</b>	<b>\$ 248</b>

During 2017, net cash settlements under OTC contracts (including cleared derivatives) were \$237 million received and net cash settlements for exchange traded derivatives were \$21 million paid. Net realized gains/(losses) on derivatives for the year ended December 31, 2017, were \$122 million and \$(24) million for OTC contracts (including cleared derivatives) and exchange traded contracts, respectively.

### Risks Related to Business Classified as Held for Sale

Our businesses held for sale are subject to a variety of risks including interest rate risk, equity risk, credit risk and counterparty risk.

#### Interest Rate Risk

This risk arises from our holdings in interest sensitive assets and liabilities, primarily as a result of investing 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. 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 on those products that are being hedged. 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 on certain stable value contracts. Conversely, a steady increase in interest rates would tend to improve financial results due to reduced hedging costs, lower costs of guaranteed benefits and improvement to fixed margins.

The following tables summarize the net estimated potential change in fair value within our businesses held for sale from hypothetical 100 basis point upward and downward shifts in interest rates as of December 31, 2017 and 2016.

	As of December 31, 2017			
	Notional	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
<i>(\$ in millions)</i>				
<b>Businesses held for sale:</b>				
Financial assets with interest rate risk:				
Fixed maturity securities, including securities pledged . . . . .	\$ —	\$ 23,380	\$ (1,612)	\$ 1,761
Commercial mortgage and other loans . . . . .	—	4,215	(221)	243
Derivatives:				
Interest rate contracts . . . . .	28,430	382	(707)	968
Financial liabilities with interest rate risk:				
Investment contracts:				
Funding agreements without fixed maturities and deferred annuities <sup>(3)</sup> . . . . .	—	18,901	(1,327)	1,717
Funding agreements with fixed maturities and GICs . . . . .	—	601	(25)	26
Supplementary contracts and immediate annuities	—	2,908	(205)	229
Notes payable <sup>(4)</sup> . . . . .	—	445	(46)	53
Guaranteed benefit derivatives <sup>(3)</sup> :				
FIA . . . . .	—	2,242	157	(170)
GMWBL/ GMWB / GMAB . . . . .	—	1,158	(577)	752

<sup>(1)</sup> 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.  
<sup>(2)</sup> (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.  
<sup>(3)</sup> Certain amounts included in Funding agreements without fixed maturities and deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the tables above.  
<sup>(4)</sup> Reflects VIAC's corresponding liability of surplus notes, see the *Business Held for Sale and Discontinued Operations* Note for further information.

As of December 31, 2016

	Notional	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
(\$ in millions)				
<b>Businesses held for sale:</b>				
Financial assets with interest rate risk:				
Fixed maturity securities, including securities pledged.....	\$ —	\$ 23,470	\$ (1,538)	\$ 1,680
Commercial mortgage and other loans .....	—	3,776	(198)	216
Derivatives:				
Interest rate contracts.....	38,848	423	(642)	869
Financial liabilities with interest rate risk:				
Investment contracts:				
Funding agreements without fixed maturities and deferred annuities <sup>(3)</sup> .....	—	19,193	(1,441)	1,781
Funding agreements with fixed maturities and GICs.....	—	—	—	—
Supplementary contracts and immediate annuities ..	—	2,783	(200)	225
Notes payable <sup>(4)</sup> .....	—	432	(47)	54
Guaranteed benefit derivatives <sup>(3)</sup> :				
FIA.....	—	1,987	164	(178)
GMWBL/ GMWB / GMAB .....	—	1,512	(604)	769

<sup>(1)</sup> 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.

<sup>(2)</sup> (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

<sup>(3)</sup> Certain amounts included in Funding agreements without fixed maturities and deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the tables above.

<sup>(4)</sup> Reflects VIAC's corresponding liability of surplus notes, see the *Business Held for Sale and Discontinued Operations* Note for further information.

For certain liability contracts, we provide the contract holder a guaranteed minimum interest rate ("GMIR"). These contracts include fixed annuities and other insurance liabilities. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with a resulting investment margin compression negatively impacting earnings. Credited rates are set either quarterly or annually. See the *Guaranteed Benefit Features* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

The following table summarizes detail on the differences between the interest rate being credited to contract holders as of December 31, 2017, and the respective GMIRs for our businesses held for sale:

	Account Value <sup>(1)</sup>						Total
	Excess of crediting rate over GMIR						
	At GMIR	Up to .50% Above GMIR	0.51% - 1.00% Above GMIR	1.01% - 1.50% Above GMIR	1.51% - 2.00% Above GMIR	More than 2.00% Above GMIR	
<i>(\$ in millions)</i>							
<b>Guaranteed minimum interest rate of businesses held for sale:</b>							
Up to 1.00% . . . . .	\$ 124	\$ 386	\$ 444	\$ 161	\$ 82	\$ 428	\$ 1,625
1.01% - 2.00% . . . . .	549	221	207	33	13	70	1,093
2.01% - 3.00% . . . . .	1,358	60	10	1	2	31	1,462
3.01% - 4.00% . . . . .	118	8	1	—	—	—	127
4.01% and Above . . . . .	356	—	—	—	—	—	356
Renewable beyond 12 months (MYGA) <sup>(2)</sup> . . . . .	1,006	—	—	—	—	—	1,006
Total discretionary rate setting products . . . . .	3,511	675	662	195	97	529	5,669
Percentage of Total . . . . .	61.9%	11.9%	11.7%	3.5%	1.7%	9.3%	100.0%

<sup>(1)</sup> Includes only the account values for investment spread products with GMIRs and discretionary crediting rates, net of policy loans. Excludes Stabilizer products, which are fee based. Also, excludes the portion of the account value of FIA products for which the crediting rate is based on market indexed strategies.

<sup>(2)</sup> Represents MYGA contracts with renewal dates after December 31, 2018 on which we are required to credit interest above the contractual GMIR for at least the next twelve months.

#### Market Risk Related to Equity Market Prices

Our variable annuity products, fixed indexed annuity ("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 within businesses held for sale include variable annuity contracts and variable life insurance.

The following tables summarize the net estimated potential change in fair value within our business held for sale from an instantaneous increase and decrease in all equity market benchmark levels of 10% as of December 31, 2017 and 2016. The methodologies used to calculate these amounts are similar to those calculated within our continuing operations.

	As of December 31, 2017			
	Notional	Fair Value	Hypothetical Change in Fair Value <sup>(1)</sup>	
			+ 10% Equity Shock	-10% Equity Shock
<i>(\$ in millions)</i>				
<b>Businesses held for sale:</b>				
Financial assets with equity market risk:				
Equity securities, available-for-sale . . . . .	\$ —	\$ 23	\$ 2	\$ (2)
Derivatives:				
Equity futures and total return swaps <sup>(2)</sup> . . . . .	11,427	(13)	(774)	785
Equity options . . . . .	23,210	392	312	(263)
Financial liabilities with equity market risk:				
Guaranteed benefit derivatives:				
FIA . . . . .	—	2,242	136	(189)
GMWBL/ GMWB / GMAB . . . . .	—	1,158	(182)	237

<sup>(1)</sup> (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

<sup>(2)</sup> Primarily related to the Variable Annuity Hedging Program.

**As of December 31, 2016**

(\$ in millions)	As of December 31, 2016			
	Notional	Fair Value	Hypothetical Change in Fair Value <sup>(1)</sup>	
			+ 10% Equity Shock	-10% Equity Shock
<b>Businesses held for sale:</b>				
Financial assets with equity market risk:				
Equity securities, available-for-sale . . . . .	\$ —	\$ 16	\$ 2	\$ (2)
Derivatives:				
Equity futures and total return swaps <sup>(2)</sup> . . . . .	11,266	4	(826)	840
Equity options . . . . .	16,777	345	234	(188)
Financial liabilities with equity market risk:				
Guaranteed benefit derivatives:				
FIA . . . . .	—	1,987	114	(135)
GMWBL/ GMWB / GMAB . . . . .	—	1,512	(194)	232

<sup>(1)</sup> (Decreases) in assets or (decreases) in liabilities are presented in parentheses. Increases in assets or increases in liabilities are presented without parentheses.

<sup>(2)</sup> Primarily related to the Variable Annuity Hedging Program.

**Net Amount at Risk ("NAR")**

The NAR for GMDB, GMAB, and GMWB is calculated using the same methodologies applied for products that include these features classified as continuing operations explained above.

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 are summarized below as of December 31, 2017.

**As of December 31, 2017**

(\$ in millions, unless otherwise indicated)	As of December 31, 2017				
	Account Value <sup>(1)</sup>	Gross NAR	Retained NAR	% Contracts Retained NAR In-the-Money <sup>(2)</sup>	% Retained NAR In-the-Money <sup>(3)</sup>
<b>Businesses held for sale:</b>					
GMDB . . . . .	\$ 28,833	\$ 4,154	\$ 3,929	36%	30%
Living Benefit					
GMIB . . . . .	\$ 7,252	\$ 1,656	\$ 1,656	79%	23%
GMWBL/GMWBL/GMAB	14,124	1,584	1,584	49%	19%
Living Benefit Total . . . . .	\$ 21,376	\$ 3,240	\$ 3,240	61%	21%

<sup>(1)</sup> Account value excludes \$5.1 billion of Payout, Policy Loan and life insurance business which is included in consolidated account values.

<sup>(2)</sup> Percentage of contracts that have a Retained NAR greater than zero.

<sup>(3)</sup> For contracts with a Gross NAR greater than zero, % NAR In-the-Money is defined as NAR/(NAR + Account Value).

As of the date indicated above, compared to \$3.2 billion of living benefit NAR, we held gross statutory reserves before reinsurance of \$1.8 billion for living benefit guarantees; substantially all of which was ceded to an affiliate, fully supported by assets in trust.

For a discussion of our U.S. GAAP reserves calculation methodology, see the *Business, Basis of Presentation and Significant Accounting Policies - Future Policy Benefits and Contract Owner Account Balances* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

**Variable Annuity Hedge Program**

We primarily mitigate CBVA market risk exposures through our Variable Annuity Hedge Program. Market risk arises primarily from the minimum guarantees within the CBVA products, whose economic costs are primarily dependent on future equity market returns, interest rate levels, equity volatility levels and policyholder behavior. The objective of the Variable Annuity Hedge Program is to protect regulatory and rating agency capital from immediate market movements. The hedge program is executed through the

purchase and sale of various instruments (described below), and is designed to limit the reserve and rating agency capital increases and certain rebalancing costs resulting from an immediate change in equity markets, interest rates, volatility, credit spread and foreign exchange rates to an amount we believe prudent for a company of our size and scale. The hedge targets may change over time with market movements, changes in regulatory and rating agency capital, available collateral and our risk tolerance. While the Variable Annuity Hedge Program does not explicitly hedge statutory or U.S. 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 U.S. GAAP reserve changes due to market movements.

The types of instruments employed in the execution of our Variable Annuity Hedge Program to mitigate market impacts on policyholder-directed investments are as follows:

- Equity index futures, options and total return swaps are used to mitigate the risk of equity market changes.
- Interest rate swaps and options are used to mitigate the risk of changes in interest rates.
- Credit default swaps and total return swaps are used to mitigate the risk of credit spread changes.
- Variance swaps and equity options are used to mitigate the risk of changes in volatility.

The sensitivities presented below summarize the estimated change in hedge assets relative to the Conditional Tail Expectation ("CTE") 95 standard, the estimated net impacts to funding our regulatory reserves and the estimated net impacts to U.S. GAAP earnings pre-tax in our CBVA business, after giving effect to our Variable Annuity Hedge Program for various shocks in equity markets and interest rates. The sensitivities illustrate the estimated impact of the indicated shocks beginning on the first market trading day following December 31, 2017 and give effect to rebalancing over the course of the shock event, as well as certain modifications to our Variable Annuity Hedge Program. 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).

#### *CTE95 Standard Sensitivity*

Rating agency capital is based on a CTE, which is a statistical tail risk measure used to assess the adequacy of assets supporting variable annuity contract liabilities. Our goal is to support CBVA with assets at least equal to a CTE95 standard based on the Standard and Poor's ("S&P") model, which is an aggregate measure across all of our subsidiaries that have written or provided captive reinsurance for deferred variable annuity contracts. For further information about CTE95, see *Business - Our Businesses - Closed Block Variable Annuity* in Part I, Item 1. of this Annual Report on form 10-K. The following table summarizes the estimated change in hedge assets relative to the CTE95 standard, after giving effect to our Variable Annuity Hedge Program for various shocks in equity markets and interest rates.

	As of December 31, 2017							
	Equity Market (S&P 500)						Interest Rates	
	-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
<i>(\$ in millions)</i>								
<b>Businesses held for sale:</b>								
Decrease/(increase) in CTE95 standard	\$ (1,950)	\$ (1,200)	\$ (400)	\$ 350	\$ 950	\$ 1,500	\$ (1,000)	\$ 750
Hedge gain/(loss) immediate impact ..	2,250	1,300	400	(300)	(700)	(950)	1,000	(750)
Net impact .....	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ —</u>	<u>\$ 50</u>	<u>\$ 250</u>	<u>\$ 550</u>	<u>\$ —</u>	<u>\$ —</u>

There was an approximately \$1.8 billion decrease in our hedge assets related to equity market and interest rate movements for the year ended December 31, 2017. The Variable Annuity Hedge Program results were offset by the equity market and interest rate decrease of approximately \$1.9 billion in CTE95 requirements for the year ended December 31, 2017.

### CBVA Regulatory Reserves Sensitivity

The following table summarizes the estimated net impacts to funding our regulatory reserves to our CBVA business after giving effect to our Variable Annuity Hedge Program for various shocks in equity markets and interest rates. This reflects the hedging as well as any collateral (in the form of LOC and/or available assets) or change in underlying asset values that would be used to achieve credit for reinsurance for the segment of liabilities reinsured to an affiliate in light of our determination of risk tolerance and available collateral, which, as noted above, we assess periodically. As part of our risk management approach, we may use LOC's to meet regulatory requirements in our affiliate even when capital requirements may be met in aggregate without LOC's. We assess and determine appropriate capital use in various scenarios including a combination of LOC's and available assets.

		As of December 31, 2017							
		Equity Market (S&P 500)				Interest Rates			
		-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
<i>(\$ in millions)</i>									
<b>Businesses held for sale:</b>									
Decrease/(increase) in regulatory reserves		\$ (2,450)	\$ (1,350)	\$ (400)	\$ 300	\$ 800	\$ 1,150	\$ (950)	\$ 600
Hedge gain/(loss) immediate impact		2,250	1,300	400	(300)	(700)	(950)	1,000	(750)
Increase/(decrease) in Market Value of Assets		—	—	—	—	—	—	650	(650)
Increase/(decrease) in LOCs and/or available assets		200	50	—	—	—	—	—	750
Net impact		\$ —	\$ —	\$ —	\$ —	\$ 100	\$ 200	\$ 700	\$ (50)

Decrease / (increase) in regulatory reserves includes statutory reserves for policyholder account balances, AG43 reserves and additional cash flow testing reserves related to the CBVA business. Hedge Gain / (Loss) assumes that hedge positions can be rebalanced during the market shock and that the performance of the derivative contracts reasonably matches the performance of the contract owners' variable fund returns. Increase / (decrease) in LOCs and/or available assets indicates the change in the amount of LOCs and/or available assets used to provide credit for reinsurance at those times when the assets backing the reinsurance liabilities may be less than the statutory reserve requirement. Increase / (decrease) in Market Value of Assets is the estimated potential change in market value of assets supporting the segment of liabilities reinsured to an affiliate from 100 basis point upward and downward shifts in interest rates.

Results of an actual shock to equity markets or interest rates will differ from the above illustration for reasons such as variance in market volatility versus what is assumed, '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, combined effects of interest rates and equities, additional impacts from rebalancing of hedges and/or 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 block of business evolve or if assumptions or methodologies that affect reserves or hedge targets are refined.

### U.S. GAAP Earnings Sensitivity

As U.S. GAAP accounting differs from the methods used to determine regulatory reserves and rating agency capital requirements, the Variable Annuity Hedge Program may result in immediate impacts that may be lower or higher than the regulatory impacts illustrated above. The following table summarizes the estimated net impacts to U.S. GAAP earnings pre-tax in our CBVA business, which is the sum of the increase or decrease in U.S. GAAP reserves and the hedge gain or loss from our Variable Annuity Hedge Program for various shocks in both equity markets and interest rates.

		As of December 31, 2017							
		Equity Market (S&P 500)				Interest Rates			
		-25%	-15%	-5%	+5%	+15%	+25%	-1%	+1%
<i>(\$ in millions)</i>									
<b>Businesses held for sale:</b>									
Total estimated earnings sensitivity		\$ 650	\$ 400	\$ 100	\$ (50)	\$ (50)	\$ —	\$ 50	\$ —

We regularly monitor and refine our hedge program targets in line with our primary goal of protecting regulatory and rating agency capital. It is possible that further changes to the Variable Annuity Hedge Program will be made and those changes may either increase or decrease earnings sensitivity. Liabilities are based on U.S. GAAP reserves and embedded derivatives, with the latter excluding the effects of nonperformance risk. DAC is amortized over estimated gross revenues, which we do not expect to be volatile; however, volatility could be driven by loss recognition. Hedge Gain (Loss) impacting the above estimated earnings sensitivity assumes that hedge positions can be rebalanced during the market shock and that the performance of the derivative contracts reasonably matches the performance of the contract owners' variable fund returns.

Actual results will differ from the estimates above for reasons such as variance in market volatility versus what is assumed, 'basis risk' (differences in the performance of the derivative contracts versus the contract owner variable fund returns), consideration of nonperformance risk, equity shocks not occurring uniformly across all equity markets, combined effects of interest rates and equities, additional impacts from rebalancing of hedges, and/or 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 block of business evolves, or if changes in assumptions or methodologies that affect reserves or hedge targets are refined. As the closed block 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.

### **Hedging of FIA Benefits**

We mitigate FIA market risk exposures through a combination of capital market hedging and product design. For FIAs, these risks stem from the minimum guaranteed contract value offered and the additional interest credits (Equity Participation or Interest Rate Participation) based on exposure to various stock market indices or the interest rate benchmark. The minimum guarantees, interest rate and equity market exposures, are strongly dependent on capital markets and, to a lesser degree, policyholder behavior.

These hedge programs are limited to the current policy term of the liabilities, based on current participation rates and index caps. Future returns, which may be reflected in FIA credited rates beyond the current policy term, are not hedged until such time that policyholder selections of future crediting strategies have been made.

Equity 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 equity options offset this increased expense.

Interest rate options are used to hedge against an increase in the interest rate benchmark. An increase in the interest rate benchmark may result in increased payments to contract holders of FIA contracts. The interest rate options offset this increased expense.

### **Market Risk Related to Credit Risk**

Credit risk is primarily embedded in the general account portfolio. The carrying value of our fixed maturity, including securities pledged, and equity portfolio totaled \$23.4 billion and \$23.5 billion as of December 31, 2017 and 2016, respectively, for the discontinued operations. Our credit risk materializes primarily as impairment losses and/or credit risk related trading 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 caused by rating down-grades. 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, as well as by industry segment, using specific investment constraints. Limit compliance is monitored on a daily, monthly or quarterly basis. Limit violations are reported to senior management and we are actively involved in decisions around curing such limit violations.

We also have credit risk related to the ability of our derivatives and reinsurance counterparties to honor their obligations to pay the contract amounts under various agreements. In order to minimize the risk of credit loss on such contracts, we diversify our exposures among several counterparties and limit the amount of exposure to each based on credit rating. For most counterparties, we have collateral agreements in place that would substantially limit our credit losses in case of a counterparty default. We also

generally limit our selection of counterparties that we do new transactions with 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. For derivatives counterparty risk exposures (which includes reverse repurchase and securities lending transactions), we measure and monitor our risks on a market value basis daily.

The following tables summarize the outstanding notional amount by contract type of exchange traded derivatives and over the counter derivatives, which includes cleared derivatives, as of December 31, 2017 and 2016:

		<b>As of December 31, 2017</b>		
		<b>Derivative Notional Amounts</b>		
		<b>Exchange Traded</b>	<b>Over The Counter (OTC)</b>	<b>Total Notional</b>
<i>(\$ in millions)</i>				
<b>Businesses held for sale:</b>				
<b>Type of Contract</b>				
Credit Contracts .....	\$	—	\$ 431	\$ 431
Equity Contracts .....		6,506	28,131	34,637
Foreign Exchange Contracts .....		—	244	244
Interest Rate Contracts .....		1,405	27,025	28,430
Total .....	\$	7,911	\$ 55,831	\$ 63,742

		<b>As of December 31, 2016</b>		
		<b>Derivative Notional Amounts</b>		
		<b>Exchange Traded</b>	<b>Over The Counter (OTC)</b>	<b>Total Notional</b>
<i>(\$ in millions)</i>				
<b>Businesses held for sale:</b>				
<b>Type of Contract</b>				
Credit Contracts .....	\$	—	\$ 204	\$ 204
Equity Contracts .....		6,498	21,545	28,043
Foreign Exchange Contracts .....		—	1,362	1,362
Interest Rate Contracts .....		3,404	35,444	38,848
Total .....	\$	9,902	\$ 58,555	\$ 68,457

The following table summarizes our exposure by counterparty, including notional amount, fair value and the net exposure as of dates indicated, demonstrating that we do not have a concentration of credit risk with our OTC derivative counterparties, which includes cleared derivative counterparties:

As of December 31, 2017					
Concentration of OTC Derivative Counterparty					
Businesses held for sale:	Notional Amount	Asset Fair Value	Liability Fair Value	OTC Derivative Exposure <sup>(1)</sup>	
<b>OTC Derivative Counterparty</b>					
Goldman Sachs International . . . . .	\$ 7,871	\$ 177	\$ 71	\$ 6	
BNP Paribas . . . . .	2,850	98	4	3	
Goldman Sachs and Co. (CME) . . . . .	675	2	1	1	
Barclays Bank, PLC . . . . .	4,050	53	33	1	
Merrill Lynch International . . . . .	1	—	—	1	
HSBC Bank USA, National Association . . . . .	3,769	176	119	—	
CREDIT AGRICOLE CORPORATE & INVESTMENT BANK . . . . .	761	1	—	—	
Royal Bank of Canada . . . . .	1,464	98	70	—	
Credit Suisse International . . . . .	6,792	239	100	—	
ING Capital Markets, LLC . . . . .	87	—	—	—	
Societe Generale . . . . .	1,287	32	25	—	
Morgan Stanley & Co. LLC (LCH) . . . . .	9,615	95	72	—	
Citibank, N.A. . . . .	3,246	155	88	—	
GOLDMAN SACHS BANK USA/SALT LAKE CITY UT . . . . .	36	—	—	—	
Morgan Stanley Capital Services LLC . . . . .	36	—	—	—	
Wells Fargo Bank, N.A. . . . .	4,088	177	123	—	
Bank of America, N.A. . . . .	795	46	24	—	
Deutsche Bank AG . . . . .	644	17	1	—	
All Other OTC Counterparties . . . . .	7,764	129	49	—	
<b>Total . . . . .</b>	<b>\$ 55,831</b>	<b>\$ 1,495</b>	<b>\$ 780</b>	<b>\$ 12</b>	

<sup>(1)</sup> 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 summarizes the maturities, associated notional, and fair value of our exchange traded derivatives and over the counter derivatives, which includes cleared derivatives, as of December 31, 2017:

As of December 31, 2017					
Volume of Derivative Activities					
Businesses held for sale:	Notional Amount	Asset Fair Value	Liability Fair Value	Net Fair Value	
<b>By Maturity</b>					
<b>OTC Contracts:</b>					
Within 1 Year . . . . .	\$ 31,185	\$ 1,011	\$ 651	\$ 360	
1 Year to 5 Years . . . . .	11,122	50	34	16	
5 Years to 10 Years . . . . .	4,071	15	21	(6)	
10 Years and longer . . . . .	9,453	419	74	345	
<b>Total OTC Contracts . . . . .</b>	<b>55,831</b>	<b>1,495</b>	<b>780</b>	<b>715</b>	
Exchange Traded Contracts . . . . .	7,911	19	2	17	
<b>Total Derivatives . . . . .</b>	<b>\$ 63,742</b>	<b>\$ 1,514</b>	<b>\$ 782</b>	<b>\$ 732</b>	

During 2017, net cash settlements under OTC contracts (including cleared derivatives) were \$37 million paid and net cash settlements for exchange traded derivatives were \$1,202 million paid. Net realized gains/(losses) on derivatives for the year ended December 31, 2017, were \$(74) million and \$(1,205) million for OTC contracts (including cleared derivatives) and exchange traded contracts, respectively.

For more information regarding the sale of the Annuity and CBVA business and discontinued operations see the *Business Held for Sale and Discontinued Operations* Note in our Consolidated Financial Statements and *Risk Factors - We may not complete the CBVA and Annuity Transaction on the terms or timing currently contemplated, or at all, and the Transaction could have negative impacts on us* in Part I, Item 1A. of this Annual Report on Form 10-K.

**Item 8. Financial Statements and Supplementary Data**

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## Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
Voya Financial, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Voya Financial, Inc. (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedules listed in the Index at item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 23, 2018 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2001.

Boston, Massachusetts

February 23, 2018

**Voya Financial, Inc.**  
**Consolidated Balance Sheets**  
**December 31, 2017 and 2016**  
(In millions, except share and per share data)

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$44,366 as of 2017 and \$44,743 as of 2016) . . . . .	\$ 48,329	\$ 47,394
Fixed maturities, at fair value using the fair value option . . . . .	3,018	3,065
Equity securities, available-for-sale, at fair value (cost of \$353 as of 2017 and \$229 as of 2016) . . . . .	380	258
Short-term investments . . . . .	471	391
Mortgage loans on real estate, net of valuation allowance of \$3 as of 2017 and 2016 . . . . .	8,686	8,003
Policy loans . . . . .	1,888	1,943
Limited partnerships/corporations . . . . .	784	536
Derivatives . . . . .	397	737
Other investments . . . . .	47	47
Securities pledged (amortized cost of \$1,823 as of 2017 and \$1,261 as of 2016) . . . . .	2,087	1,409
Total investments . . . . .	<u>66,087</u>	<u>63,783</u>
Cash and cash equivalents . . . . .	1,218	2,096
Short-term investments under securities loan agreements, including collateral delivered . . . . .	1,626	586
Accrued investment income . . . . .	667	666
Premium receivable and reinsurance recoverable . . . . .	7,632	7,287
Deferred policy acquisition costs and Value of business acquired . . . . .	3,374	3,997
Current income taxes . . . . .	4	164
Deferred income taxes . . . . .	781	1,570
Other assets . . . . .	1,310	1,486
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value . . . . .	1,795	1,936
Cash and cash equivalents . . . . .	217	133
Corporate loans, at fair value using the fair value option . . . . .	1,089	1,953
Other assets . . . . .	75	34
Assets held in separate accounts . . . . .	77,605	66,185
Assets held for sale . . . . .	59,052	62,709
Total assets . . . . .	<u>\$ 222,532</u>	<u>\$ 214,585</u>

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

**Voya Financial, Inc.**  
**Consolidated Balance Sheets**  
**December 31, 2017 and 2016**  
(In millions, except share and per share data)

	As of December 31,	
	2017	2016
<b>Liabilities and Shareholders' Equity:</b>		
Future policy benefits . . . . .	\$ 15,647	\$ 14,575
Contract owner account balances . . . . .	50,158	50,273
Payables under securities loan agreement, including collateral held . . . . .	1,866	969
Short-term debt . . . . .	337	—
Long-term debt . . . . .	3,123	3,550
Derivatives . . . . .	149	297
Pension and other postretirement provisions . . . . .	550	674
Other liabilities . . . . .	2,076	2,023
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option . . . . .	1,047	1,967
Other liabilities . . . . .	658	528
Liabilities related to separate accounts . . . . .	77,605	66,185
Liabilities held for sale . . . . .	58,277	59,576
<b>Total liabilities</b> . . . . .	<b>211,493</b>	<b>200,617</b>
 Commitments and Contingencies (Note 19)		
 Shareholders' equity:		
Common stock (\$0.01 par value per share; 900,000,000 shares authorized; 270,078,294 and 268,079,931 shares issued as of 2017 and 2016, respectively; 171,982,673 and 194,639,273 shares outstanding as of 2017 and 2016, respectively) . . . . .	3	3
Treasury stock (at cost; 98,095,621 and 73,440,658 shares as of 2017 and 2016, respectively) . . . . .	(3,827)	(2,796)
Additional paid-in capital . . . . .	23,821	23,609
Accumulated other comprehensive income (loss) . . . . .	2,731	1,921
Retained earnings (deficit):		
Appropriated-consolidated investment entities . . . . .	—	—
Unappropriated . . . . .	(12,719)	(9,742)
<b>Total Voya Financial, Inc. shareholders' equity</b> . . . . .	<b>10,009</b>	<b>12,995</b>
Noncontrolling interest . . . . .	1,030	973
<b>Total shareholders' equity</b> . . . . .	<b>11,039</b>	<b>13,968</b>
<b>Total liabilities and shareholders' equity</b> . . . . .	<b>\$ 222,532</b>	<b>\$ 214,585</b>

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

**Voya Financial, Inc.**  
**Consolidated Statements of Operations**  
**For the Years Ended December 31, 2017, 2016 and 2015**  
(In millions, except per share data)

	Year Ended December 31,		
	2017	2016	2015
<b>Revenues:</b>			
Net investment income	\$ 3,294	\$ 3,354	\$ 3,343
Fee income	2,627	2,471	2,470
Premiums	2,121	2,795	2,554
Net realized capital gains (losses):			
Total other-than-temporary impairments	(30)	(32)	(78)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(9)	2	5
Net other-than-temporary impairments recognized in earnings	(21)	(34)	(83)
Other net realized capital gains (losses)	(206)	(329)	(477)
Total net realized capital gains (losses)	(227)	(363)	(560)
Other revenue	371	342	385
Income (loss) related to consolidated investment entities:			
Net investment income	432	189	551
Changes in fair value related to collateralized loan obligations	—	—	(27)
Total revenues	<u>8,618</u>	<u>8,788</u>	<u>8,716</u>
<b>Benefits and expenses:</b>			
Policyholder benefits	3,030	3,710	3,161
Interest credited to contract owner account balances	1,606	1,604	1,537
Operating expenses	2,654	2,655	2,684
Net amortization of Deferred policy acquisition costs and Value of business acquired	529	415	377
Interest expense	184	288	197
Operating expenses related to consolidated investment entities:			
Interest expense	80	102	272
Other expense	7	4	12
Total benefits and expenses	<u>8,090</u>	<u>8,778</u>	<u>8,240</u>
Income (loss) from continuing operations before income taxes	528	10	476
Income tax expense (benefit)	740	(29)	84
Income (loss) from continuing operations	(212)	39	392
Income (loss) from discontinued operations, net of tax	(2,580)	(337)	146
Net income (loss)	(2,792)	(298)	538
Less: Net income (loss) attributable to noncontrolling interest	200	29	130
Net income (loss) available to Voya Financial, Inc.'s common shareholders	<u>\$ (2,992)</u>	<u>\$ (327)</u>	<u>\$ 408</u>
Net income (loss) per common share:			
Basic			
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ (2.24)	\$ 0.05	\$ 1.16
Income (loss) available to Voya Financial, Inc.'s common shareholders	<u>\$ (16.25)</u>	<u>\$ (1.63)</u>	<u>\$ 1.81</u>
Diluted			
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ (2.24)	\$ 0.05	\$ 1.15
Income (loss) available to Voya Financial, Inc.'s common shareholders	<u>\$ (16.25)</u>	<u>\$ (1.61)</u>	<u>\$ 1.80</u>
Cash dividends declared per share of common stock	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>

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

**Voya Financial, Inc.**  
**Consolidated Statements of Comprehensive Income**  
**For the Years Ended December 31, 2017, 2016 and 2015**  
(In millions)

	Year Ended December 31,		
	2017	2016	2015
Net income (loss) .....	\$ (2,792)	\$ (298)	\$ 538
Other comprehensive income (loss), before tax:			
Unrealized gains (losses) on securities .....	1,191	749	(2,581)
Other-than-temporary impairments .....	(2)	24	19
Pension and other postretirement benefits liability .....	(15)	(10)	(14)
Other comprehensive income (loss), before tax .....	1,174	763	(2,576)
Income tax expense (benefit) related to items of other comprehensive income (loss) .....	364	267	(897)
Other comprehensive income (loss), after tax .....	810	496	(1,679)
Comprehensive income (loss) .....	(1,982)	198	(1,141)
Less: Comprehensive income (loss) attributable to noncontrolling interest ..	200	29	130
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders .....	\$ (2,182)	\$ 169	\$ (1,271)

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

**Voya Financial, Inc.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the Years Ended December 31, 2017, 2016 and 2015**  
(In millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)		Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
					Appropriated	Unappropriated			
Balance at January 1, 2015	\$ 3	\$ (807)	\$ 23,650	\$ 3,104	\$ 20	\$ (9,823)	\$ 16,147	\$ 2,415	\$ 18,562
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	408	408	130	538
Other comprehensive income (loss), after tax	—	—	—	(1,679)	—	—	(1,679)	—	(1,679)
Total comprehensive income (loss)	—	—	—	—	—	—	(1,271)	130	(1,141)
Reclassification of noncontrolling interest	—	—	—	—	(11)	—	(11)	12	1
Common stock acquired - Share repurchase	—	(1,491)	—	—	—	—	(1,491)	—	(1,491)
Dividends on common stock	—	—	(9)	—	—	—	(9)	—	(9)
Share-based compensation	—	(4)	76	—	—	—	72	—	72
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	283	283
Balance at December 31, 2015- As previously filed	3	(2,302)	23,717	1,425	9	(9,415)	13,437	2,840	16,277
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2015-2	—	—	—	—	9	—	9	(1,601)	(1,592)
Adjustment for adoption of ASU 2014-13	—	—	—	—	(18)	—	(18)	—	(18)
Balance at January 1, 2016 - As adjusted	3	(2,302)	23,717	1,425	—	(9,415)	13,428	1,239	14,667
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	(327)	(327)	29	(298)
Other comprehensive income (loss), after tax	—	—	—	496	—	—	496	—	496
Total comprehensive income (loss)	—	—	—	—	—	—	169	29	198
Net consolidation (deconsolidation) of consolidated investment entities	—	—	—	—	—	—	—	(70)	(70)
Common stock issuance	—	—	1	—	—	—	1	—	1
Common stock acquired - Share repurchase	—	(487)	(200)	—	—	—	(687)	—	(687)
Dividends on common stock	—	—	(8)	—	—	—	(8)	—	(8)
Share-based compensation	—	(7)	99	—	—	—	92	—	92
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	(225)	(225)
Balance as of December 31, 2016- As previously filed	3	(2,796)	23,609	1,921	—	(9,742)	12,995	973	13,968
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2016-09	—	—	—	—	—	15	15	—	15
Balance at January 1, 2017 - As adjusted	3	(2,796)	23,609	1,921	—	(9,727)	13,010	973	13,983
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	(2,992)	(2,992)	200	(2,792)
Other comprehensive income (loss), after tax	—	—	—	810	—	—	810	—	810
Total comprehensive income (loss)	—	—	—	—	—	—	(2,182)	200	(1,982)
Net consolidations (deconsolidations) of consolidated investment entities	—	—	—	—	—	—	—	38	38
Common stock issuance	—	—	3	—	—	—	3	—	3
Common stock acquired - Share repurchase	—	(1,023)	100	—	—	—	(923)	—	(923)
Dividends on common stock	—	—	(8)	—	—	—	(8)	—	(8)
Share-based compensation	—	(8)	117	—	—	—	109	—	109
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	(181)	(181)
Balance as of December 31, 2017	\$ 3	\$ (3,827)	\$ 23,821	\$ 2,731	\$ —	\$ (12,719)	\$ 10,009	\$ 1,030	\$ 11,039

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

**Voya Financial, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2017, 2016 and 2015**  
(In millions)

	Year Ended December 31,		
	2017	2016	2015
<b>Cash Flows from Operating Activities:</b>			
Net income (loss) .....	\$ (2,792)	\$ (298)	\$ 538
Adjustments to reconcile Net income (loss) to Net cash provided by operating activities:			
(Income) loss from discontinued operations, net of tax .....	2,580	337	(146)
Capitalization of deferred policy acquisition costs, value of business acquired and sales inducements .....	(243)	(264)	(272)
Net amortization of deferred policy acquisition costs, value of business acquired and sales inducements .....	534	420	381
Future policy benefits, claims reserves and interest credited .....	899	1,298	757
Deferred income tax expense (benefit) .....	862	(151)	(107)
Net realized capital losses .....	227	363	560
Share-based compensation .....	117	99	76
(Gains) losses on consolidated investment entities .....	(343)	(57)	129
(Gains) losses on limited partnerships/corporations .....	(31)	(29)	18
Change in:			
Premiums receivable and reinsurance recoverable .....	(345)	363	(533)
Other receivables and assets accruals .....	298	(18)	68
Other payables and accruals .....	(41)	(190)	(497)
(Increase) decrease in cash held by consolidated investment entities .....	(557)	(260)	243
Other, net .....	2	44	(55)
Net cash provided by (used in) operating activities - discontinued operations	411	1,934	2,088
Net cash provided by operating activities .....	<u>1,578</u>	<u>3,591</u>	<u>3,248</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from the sale, maturity, disposal or redemption of:			
Fixed maturities .....	8,325	8,112	8,327
Equity securities, available-for-sale .....	54	104	76
Mortgage loans on real estate .....	955	747	1,088
Limited partnerships/corporations .....	236	306	258
Acquisition of:			
Fixed maturities .....	(8,719)	(9,839)	(8,759)
Equity securities, available-for-sale .....	(47)	(47)	(137)
Mortgage loans on real estate .....	(1,638)	(1,481)	(1,381)
Limited partnerships/corporations .....	(332)	(367)	(417)
Short-term investments, net .....	(80)	31	468
Derivatives, net .....	213	(24)	(141)
Sales from consolidated investment entities .....	2,047	2,304	5,432
Purchases within consolidated investment entities .....	(2,036)	(1,727)	(7,521)
Collateral (delivered) received, net .....	(148)	(22)	39
Other, net .....	3	20	57
Net cash used in investing activities - discontinued operations .....	(1,261)	(1,800)	(1,663)
Net cash used in investing activities .....	<u>(2,428)</u>	<u>(3,683)</u>	<u>(4,274)</u>

**Voya Financial, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2017, 2016 and 2015**  
(In millions)

	Year Ended December 31,		
	2017	2016	2015
<b>Cash Flows from Financing Activities:</b>			
Deposits received for investment contracts . . . . .	5,061	5,891	5,298
Maturities and withdrawals from investment contracts . . . . .	(5,372)	(5,412)	(4,587)
Proceeds from issuance of debt with maturities of more than three months . .	399	798	—
Repayment of debt with maturities of more than three months . . . . .	(490)	(708)	(31)
Debt issuance costs . . . . .	(3)	(16)	(7)
Borrowings of consolidated investment entities . . . . .	967	126	1,373
Repayments of borrowings of consolidated investment entities . . . . .	(804)	(455)	(479)
Contributions from (distributions to) participants in consolidated investment entities . . . . .	449	51	662
Proceeds from issuance of common stock, net . . . . .	3	1	—
Share-based compensation . . . . .	(8)	(7)	(5)
Common stock acquired - Share repurchase . . . . .	(923)	(687)	(1,487)
Dividends paid . . . . .	(8)	(8)	(9)
Net cash provided by financing activities - discontinued operations . . . . .	384	916	280
Net cash (used in) provided by financing activities . . . . .	(345)	490	1,008
Net (decrease) increase in cash and cash equivalents . . . . .	(1,195)	398	(18)
Cash and cash equivalents, beginning of period . . . . .	2,911	2,513	2,531
Cash and cash equivalents, end of period . . . . .	1,716	2,911	2,513
Less: Cash and cash equivalents of discontinued operations, end of period . . .	498	815	696
Cash and cash equivalents of continuing operations, end of period . . . . .	\$ 1,218	\$ 2,096	\$ 1,817
<b>Supplemental cash flow information:</b>			
Income taxes (received) paid, net . . . . .	\$ (154)	\$ 69	\$ 78
Interest paid . . . . .	174	190	179
<b>Non-cash investing and financing activities:</b>			
Decrease of assets due to deconsolidation of consolidated investment entities . . . . .	\$ —	\$ 7,497	\$ —
Decrease of liabilities due to deconsolidation of consolidated investment entities . . . . .	—	5,905	—
Decrease of equity due to deconsolidation of consolidated investment entities . . . . .	—	1,592	—
Elimination of appropriated retained earnings . . . . .	—	18	—

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

## **1. Business, Basis of Presentation and Significant Accounting Policies**

### ***Business***

Voya Financial, 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.

On December 20, 2017, the Company entered into a Master Transaction Agreement ("MTA") with VA Capital Company LLC ("VA Capital") and Athene Holding Ltd ("Athene"), pursuant to which Venerable Holdings, Inc. ("Venerable"), a wholly owned subsidiary of VA Capital, will acquire two of the Company's subsidiaries, Voya Insurance and Annuity Company ("VIAC") and Directed Services, LLC ("DSL"). This transaction is expected to close during the second or third quarter of 2018 and will result in the disposition of substantially all of the Company's Closed Block Variable Annuity ("CBVA") and Annuities businesses (collectively, the "Transaction"). The assets and liabilities related to the businesses to be sold have been classified as held for sale in the accompanying Consolidated Balance Sheets and as discontinued operations in the accompanying Consolidated Statements of Operations and Consolidated Statements of Cash Flows and are reported separately for all periods presented. See the *Business Held for Sale and Discontinued Operations* Note to these Consolidated Financial Statements.

Pursuant to the Transaction, the Company no longer considers its CBVA and Annuities businesses as reportable segments. Additionally, the Company evaluated its segment presentation and determined that the retained CBVA and Annuities policies that are not included in the disposed businesses described above ("Retained Business") are insignificant. As such, the Company reported the results of the Retained Business in Corporate.

The Company provides its principal products and services through four segments: Retirement, Investment Management, Individual Life and Employee Benefits. In addition, the Company includes in Corporate the financial data not directly related to its segments and other business activities that do not have an ongoing meaningful impact to the Company's results. See the *Segments* Note to these Consolidated Financial Statements.

Prior to May 2013, the Company was an indirect, wholly owned subsidiary of ING Groep N.V. ("ING Group" or "ING"), a global financial services holding company based in The Netherlands. In May 2013, Voya Financial, Inc. completed its initial public offering ("IPO") of common stock, including the issuance and sale of common stock by Voya Financial, Inc. and the sale of shares of common stock owned indirectly by ING Group. Between October 2013 and March 2015, ING Group completed the sale of its remaining shares of common stock of Voya Financial, Inc. in a series of registered public offerings. ING Group continues to hold certain warrants to purchase shares of Voya Financial, Inc. common stock as described further in the *Shareholders' Equity* 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 Voya Financial, Inc. and its subsidiaries, as well as other (voting interest entities ("VOEs")) and variable interest entities ("VIEs") in which the Company has a controlling financial interest. See the *Consolidated Investment Entities* Note to these Consolidated Financial Statements. Intercompany transactions and balances have been eliminated.

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

### ***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 as of 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;
- Deferred policy acquisition costs ("DAC"), value of business acquired ("VOBA") and other intangibles (collectively, "DAC/VOBA and other intangibles");
- 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, including the Company's own credit risk. The estimate of fair value is the price that would be received to sell an asset or transfer a liability ("exit price") in an orderly transaction between market participants in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability. The Company uses 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 other intangibles 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.

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.

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

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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 and 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.

Commercial loans are placed on non-accrual status when 90 days in arrears if the Company has concerns regarding the collectability of future payments, or if a loan has matured without being paid off or extended. Factors considered may include conversations with the borrower, loss of major tenant, bankruptcy of borrower or major tenant, decreased property cash flow, number of days past due, or various other circumstances. Based on an assessment as to the collectability of the principal, a determination is made either to apply against the book value or apply according to the contractual terms of the loan. Funds recovered in excess of book value would then be applied to recover expenses, impairments, and then interest. Accrual of interest resumes after factors resulting in doubts about collectability have improved.

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.

*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.

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

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*Limited Partnerships/Corporations:* The Company uses the equity method of accounting for investments in limited partnership interests that are not consolidated, which primarily consist of investments in private equity funds, hedge funds and other VIEs for which the Company is not the primary beneficiary. Generally, the Company records its share of earnings using a lag methodology, relying on 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 FHLB stock based on the level of borrowings and other factors. FHLB stock is carried at cost, classified as a restricted security and periodically evaluated for impairment based on ultimate recovery of par value.

*Securities Lending:* The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions, through a lending agent, for short periods of time. The Company has the right to approve any institution with whom the lending agent transacts on its behalf. Initial collateral, primarily cash, is required at a rate of 102% of the market value of the loaned securities. The lending agent retains the collateral and invests it in short-term 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. The lending agent indemnifies the Company against losses resulting from the failure of a counterparty to return securities pledged where collateral is insufficient to cover the loss.

*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, other relevant factors are considered.

*Impairments*

The Company evaluates its available-for-sale 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, 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) in the Consolidated Statements of Operations. The noncredit impairment is recorded in Other comprehensive income (loss).

The Company uses the following methodology and significant inputs to determine the amount of the OTTI credit loss:

- 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, 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; consideration of the payment terms of the underlying assets backing a particular security; 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 scenario-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.
- 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.

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.

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 universal life-type and annuity products. 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 Other 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) in the Consolidated Statements of Operations.
- *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) in the Consolidated Statements of Operations.

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 currently 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).

The Company also has investments in certain fixed maturities and has issued certain universal life-type and annuity products that contain embedded derivatives for which 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 the 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 universal life-type and 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 coinsurance with funds withheld reinsurance arrangements that contain embedded derivatives, the fair value of which is based on the change in the fair value of the underlying assets held in trust. The embedded derivatives within coinsurance with funds withheld reinsurance arrangements are reported with the host contract in Other liabilities on the Consolidated Balance Sheets, and changes in the fair value of embedded derivatives 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 VOEs are not available for general use by the Company.

### *Property and Equipment*

Property and equipment are carried at cost, less accumulated depreciation, and are 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. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, which generally range from 3 to 40 years, with the exception of land and artwork which are not depreciated. Depreciation expense is included in Operating expenses in the Consolidated Statements of Operations.

As of December 31, 2017 and 2016, total cost basis of property and equipment was \$376 and \$373, respectively. As of December 31, 2017 and 2016, total accumulated depreciation was \$269 and \$261, respectively. For the years ended December 31, 2017, 2016 and 2015, depreciation expense was \$19, \$25 and \$24, respectively.

### *Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles*

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 and certain other costs related directly 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. 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.

Collectively, the Company refers to DAC, VOBA, deferred sales inducements ("DSI") and unearned revenue ("URR") as "DAC/VOBA and other intangibles." (See respective "Sales Inducements" and "Recognition of Insurance Revenue and Related Benefits" sections below). DAC/VOBA and other intangibles are adjusted for the impact of unrealized capital gains (losses) on investments, as if such gains (losses) have been realized, with corresponding adjustments included in AOCI.

### Amortization Methodologies

The Company amortizes DAC and VOBA related to certain traditional life insurance contracts and certain accident and health insurance contracts 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. Recoverability testing is performed for current issue year products to determine if gross premiums are sufficient to cover DAC or VOBA, estimated benefits and related expenses. In subsequent periods, the recoverability of DAC or VOBA is determined by assessing whether future gross premiums are sufficient to amortize DAC or VOBA, as well as provide for expected future benefits and related expenses. 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.

The Company amortizes DAC and VOBA related to universal life-type contracts and fixed and variable deferred annuity contracts, except for deferred annuity contracts within the CBVA business, 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 deferred annuity contracts within the CBVA business, the Company amortizes DAC/VOBA and DSI in relation to the emergence of estimated gross revenue.

For universal life-type contracts and fixed and variable deferred annuity contracts, recoverability testing is performed for current issue year products to determine if gross profits are sufficient to cover DAC/VOBA and other intangibles, estimated benefits and related expenses. In subsequent years, the Company performs testing to assess the recoverability of DAC/VOBA and other intangibles on an annual basis, or more frequently if circumstances indicate a potential loss recognition issue exists. If DAC/VOBA

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or other intangibles are not deemed recoverable from future gross profits, charges will be applied against the DAC/VOBA or other intangible balances before an additional reserve is established.

During the year ended December 31, 2017, as a result of the held for sale classification of substantially all of the Annuities and CBVA businesses discussed above, the Company has evaluated and redefined its contract groupings for loss recognition testing in those businesses. This has resulted in the establishment of premium deficiency reserves for the Retained Business of \$43, which was recorded as an increase in Policyholder benefits in the Consolidated Statements of Operations, with a corresponding increase to Future policy benefits on the Consolidated Balance Sheets.

During the year ended December 31, 2016, for its continuing operations, the Company's reviews resulted in loss recognition in its Retained Business of \$8 before income taxes, of which \$7 was recorded to Net amortization of DAC and VOBA in the Consolidated Statements of Operations, with a corresponding decrease to Deferred policy acquisition costs and Value of business acquired on the Consolidated Balance Sheets. The remaining loss recognition of \$1 was related to the establishment of premium deficiency reserves which was recorded as an increase in Policyholder benefits in the Consolidated Statements of Operations, with a corresponding increase to Future policy benefits on the Consolidated Balance Sheets.

During the year ended December 31, 2016, for its discontinued operations, the Company's reviews resulted in loss recognition of \$313, before income taxes, of which \$78 and \$19 were related to DAC/VOBA and Sales Inducements, respectively and reported as a loss in Income (loss) from discontinued operations, net of tax with a corresponding decrease in Assets held for sale in the Consolidated Balance Sheets. The loss recognition also included the establishment of \$216 of premium deficiency reserves related to the continued decline in earned rates in the current interest rate environment, which was reported as a loss in Income (loss) from discontinued operations, net of tax, with an offsetting increase in Liabilities held for sale on the Consolidated Balance Sheets.

The Company had no loss recognition for the year ended December 31 2015.

**Internal Replacements**

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/VOBA and other intangibles 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/VOBA and other intangibles related to the replaced contracts are written off to the same account in which amortization is reported in the Consolidated Statements of Operations.

**Assumptions**

Changes in assumptions can have a significant impact on DAC/VOBA and other intangible balances, amortization rates, reserve levels, and results of operations. Assumptions are management's best estimate of future outcome.

Several assumptions are considered significant in the estimation of 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 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 uses a reversion to the mean approach, which assumes that the market returns over the entire mean reversion period are consistent with a long-term level of equity market appreciation. 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 look-forward period.

Other significant assumptions used in the estimation of gross profits include mortality, and for products with credited rates include interest rate spreads and credit losses. Estimated gross revenues and gross profits of variable annuity contracts are sensitive to mortality and estimated policyholder behavior assumptions, such as surrender, lapse and annuitization rates.

### *Sales Inducements*

DSI represents benefits paid to contract owners for a specified period that are incremental to the amounts the Company credits on similar contracts without sales inducements and are higher than the contract's expected ongoing crediting rates for periods after the inducement. The Company defers sales inducements and amortizes DSI over the estimated lives of the related contracts using the same methodology and assumptions used to amortize DAC. The amortization of DSI 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 DSI to determine the recoverability of these balances.

For the years ended December 31, 2017, 2016 and 2015, the Company capitalized \$1 of sales inducements. For the years ended December 31, 2017 and 2016 the Company amortized \$5 of DSI. For the year ended December 31, 2015, the Company amortized \$4 of DSI. See "Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles" above for loss recognition on Sales Inducements during 2017 and 2016.

### *Future Policy Benefits and Contract Owner Account Balances*

#### Future Policy Benefits

The Company establishes and carries actuarially-determined reserves that are calculated to meet its future obligations, including estimates of unpaid claims and 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 on 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 traditional life insurance contracts (term insurance, participating and 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 on 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 2.3% 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 on the Company's estimates of anticipated 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 2.7% to 8.3%.

Although assumptions are "locked-in" upon the issuance of traditional life insurance contracts, certain accident and health insurance contracts and payout contracts with life contingencies, 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. See "Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles" above for premium deficiency reserves established during 2017 and 2016.

#### Contract Owner Account Balances

Contract owner account balances relate to universal life-type and investment-type contracts, as follows:

- Account balances for guaranteed investment contracts and funding agreements with fixed maturities (collectively referred to as "GICs") 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 ("VUL") contracts, are equal to cumulative deposits, less charges, withdrawals and account values released upon death, plus credited interest thereon.
- 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 7.5%

for the years 2017, 2016 and 2015. 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 fixed-indexed annuity ("FIA") and indexed universal life ("IUL") contracts, 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.

#### Product Guarantees and Additional Reserves

The Company calculates additional reserve liabilities for certain universal life-type products, certain variable annuity guaranteed benefits and variable funding products. 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 life ("UL") and VUL 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 UL and VUL 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 provisions for UL contracts 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 UL and VUL products and represents policy charges for benefits or services to be provided in future periods (see "Recognition of Insurance Revenue and Related Benefits" below). The URR balance is recorded in Contract owner account balances 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 the purpose 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 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 ("in 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. Changes in reserves for GMDB and GMIB are reported in Policyholder benefits.

*GMWBL, GMWB, GMAB, FIA and IUL:* The Company issues certain products that contain embedded derivatives that are measured at estimated fair value separately from the host contracts. These products include deferred variable annuity contracts containing guaranteed minimum withdrawal benefits with life payouts ("GMWBL"), guaranteed minimum withdrawal benefits without life contingencies ("GMWB"), and guaranteed minimum accumulation benefits ("GMAB") features and FIA and IUL contracts. Embedded derivatives associated with GMAB, GMWB and GMWBL are recorded in Future policy benefits. Embedded derivatives associated with FIA and IUL contracts are recorded in Contract owner account balances. Changes in estimated fair value, that are not related to attributed fees or premiums collected or payments made, are reported in Other net realized capital gains (losses).

At inception of the contracts containing the GMWBL, GMWB and GMAB features, 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

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inception, the estimated fair value of the GMWBL, GMWB and GMAB embedded derivatives 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 requires 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.).

The estimated fair value of the embedded derivative in the FIA contracts is based on the present value of the excess of interest payments to the contract owners over the growth in the minimum guaranteed contract value. 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 embedded derivative in the IUL contracts is based on the present value of the excess of interest payments to the contract owners over the growth in the minimum guaranteed account value. 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 current index term of the related contracts, which takes into account best estimate actuarial assumptions, such as partial withdrawals, full surrenders, deaths and maturities.

*Stabilizer and MCG:* Guaranteed credited rates give rise to an embedded derivative in the Stabilizer products and a stand-alone derivative for managed custody guarantee products ("MCG"). 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, that are not related to attributed fees collected or payments made, are reported in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

The estimated fair value of the Stabilizer embedded derivative and MCG stand-alone derivative 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 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 liabilities for the GMWBL, GMWB, GMAB, FIA, IUL and Stabilizer embedded derivatives and the MCG stand-alone derivative (collectively, "guaranteed benefit derivatives") 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 the liabilities for the GMWBL, GMWB, GMAB, FIA, IUL and Stabilizer embedded derivatives and the MCG stand-alone derivative includes an adjustment to reflect the risk that these obligations will not be fulfilled ("nonperformance risk").

*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;

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- 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, and 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 on the Consolidated Balance Sheets at an amount equal to the unpaid principal balance, net of any remaining unamortized discount or premium and any direct and incremental costs attributable to issuance. Discounts, premiums and direct and incremental costs are amortized 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.

*Collateralized Loan Obligations Notes*

CLO notes issued by consolidated CLO entities are recorded in Corporate loans, 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.

The Company's 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 within Other liabilities 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 life insurance contracts and payout contracts with life contingencies 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 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.

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Amounts received as payment for investment-type, universal life-type, fixed annuities, payout contracts without life contingencies and FIA contracts are reported as deposits to contract owner account balances. Revenues from these contracts consist primarily of fees assessed against the contract owner account balance for mortality and policy administration charges and are reported in Fee income. Surrender charges are reported in Other revenue. 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 gross profits in a manner consistent with DAC for these contracts. URR is reported in Contract owner account balances 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.

*Performance-based Capital Allocations on Private Equity Funds*

Under asset management arrangements for certain of its sponsored private equity funds, the Company, as General Partner, is entitled to receive performance-based capital allocations ("carried interest") when the return on assets under management for such funds exceeds prescribed investment return hurdles or other performance targets. Carried interest is accrued quarterly based on measuring cumulative fund performance against the stated performance hurdle, as if the fund was liquidated at its estimated fair value as of the applicable balance sheet date.

Carried interest is subject to adjustment to the extent that subsequent fund performance causes the fund's cumulative investment return to fall below specified investment return hurdles. In such a circumstance, some or all of the previously accrued carried interest is reversed to the extent that the Company is no longer entitled to the performance-based capital allocation and, if such allocations have been distributed to the Company but are subject to recoupment by the fund, a liability is established for the potential repayment obligation.

*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.

Items required by tax regulations to be included in the tax return may differ from the items reflected in the financial statements. As a result, the effective tax rate reflected in the financial statements may be different than the actual rate applied on the tax return. Some of these differences are permanent, such as the dividends received deduction which is estimated using information from the prior period and current year results. Other differences are temporary, reversing over time, such as the valuation of insurance reserves, and create deferred tax assets and liabilities.

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, net operating loss carryforwards 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, frequency and severity of book income or losses in recent years;
- The nature and character of the deferred tax assets and liabilities;
- The nature and character of income by life and non-life subgroups;
- The recent cumulative book income (loss) position after adjustment for permanent differences;
- 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;

- Prudent and feasible tax planning strategies the Company would employ to avoid a tax benefit from expiring unused; and
- 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.

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 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. 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 account balances are reported gross on the Consolidated Balance Sheets.

*Long-duration:* 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.

*Short-duration:* 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 in Other liabilities and amortized over the remaining life of the underlying contracts.

Accounting for reinsurance requires 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 A-rated or better, including Lincoln National Corporation ("Lincoln"), Hannover Life Reassurance Company of America ("Hannover US") and Hannover Re (Ireland) Limited ("HLRI") (collectively, "Hannover Re") and various subsidiaries of Reinsurance Group of America Incorporated (collectively, "RGA").

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 and payable under reinsurance agreements are included in Premium receivable and reinsurance recoverable and Other liabilities, respectively. 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.

The Company has entered into coinsurance funds withheld reinsurance arrangements that contain embedded derivatives for which carrying value is estimated based on the change in the fair value of the assets supporting the funds withheld payable under the agreements.

### *Employee Benefits Plans*

The Company sponsors and/or administers various plans that provide defined benefit pension and other postretirement benefit plans 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 upon 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 postretirement 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 on 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. 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. 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 gains (losses) are immediately recognized in Operating expenses in the Consolidated Statements of Operations.

For postretirement 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 gains (losses) are immediately recognized in Operating expenses in the Consolidated Statements of Operations.

### *Share-based Compensation*

The Company grants certain employees and directors share-based compensation awards under various plans. Share-based compensation plans are subject to certain vesting conditions. The Company measures the cost of its share-based awards at their grant date fair value, which in the case of restricted stock units ("RSUs") and performance share units ("PSUs") is based upon the market value of the Company's common stock on the date of grant. In 2016 and 2017, the Company granted certain PSU awards, which are subject to attainment of specified total shareholder return ("TSR") targets relative to a specified peer group. The number of TSR-based PSU awards expected to be earned, based on achievement of the market condition, is factored into the grant date Monte Carlo valuation for the award. Fair value of stock options is determined using a Black-Scholes options valuation methodology. Compensation expense is principally related to the granting of performance share units, restricted stock units and stock options and is recognized in Operating expenses in the Consolidated Statements of Operations over the requisite service period. The majority of awards granted are provided in the first quarter of each year.

The liability related to the cash-settled awards is recorded within Other liabilities on the Consolidated Balance Sheets. Unlike equity-settled awards, which have a fixed grant-date fair value, the fair value of unvested cash-settled awards is remeasured at the end of each reporting period until the awards vest.

Excess tax benefits recorded in Additional paid-in capital in 2016 and prior years are accounted for in a single pool available to all share-based compensation awards. Excess tax benefits in Additional paid-in capital are not recognized until the benefits result in a reduction in taxes payable. The Company uses tax law ordering when determining when excess tax benefits have been realized.

On a prospective basis from January 1, 2017, all excess tax benefits and tax deficiencies related to share-based compensation are reported in Net income (loss), rather than Additional paid-in capital.

#### *Earnings per Common Share*

Basic earnings per common share ("EPS") is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is computed assuming the issuance of nonvested shares, restricted stock units, stock options, performance share units and warrants using the treasury stock method. Basic and diluted earnings per share are calculated using unrounded, actual amounts. Under the treasury stock method, the Company utilizes the average market price to determine the amount of cash that would be available to repurchase shares if the common shares vested. The net incremental share count issued represents the potential dilutive or anti-dilutive securities.

For any period where a loss from earnings available to common shareholders is experienced, shares used in the diluted EPS calculation represent basic shares, as using diluted shares would be anti-dilutive to the calculation.

#### *Consolidation and Noncontrolling Interests*

As of January 1, 2016, the Company changed its method for determining whether consolidation is required for VIEs and VOEs upon the adoption of Accounting Standards Update ("ASU") 2015-02, "Consolidation (Accounting Standards Codification ("ASC") Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02") (See "Adoption of New Pronouncements" below).

In the normal course of business, the Company invests in, provides investment management services to, and has transactions with, various CLO entities, private equity funds, real estate funds, funds-of-hedge funds, single strategy hedge funds, insurance entities, securitizations and other investment entities. 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 consolidation guidance requires an assessment involving judgments and analysis to determine (a) whether an entity in which the Company holds a variable interest is a VIE and (b) whether the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest.

The Company consolidates entities in which it, directly or indirectly, is determined to have a controlling financial interest. Consolidation conclusions are reviewed quarterly to identify whether any reconsideration events have occurred.

*VIEs:* The Company consolidates VIEs for which it is the primary beneficiary at the time it becomes involved with a VIE. An entity is a VIE if it has equity investors who, as a group, lack the characteristics of a controlling financial interest or it does not have sufficient equity at risk to finance its expected activities without additional subordinated financial support from other parties. The primary beneficiary (a) has the power to direct the activities of the entity that most significantly impact the entity's economic performance and (b) 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 holds greater than 50% of the voting interest, or, for limited partnerships, when the Company owns a majority of the limited partnership's kick-out rights through voting interests.

Noncontrolling interest represents the interests of shareholders, other than the Company, in consolidated entities. In the Consolidated Statements of Operations, Net income (loss) 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.

#### *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.

#### *Adoption of New Pronouncements*

##### Interests Held through Related Parties

In October 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-17, "Consolidation (ASC Topic 810): Interests Held through Related Parties That Are under Common Control" ("ASU 2016-17"), which changes how a single decision maker of a VIE should treat indirect interests in the entity that are held through related parties under common control when determining whether it is the primary beneficiary of the VIE.

The provisions of ASU 2016-17 were adopted by the Company, retrospectively, on January 1, 2017. The adoption had no effect on the Company's financial condition, results of operations, or cash flows.

##### Share-Based Compensation

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (ASC Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which simplifies the accounting for share-based payment award transactions with respect to:

- The income tax consequences of awards,
- The impact of forfeitures on the recognition of expense for awards,
- Classification of awards as either equity or liabilities, and
- Classification on the statement of cash flows.

The provisions of ASU 2016-09 were adopted by the Company on January 1, 2017 using the transition method prescribed for each applicable provision:

- On a prospective basis, all excess tax benefits and tax deficiencies related to share-based compensation are reported in Net income (loss), rather than Additional paid-in capital. Prior year excess tax benefits remain in Additional paid-in capital.
- The provision that removed the requirement to delay recognition of excess tax benefits until they reduce taxes payable was required to be adopted on a modified retrospective basis. Upon adoption, this provision resulted in a \$15 increase in Deferred income tax assets with a corresponding increase to Retained earnings on the Consolidated Balance Sheet as of January 1, 2017, to record previously unrecognized excess tax benefits.
- The Company elected to retrospectively adopt the requirement to present cash inflows related to excess tax benefits as operating activities, which resulted in a \$5 reclassification of Share-based compensation cash flows from financing activities to operating activities in the Consolidated Statement of Cash Flows for the twelve months ended December 31, 2016.
- The Company also elected to continue its existing accounting policy of including estimated forfeitures in the calculation of share-based compensation expense.

The adoption of the remaining provisions of ASU 2016-09 had no effect on the Company's financial condition, results of operations, or cash flows.

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

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Debt Instruments

In March 2016, the FASB issued ASU 2016-06, "Derivatives and Hedging (ASC Topic 815): Contingent Put and Call Options in Debt Instruments" ("ASU 2016-06"), which clarifies that an entity is only required to follow the four-step decision sequence when assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts for purposes of bifurcating an embedded derivative. The entity does not need to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks.

The provisions of ASU 2016-06 were adopted by the Company on January 1, 2017 using a modified retrospective approach. The adoption had no effect on the Company's financial condition, results of operations, or cash flows.

Consolidation

In February 2015, the FASB issued ASU 2015-02, "Consolidation (ASC Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"), which:

- Modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or VEOs, including the requirement to consider the rights of all equity holders at risk to determine if they have the power to direct the entity's most significant activities.
- Eliminates the presumption that a general partner should consolidate a limited partnership. Limited partnerships and similar entities will be VIEs unless the limited partners hold substantive kick-out rights or participating rights.
- Affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships.
- Provides a new scope exception for registered money market funds and similar unregistered money market funds, and ends the deferral granted to investment companies from applying the VIE guidance.

The Company adopted the provisions of ASU 2015-02 on January 1, 2016 using the modified retrospective approach. The impact to the Company's January 1, 2016 Consolidated Balance Sheet was the deconsolidation of \$7.5 billion of Assets related to consolidated investment entities (comprised mainly of \$2.5 billion of Limited partnerships/corporations, at fair value, \$0.3 billion of Cash and cash equivalents, \$4.6 billion of Corporate loans, at fair value using the fair value option, and \$0.1 billion of Other assets related to consolidated investment entities) and \$5.9 billion of liabilities (comprised of \$4.6 billion of Collateralized loan obligations notes, at fair value using the fair value option, and \$1.3 billion of Other liabilities related to consolidated investment entities), with a related adjustment to Noncontrolling interest of \$1.6 billion and elimination of \$9 Appropriated retained earnings related to consolidated investment entities.

The adoption of ASU 2015-02 did not result in consolidation of any entities that were not previously consolidated. Limited partnerships previously accounted for as VEOs became VIEs under the new guidance as the limited partners do not hold substantive kick-out rights or participating rights.

The adoption of ASU 2015-02 had no impact to net income available to Voya Financial, Inc.'s common shareholders.

Collateralized Financing Entities

In August 2014, the FASB issued ASU 2014-13, "Consolidation (ASC Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" ("ASU 2014-13"), which allows an entity to elect to measure the financial assets and financial liabilities of a consolidated collateralized financing entity using either:

- ASC Topic 820, whereby both the financial assets and liabilities are measured using the requirements of ASC Topic 820, with any difference reflected in earnings and attributed to the reporting entity in the statement of operations.
- The measurement alternative, whereby both the financial assets and liabilities are measured using the more observable of the fair value of the financial assets and the fair value of the financial liabilities.

The Company adopted the provisions of ASU 2014-13 on January 1, 2016, using the measurement alternative under the modified retrospective method. Subsequent to the adoption of ASU 2014-13, the impact to the Company's January 1, 2016 Consolidated Balance Sheet was an increase of \$18 in Collateralized loan obligations notes, at fair value using the fair value option, related to consolidated investment entities, with an offsetting decrease to Appropriated retained earnings of \$18, resulting in the elimination of Appropriated retained earnings related to consolidated investment entities. As a result of adoption of ASU 2014-13, CLO liabilities are measured based on the fair value of the assets of the CLOs; therefore, the changes in fair value related to consolidated

CLOs is zero. The changes in fair value of the Company's interest in the CLOs are presented in Net investment income on the Consolidated Statements of Operations.

### ***Future Adoption of Accounting Pronouncements***

#### **Reclassification of Certain Tax Effects**

In February 2018, the FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (ASC Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"), which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted Tax Cuts and Jobs Act of 2017 ("Tax Reform"). Stranded tax effects arise because generally accepted accounting principles require that the impact of a change in tax laws or rates on deferred tax liabilities and assets be reported in net income, even if related to items recognized within accumulated other comprehensive income. The amount of the reclassification would be based on the difference between the historical corporate income tax rate and the newly enacted 21% corporate income tax rate, applied to deferred tax liabilities and assets reported within accumulated other comprehensive income.

The provisions of ASU 2018-02 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Initial adoption of ASU 2018-02 may be reported either in the period of adoption or on a retrospective basis in each period in which the effect of the change in the U.S. federal corporate income tax rate resulting from Tax Reform is recognized. The Company is currently evaluating the provisions of ASU 2018-02.

#### **Derivatives & Hedging**

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic ASC 815): Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"), which enables entities to better portray risk management activities in their financial statements, as follows:

- Expands an entity's ability to hedge nonfinancial and financial risk components and reduces complexity in accounting for fair value hedges of interest rate risk,
- Eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item,
- Eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness, and
- Modifies required disclosures.

The provisions of ASU 2017-12 are effective for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-12 is required to be reported using a modified retrospective approach, with the exception of the presentation and disclosure requirements, which are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-12.

#### **Debt Securities**

In March 2017, the FASB issued ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (ASC Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities" ("ASU 2017-08"), which shortens the amortization period for certain callable debt securities held at a premium by requiring the premium to be amortized to the earliest call date.

The provisions of ASU 2017-08 are effective for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-08 is required to be reported using a modified retrospective approach. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-08.

#### **Retirement Benefits**

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits (ASC Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which requires employers to report the service cost component of net periodic pension cost and net periodic postretirement benefit cost in the same line item as other compensation costs arising from services rendered by employees during the period. Other components of net benefit costs are

required to be presented in the statement of operations separately from service costs. In addition, only service costs are eligible for capitalization in assets, when applicable.

The provisions of ASU 2017-07 are effective for annual periods beginning after December 15, 2017, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-07 is required to be reported retrospectively for the presentation of service costs and other components in the statement of operations and prospectively for the capitalization of service costs in assets. The Company does not currently expect the adoption of this guidance to have a material impact on the Company's financial condition, results of operations, or cash flows; however, finalization of implementation efforts will continue into the first quarter of 2018.

#### Derecognition of Nonfinancial Assets

In February 2017, the FASB issued ASU 2017-05, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (ASC Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance & Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"), which requires entities to apply certain recognition and measurement principles in ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" (see "Revenue from Contracts with Customers" below) when they derecognize nonfinancial assets and in substance nonfinancial assets through sale or transfer, and the counterparty is not a customer.

The provisions of ASU 2017-05 are effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted, using either a retrospective or modified retrospective method. The Company does not currently expect the adoption of this guidance to have a material impact on the Company's financial condition, results of operations, or cash flows; however, finalization of implementation efforts will continue into the first quarter of 2018.

#### Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (ASC Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on eight specific cash flow issues.

The provisions of ASU 2016-15 are effective retrospectively for fiscal years beginning after December 15, 2017, including interim periods, with early adoption permitted. The Company does not currently expect the adoption of this guidance to have a material impact on the Company's financial condition, results of operations, or cash flows; however, finalization of implementation efforts will continue into the first quarter of 2018.

#### Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which:

- Introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments,
- Modifies the impairment model for available-for-sale debt securities, and
- Provides a simplified accounting model for purchased financial assets with credit deterioration since their origination.

The provisions of ASU 2016-13 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted for fiscal years beginning after December 15, 2018. Initial adoption of ASU 2016-13 is required to be reported on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, except for certain provisions that are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-13.

#### Leases

In February 2016, the FASB issued ASU 2016-02, "Leases (ASC Topic 842)" ("ASU 2016-02"), which requires lessees to recognize a right-of-use asset and a lease liability for all leases with terms of more than 12 months. The lease liability will be measured as the present value of the lease payments, and the asset will be based on the liability. For income statement purposes, expense recognition will depend on the lessee's classification of the lease as either finance, with a front-loaded amortization expense pattern similar to current capital leases, or operating, with a straight-line expense pattern similar to current operating leases. Lessor accounting will be similar to the current model, and lessors will be required to classify leases as operating, direct financing, or sales-type.

ASU 2016-02 also replaces the sale-leaseback guidance to align with the new revenue recognition standard, addresses statement of operation and statement of cash flow classification, and requires additional disclosures for all leases.

The provisions of ASU 2016-02 are effective on a modified retrospective basis for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-02.

#### Financial Instruments - Recognition and Measurement

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (ASC Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), which requires:

- Equity investments (except those consolidated or accounted for under the equity method) to be measured at fair value with changes in fair value recognized in net income.
- Elimination of the disclosure of methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost.
- The use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
- Separate presentation in other comprehensive income of the portion of the total change in fair value of a liability resulting from a change in own credit risk if the liability is measured at fair value under the fair value option.
- Separate presentation on the balance sheet or financial statement notes of financial assets and financial liabilities by measurement category and form of financial asset.

The provisions of ASU 2016-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption only permitted for certain provisions. Initial adoption of ASU 2016-01 is required to be reported on a modified retrospective basis, with a cumulative-effect adjustment to the balance sheet as of the beginning of the year of adoption, except for certain provisions that are required to be applied prospectively. The Company does not currently expect the adoption of this guidance to have a material impact on the Company's financial condition, results of operations, or cash flows; however, finalization of implementation efforts will continue into the first quarter of 2018.

#### Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the entity satisfies a performance obligation under the contract. ASU 2014-09 also updated the accounting for certain costs associated with obtaining and fulfilling contracts with customers and requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In addition, the FASB issued various amendments during 2016 to clarify the provisions and implementation guidance of ASU 2014-09. Revenue recognition for insurance contracts and financial instruments is explicitly scoped out of the guidance.

The provisions of ASU 2014-09 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted as of January 1, 2017. Initial adoption of ASU 2014-09 is required to be reported using either a retrospective or modified retrospective approach.

The Company plans to adopt ASU 2014-09 on January 1, 2018 on a modified retrospective basis. As the scope of ASU 2014-09 excludes insurance contracts and financial instruments, the guidance does not apply to a significant portion of the Company's business. Based on review to date, the Company anticipates that the adoption of ASU 2014-09 will result in the deferral of costs to obtain and fulfill certain financial services contracts in the Retirement segment and Corporate, with a related cumulative impact on retained earnings upon adoption, net of tax, of approximately \$80; however, finalization of implementation efforts will continue into the first quarter of 2018.

## 2. Business Held for Sale and Discontinued Operations

As noted in the *Business, Basis of Presentation and Significant Accounting Policies* Note, on December 20, 2017, the Company entered into a MTA with VA Capital and Athene (the "Buyers") pursuant to which Venerable will acquire two of the Company's subsidiaries, VIAC and DSL. The Transaction is expected to close during the second or third quarter of 2018, subject to conditions specified in the MTA, including the receipt of required regulatory approvals, and other conditions. In addition, this transaction will result in the disposition of substantially all of the Company's CBVA and Annuities businesses.

The purchase price in the transaction will be equal to the difference between the Required Adjusted Book Value (as defined in the MTA) and the Statutory capital in VIAC at closing, after giving effect to certain restructuring and other pre-sale transactions, including the reinsurance of the fixed and fixed indexed annuity business of VIAC. The purchase price for DSL is expected to approximate its carrying value. After the closing, the Company, through its other insurance subsidiaries, will continue to own surplus notes issued by VIAC in an aggregate principal amount of \$350 and will acquire a 9.99% equity interest in VA Capital. The receivable for the surplus notes and VIAC's corresponding liability are included in Other assets and Liabilities held for sale, respectively, on the Company's Consolidated Balance Sheets. In the summary of major categories of assets and liabilities held for sale below, VIAC's corresponding liability for the surplus notes is included in Notes payable.

Under the terms of the Transaction, VIAC will, prior to the closing of the transaction, undertake certain restructuring transactions with several current affiliates in order to transfer businesses and assets into and out of VIAC.

In connection with the closing, Voya Investment Management Co., LLC ("Voya IM") or its affiliated advisors, will enter into one or more agreements to perform asset management services for Venerable as part of the transaction. As part of the agreements, Voya IM will serve as the preferred asset management partner for Venerable. Under the agreements, subject to certain criteria, Voya IM will manage certain assets, including, for at least five years following the closing of the transaction, certain general account assets. The Company has also agreed to provide certain transitional services to Venerable for up to 24 months after the closing of the Transaction.

The MTA provides for a \$105 reverse termination fee that would be payable by VA Capital to the Company if the MTA is terminated in certain circumstances.

The MTA contains limits on the amount of additional capital we could be required to contribute to meet any increases in the Required Adjusted Book Value and on the amount of capital in excess of such amount that VA Capital could be required to compensate us for if such excess capital were to become trapped in VIAC prior to Transaction closing, in each case subject to certain termination rights.

The Company has determined that the CBVA and Annuities businesses to be disposed of meet the criteria to be classified as held for sale and that the sale represents a strategic shift that will have a major effect on the Company's operations. Accordingly, the results of operations of the businesses to be sold have been presented as discontinued operations in the accompanying Consolidated Statements of Operations and Consolidated Statements of Cash Flows, and the assets and liabilities of the businesses have been classified as held for sale and segregated for all periods presented in the Consolidated Balance Sheets. A business classified as held for sale is recorded at the lower of its carrying value or estimated fair value less cost to sell. If the carrying value exceeds its estimated fair value less cost to sell, a loss is recognized. Transactions between the businesses held for sale and businesses in continuing operations that are expected to continue to exist after the disposal are not eliminated to appropriately reflect the continuing operations and the assets, liabilities and results of the businesses held for sale.

The results of discontinued operations are reported in "Income (loss) from discontinued operations, net of tax" in the accompanying Consolidated Statements of Operations for all periods presented. In addition, Income (loss) from discontinued operations, net of tax, for the year ended December 31, 2017 includes the estimated loss on sale, net of tax of \$2,423. The estimated loss on sale includes estimated transaction costs of \$31 that are expected to be incurred through and upon closing of the Transaction as well as the loss of \$692 of deferred tax assets. The estimated loss on sale represents the excess of the estimated carrying value of the businesses held for sale over the estimated purchase price, which approximates fair value, less cost to sell. As noted above, the purchase price in the transaction is equal to the difference between the Required Adjusted Book Value and the Statutory capital in VIAC at closing. The Required Adjusted Book Value is based on, subject to certain adjustments, the Conditional Tail Expectation ("CTE") 95 standard which is a statistical tail risk measure under the Standard & Poor's ("S&P") model which follows the Risk Based capital C-3 Phase II guidelines as stipulated by the National Association of Insurance Commissioners ("NAIC").

The estimated purchase price and estimated carrying value of VIAC as of the future date of closing, and therefore the estimated loss on sale related to the Transaction are subject to adjustment in future quarters until closing, and may be influenced by, but not limited to the following factors:

- Market fluctuations related to equity securities, interest rates, volatility, credit spreads and foreign exchange rates;
- The performance of the businesses held for sale and the impact of interest and equity market changes on the Variable Annuity Hedge Program and any other hedging activity the Company may engage in within VIAC;
- Changes in the terms of the Transaction, including as the result of subsequent negotiations or as necessary to obtain regulatory approval;
- Other changes in the terms of the Transaction due to unanticipated developments; and
- Changes in key customers and policyholder behavior as a result of the Transaction or other factors.

The Company is required to remeasure the estimated fair value and loss on sale at the end of each quarter until closing of the Transaction. Changes in the estimated loss on sale that occur prior to closing of the Transaction will be reported as an adjustment to Income (loss) from discontinued operations, net of tax, in future quarters prior to closing.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the major categories of assets and liabilities classified as held for sale in the accompanying Consolidated Balance Sheets as of December 31, 2017 and 2016:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Investments:		
Fixed maturities, available-for-sale, at fair value . . . . .	\$ 21,904	\$ 22,075
Fixed maturities, at fair value using the fair value option . . . . .	615	647
Short-term investments . . . . .	352	430
Mortgage loans on real estate, net of valuation allowance . . . . .	4,212	3,722
Derivatives . . . . .	1,514	976
Other investments <sup>(1)</sup> . . . . .	351	258
Securities pledged . . . . .	861	748
Total investments . . . . .	<u>29,809</u>	<u>28,856</u>
Cash and cash equivalents . . . . .	498	815
Short-term investments under securities loan agreements, including collateral delivered . . . . .	473	202
Deferred policy acquisition costs and Value of business acquired. . . . .	805	890
Sales Inducements . . . . .	196	206
Deferred income taxes . . . . .	404	520
Other assets <sup>(2)</sup> . . . . .	396	286
Assets held in separate accounts . . . . .	28,894	30,934
Write-down of businesses held for sale to fair value less cost to sell . . . . .	(2,423)	—
Total assets held for sale. . . . .	<u>\$ 59,052</u>	<u>\$ 62,709</u>
<b>Liabilities:</b>		
Future policy benefits and contract owner account balances. . . . .	\$ 27,065	\$ 27,205
Payables under securities loan agreement, including collateral held . . . . .	1,152	872
Derivatives . . . . .	782	174
Notes payable . . . . .	350	350
Other liabilities . . . . .	34	41
Liabilities related to separate accounts. . . . .	28,894	30,934
Total liabilities held for sale . . . . .	<u>\$ 58,277</u>	<u>\$ 59,576</u>

<sup>(1)</sup> Includes Other investments, Equity securities, Limited Partnerships/corporations and Policy loans.

<sup>(2)</sup> Includes Other assets, Accrued investment income, Premium receivable and reinsurance recoverable.

**Voya Financial, Inc.****Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the components of Income (loss) from discontinued operations, net of tax in the accompanying Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
	2017	2016	2015
<b>Revenues:</b>			
Net investment income . . . . .	\$ 1,266	\$ 1,288	\$ 1,217
Fee income . . . . .	801	889	1,011
Premiums . . . . .	190	720	470
Total net realized capital gains (losses) . . . . .	(1,234)	(900)	(173)
Other revenue . . . . .	19	19	22
Total revenues . . . . .	<u>1,042</u>	<u>2,016</u>	<u>2,547</u>
<b>Benefits and expenses:</b>			
Interest credited and other benefits to contract owners/policyholders . . . . .	978	2,199	1,812
Operating expenses . . . . .	250	283	319
Net amortization of Deferred policy acquisition costs and Value of business acquired . . . . .	127	136	286
Interest expense . . . . .	22	22	22
Total benefits and expenses . . . . .	<u>1,377</u>	<u>2,640</u>	<u>2,439</u>
Income (loss) from discontinued operations before income taxes . . . . .	(335)	(624)	108
Income tax expense (benefit) . . . . .	(178)	(287)	(38)
Loss on sale, net of tax . . . . .	(2,423)	—	—
Income (loss) from discontinued operations, net of tax . . . . .	<u>\$ (2,580)</u>	<u>\$ (337)</u>	<u>\$ 146</u>

For additional information on certain assets, liabilities and other financial information related to businesses held for sale, see the *Derivatives Note*, *Fair Value Measurements (excluding Consolidated Investments Entities) Note* and the *Guaranteed Benefit Features Note* to these Consolidated Financial Statements.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

**3. Investments (excluding Consolidated Investment Entities)**

*Fixed Maturities and Equity Securities*

Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2017:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)(4)</sup>
<b>Fixed maturities:</b>						
U.S. Treasuries . . . . .	\$ 2,047	\$ 477	\$ 2	\$ —	\$ 2,522	\$ —
U.S. Government agencies and authorities . . . . .	223	52	—	—	275	—
State, municipalities and political subdivisions . . . . .	1,856	68	11	—	1,913	—
U.S. corporate public securities . . . . .	20,857	2,451	50	—	23,258	—
U.S. corporate private securities . . . . .	5,628	255	50	—	5,833	—
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	5,241	493	18	—	5,716	—
Foreign corporate private securities <sup>(1)</sup> . . . . .	4,974	251	64	—	5,161	10
<b>Residential mortgage-backed securities:</b>						
Agency . . . . .	2,990	164	30	21	3,145	—
Non-Agency . . . . .	1,257	110	4	16	1,379	16
Total Residential mortgage-backed securities . . . . .	4,247	274	34	37	4,524	16
Commercial mortgage-backed securities . . . . .	2,646	69	11	—	2,704	—
Other asset-backed securities . . . . .	1,488	43	3	—	1,528	3
<b>Total fixed maturities, including securities pledged . . . . .</b>	<b>49,207</b>	<b>4,433</b>	<b>243</b>	<b>37</b>	<b>53,434</b>	<b>29</b>
Less: Securities pledged . . . . .	1,823	284	20	—	2,087	—
<b>Total fixed maturities . . . . .</b>	<b>47,384</b>	<b>4,149</b>	<b>223</b>	<b>37</b>	<b>51,347</b>	<b>29</b>
<b>Equity securities:</b>						
Common stock . . . . .	272	1	—	—	273	—
Preferred stock . . . . .	81	26	—	—	107	—
<b>Total equity securities . . . . .</b>	<b>353</b>	<b>27</b>	<b>—</b>	<b>—</b>	<b>380</b>	<b>—</b>
<b>Total fixed maturities and equity securities investments . . . . .</b>	<b>\$ 47,737</b>	<b>\$ 4,176</b>	<b>\$ 223</b>	<b>\$ 37</b>	<b>\$ 51,727</b>	<b>\$ 29</b>

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

<sup>(2)</sup> Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

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

<sup>(4)</sup> Amount excludes \$441 of net unrealized gains on impaired available-for-sale securities.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2016:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives <sup>(2)</sup>	Fair Value	OTTI <sup>(3)(4)</sup>
<b>Fixed maturities:</b>						
U.S. Treasuries . . . . .	\$ 2,150	\$ 407	\$ 2	\$ —	\$ 2,555	\$ —
U.S. Government agencies and authorities . . . . .	227	41	—	—	268	—
State, municipalities and political subdivisions . . . . .	1,647	23	39	—	1,631	—
U.S. corporate public securities . . . . .	21,873	1,722	178	—	23,417	6
U.S. corporate private securities . . . . .	5,076	174	113	—	5,137	—
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	5,161	293	69	—	5,385	—
Foreign corporate private securities <sup>(1)</sup> . . . . .	4,954	206	52	—	5,108	—
<b>Residential mortgage-backed securities:</b>						
Agency . . . . .	3,720	209	42	32	3,919	—
Non-Agency . . . . .	845	97	6	23	959	25
<b>Total Residential mortgage-backed securities . . . . .</b>	<b>4,565</b>	<b>306</b>	<b>48</b>	<b>55</b>	<b>4,878</b>	<b>25</b>
Commercial mortgage-backed securities . . . . .	2,320	59	24	—	2,355	—
Other asset-backed securities . . . . .	1,096	43	5	—	1,134	4
<b>Total fixed maturities, including securities pledged . . . . .</b>	<b>49,069</b>	<b>3,274</b>	<b>530</b>	<b>55</b>	<b>51,868</b>	<b>35</b>
<b>Less: Securities pledged . . . . .</b>	<b>1,261</b>	<b>160</b>	<b>12</b>	<b>—</b>	<b>1,409</b>	<b>—</b>
<b>Total fixed maturities . . . . .</b>	<b>47,808</b>	<b>3,114</b>	<b>518</b>	<b>55</b>	<b>50,459</b>	<b>35</b>
<b>Equity securities:</b>						
Common stock . . . . .	152	—	—	—	152	—
Preferred stock . . . . .	77	29	—	—	106	—
<b>Total equity securities . . . . .</b>	<b>229</b>	<b>29</b>	<b>—</b>	<b>—</b>	<b>258</b>	<b>—</b>
<b>Total fixed maturities and equity securities investments . . . . .</b>	<b>\$ 48,037</b>	<b>\$ 3,143</b>	<b>\$ 518</b>	<b>\$ 55</b>	<b>\$ 50,717</b>	<b>\$ 35</b>

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

<sup>(2)</sup> Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

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

<sup>(4)</sup> Amount excludes \$408 of net unrealized gains on impaired available-for-sale securities.

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

The amortized cost and fair value of fixed maturities, including securities pledged, as of December 31, 2017, 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.

	<b>Amortized Cost</b>	<b>Fair Value</b>
Due to mature:		
One year or less .....	\$ 988	\$ 1,001
After one year through five years .....	8,389	8,703
After five years through ten years .....	10,352	10,762
After ten years .....	21,097	24,212
Mortgage-backed securities .....	6,893	7,228
Other asset-backed securities .....	1,488	1,528
Fixed maturities, including securities pledged .....	<u>\$ 49,207</u>	<u>\$ 53,434</u>

The investment portfolio is monitored to maintain a diversified portfolio on an ongoing basis. Credit risk is mitigated by monitoring concentrations by issuer, sector and geographic stratification and limiting exposure to any one issuer.

As of December 31, 2017 and 2016, the Company did not have any investments in a single issuer, other than obligations of the U.S. Government and government agencies, with a carrying value in excess of 10% of the Company's Total shareholders' equity.

The following tables set forth the composition of the U.S. and foreign corporate securities within the fixed maturity portfolio by industry category as of the dates indicated:

	<b>Amortized Cost</b>	<b>Gross Unrealized Capital Gains</b>	<b>Gross Unrealized Capital Losses</b>	<b>Fair Value</b>
<b><u>December 31, 2017</u></b>				
Communications .....	\$ 2,587	\$ 341	\$ 4	\$ 2,924
Financial .....	5,094	487	5	5,576
Industrial and other companies .....	16,478	1,391	98	17,771
Energy .....	4,268	459	45	4,682
Utilities .....	6,243	607	22	6,828
Transportation .....	1,295	121	4	1,412
Total .....	<u>\$ 35,965</u>	<u>\$ 3,406</u>	<u>\$ 178</u>	<u>\$ 39,193</u>
<b><u>December 31, 2016</u></b>				
Communications .....	\$ 2,765	\$ 258	\$ 17	\$ 3,006
Financial .....	5,143	370	28	5,485
Industrial and other companies .....	17,129	948	189	17,888
Energy .....	4,509	310	75	4,744
Utilities .....	5,629	397	77	5,949
Transportation .....	1,210	83	12	1,281
Total .....	<u>\$ 36,385</u>	<u>\$ 2,366</u>	<u>\$ 398</u>	<u>\$ 38,353</u>

#### *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 FVO. Available-for-sale securities are reported at fair value and unrealized capital gains (losses) on these securities are recorded directly in 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 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.

The Company invests in various categories of CMOs, including CMOs that are not agency-backed, that are subject to different degrees of risk from changes in interest rates and defaults. The principal risks inherent in holding CMOs are prepayment and extension risks related to significant decreases and increases in interest rates resulting in the prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of December 31, 2017 and 2016, approximately 43.2% and 46.4%, respectively, of the Company's CMO holdings, were invested in the above mentioned types of CMOs such as interest-only or principal-only strips, that are subject to more prepayment and extension risk than traditional CMOs.

Public corporate fixed maturity securities are distinguished from private corporate fixed maturity securities based upon the manner in which they are transacted. Public corporate fixed maturity securities are issued initially through market intermediaries on a registered basis or pursuant to Rule 144A under the Securities Act of 1933 (the "Securities Act") and are traded on the secondary market through brokers acting as principal. Private corporate fixed maturity securities are originally issued by borrowers directly to investors pursuant to Section 4(a)(2) of the Securities Act, and are traded in the secondary market directly with counterparties, either without the participation of a broker or in agency transactions.

#### *Repurchase Agreements*

As of December 31, 2017 and 2016, the Company did not have any securities pledged in dollar rolls, repurchase agreement transactions or reverse repurchase agreements.

#### *Securities Lending*

As of December 31, 2017 and 2016, the fair value of loaned securities was \$1,854 and \$1,133, respectively, and is included in Securities pledged on the Consolidated Balance Sheets. As of December 31, 2017 and 2016, cash collateral retained by the lending agent and invested in short-term liquid assets on the Company's behalf was \$1,589 and \$425, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Consolidated Balance Sheets. As of December 31, 2017 and 2016, liabilities to return collateral of \$1,589 and \$425, respectively, are included in Payables under securities loan agreements, including collateral held on the Consolidated Balance Sheets.

During the first quarter of 2016 under an amendment to the securities lending program, the Company began accepting non-cash collateral in the form of securities. The securities retained as collateral by the lending agent may not be sold or re-pledged, except in the event of default, and are not reflected in the Company's Consolidated Balance Sheets. This collateral generally consists of U.S. Treasury, U.S. Government agency securities and MBS pools. As of December 31, 2017 and 2016, the fair value of securities retained as collateral by the lending agent on the Company's behalf was \$308 and \$743, respectively.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

The following table sets forth borrowings under securities lending transactions by class of collateral pledged for the dates indicated:

	<b>December 31, 2017</b> <sup>(1)(2)</sup>	<b>December 31, 2016</b> <sup>(1)(2)</sup>
U.S. Treasuries .....	\$ 587	\$ 701
U.S. Government agencies and authorities .....	5	4
U.S. corporate public securities .....	967	294
Short-term Investments .....	—	1
Foreign corporate public securities and foreign governments .....	338	168
Payables under securities loan agreements .....	<u>\$ 1,897</u>	<u>\$ 1,168</u>

<sup>(1)</sup> As of December 31, 2017 and 2016, borrowings under securities lending transactions include cash collateral of \$1,589 and \$425, respectively.

<sup>(2)</sup> As of December 31, 2017 and 2016, borrowings under securities lending transactions include non-cash collateral of \$308 and \$743, respectively.

The Company's securities lending activities are conducted on an overnight basis, and all securities loaned can be recalled at any time. The Company does not offset assets and liabilities associated with its securities lending program.

*Unrealized Capital Losses*

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of December 31, 2017:

	<b>Six Months or Less Below Amortized Cost</b>		<b>More Than Six Months and Twelve Months or Less Below Amortized Cost</b>		<b>More Than Twelve Months Below Amortized Cost</b>		<b>Total</b>	
	<b>Fair Value</b>	<b>Unrealized Capital Losses</b>	<b>Fair Value</b>	<b>Unrealized Capital Losses</b>	<b>Fair Value</b>	<b>Unrealized Capital Losses</b>	<b>Fair Value</b>	<b>Unrealized Capital Losses</b>
U.S. Treasuries .....	\$ 166	\$ 2	\$ —	\$ —	\$ 15	\$ —	\$ 181	\$ 2
State, municipalities and political subdivisions .....	356	9	6	—	35	2	397	11
U.S. corporate public securities .....	1,399	47	8	—	114	3	1,521	50
U.S. corporate private securities .....	1,068	46	—	—	84	4	1,152	50
Foreign corporate public securities and foreign governments	463	17	6	—	26	1	495	18
Foreign corporate private securities .....	493	64	9	—	8	—	510	64
Residential mortgage-backed .....	967	32	6	—	81	2	1,054	34
Commercial mortgage-backed .....	756	10	18	—	86	1	860	11
Other asset-backed .....	374	3	4	—	27	—	405	3
<b>Total .....</b>	<b>\$ 6,042</b>	<b>\$ 230</b>	<b>\$ 57</b>	<b>\$ —</b>	<b>\$ 476</b>	<b>\$ 13</b>	<b>\$ 6,575</b>	<b>\$ 243</b>

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of December 31, 2016:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries . . . . .	\$ 209	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ 209	\$ 2
State, municipalities and political subdivisions . . . . .	945	38	2	—	49	1	996	39
U.S. corporate public securities . . . . .	4,568	175	14	—	112	3	4,694	178
U.S. corporate private securities . . . . .	1,596	109	10	1	87	3	1,693	113
Foreign corporate public securities and foreign governments . . . . .	1,274	63	6	2	139	4	1,419	69
Foreign corporate private securities . . . . .	1,026	52	—	—	—	—	1,026	52
Residential mortgage- backed . . . . .	1,389	47	1	—	21	1	1,411	48
Commercial mortgage-backed . . . . .	680	22	—	—	23	2	703	24
Other asset-backed . . . . .	430	5	—	—	—	—	430	5
Total . . . . .	<u>\$ 12,117</u>	<u>\$ 513</u>	<u>\$ 33</u>	<u>\$ 3</u>	<u>\$ 431</u>	<u>\$ 14</u>	<u>\$ 12,581</u>	<u>\$ 530</u>

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 97.3% and 96.9% of the average book value as of December 31, 2017 and 2016, respectively.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

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

	<b>Amortized Cost</b>		<b>Unrealized Capital Losses</b>		<b>Number of Securities</b>	
	<b>&lt; 20%</b>	<b>&gt; 20%</b>	<b>&lt; 20%</b>	<b>&gt; 20%</b>	<b>&lt; 20%</b>	<b>&gt; 20%</b>
<b>December 31, 2017</b>						
Six months or less below amortized cost	\$ 6,126	\$ 196	\$ 148	\$ 82	1,098	38
More than six months and twelve months or less below amortized cost . . .	48	—	1	—	14	—
More than twelve months below amortized cost . . . . .	448	—	12	—	87	—
Total . . . . .	<u>\$ 6,622</u>	<u>\$ 196</u>	<u>\$ 161</u>	<u>\$ 82</u>	<u>1,199</u>	<u>38</u>
<b>December 31, 2016</b>						
Six months or less below amortized cost	\$ 12,536	\$ 195	\$ 466	\$ 53	1,694	63
More than six months and twelve months or less below amortized cost . . .	45	—	2	—	13	—
More than twelve months below amortized cost . . . . .	335	—	9	—	38	1
Total . . . . .	<u>\$ 12,916</u>	<u>\$ 195</u>	<u>\$ 477</u>	<u>\$ 53</u>	<u>1,745</u>	<u>64</u>

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

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

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
<b>December 31, 2017</b>						
U.S. Treasuries . . . . .	\$ 183	\$ —	\$ 2	\$ —	29	—
State, municipalities and political subdivisions . . . . .	408	—	11	—	103	—
U.S. corporate public securities . . . . .	1,553	18	45	5	232	2
U.S. corporate private securities . . . . .	1,129	73	28	22	73	2
Foreign corporate public securities and foreign governments . . . . .	506	7	16	2	84	1
Foreign corporate private securities . . . . .	490	84	16	48	35	6
Residential mortgage-backed . . . . .	1,075	13	29	5	334	25
Commercial mortgage-backed . . . . .	871	—	11	—	164	—
Other asset-backed . . . . .	407	1	3	—	145	2
Total . . . . .	<u>\$ 6,622</u>	<u>\$ 196</u>	<u>\$ 161</u>	<u>\$ 82</u>	<u>1,199</u>	<u>38</u>
<b>December 31, 2016</b>						
U.S. Treasuries . . . . .	\$ 211	\$ —	\$ 2	\$ —	25	—
State, municipalities and political subdivisions . . . . .	1,034	1	39	—	198	1
U.S. corporate public securities . . . . .	4,811	61	163	15	547	17
U.S. corporate private securities . . . . .	1,699	107	84	29	111	3
Foreign corporate public securities and foreign governments . . . . .	1,471	17	64	5	186	10
Foreign corporate private securities . . . . .	1,078	—	52	—	64	2
Residential mortgage-backed . . . . .	1,452	7	45	3	365	28
Commercial mortgage-backed . . . . .	727	—	24	—	124	2
Other asset-backed . . . . .	433	2	4	1	125	1
Total . . . . .	<u>\$ 12,916</u>	<u>\$ 195</u>	<u>\$ 477</u>	<u>\$ 53</u>	<u>1,745</u>	<u>64</u>

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

	<b>Loan-to-Value Ratio</b>			
	<b>Amortized Cost</b>		<b>Unrealized Capital Losses</b>	
	<b>&lt; 20%</b>	<b>&gt; 20%</b>	<b>&lt; 20%</b>	<b>&gt; 20%</b>
<b>December 31, 2017</b>				
<b>RMBS and Other ABS<sup>(1)</sup></b>				
Non-agency RMBS > 100% .....	\$ —	\$ —	\$ —	\$ —
Non-agency RMBS > 90% - 100% .....	—	—	—	—
Non-agency RMBS 80% - 90% .....	13	—	—	—
Non-agency RMBS < 80% .....	211	1	4	—
Agency RMBS .....	878	12	26	4
Other ABS (Non-RMBS) .....	380	1	2	1
<b>Total RMBS and Other ABS .....</b>	<b>\$ 1,482</b>	<b>\$ 14</b>	<b>\$ 32</b>	<b>\$ 5</b>

	<b>Credit Enhancement Percentage</b>			
	<b>Amortized Cost</b>		<b>Unrealized Capital Losses</b>	
	<b>&lt; 20%</b>	<b>&gt; 20%</b>	<b>&lt; 20%</b>	<b>&gt; 20%</b>
<b>December 31, 2017</b>				
<b>RMBS and Other ABS<sup>(1)</sup></b>				
Non-agency RMBS 10% + .....	\$ 162	\$ —	\$ 2	\$ —
Non-agency RMBS > 5% - 10% .....	11	—	—	—
Non-agency RMBS > 0% - 5% .....	25	1	1	—
Non-agency RMBS 0% .....	26	—	1	—
Agency RMBS .....	878	12	26	4
Other ABS (Non-RMBS) .....	380	1	2	1
<b>Total RMBS and Other ABS .....</b>	<b>\$ 1,482</b>	<b>\$ 14</b>	<b>\$ 32</b>	<b>\$ 5</b>

	<b>Fixed Rate/Floating Rate</b>			
	<b>Amortized Cost</b>		<b>Unrealized Capital Losses</b>	
	<b>&lt; 20%</b>	<b>&gt; 20%</b>	<b>&lt; 20%</b>	<b>&gt; 20%</b>
<b>December 31, 2017</b>				
Fixed Rate .....	\$ 1,104	\$ 6	\$ 20	\$ 2
Floating Rate .....	378	8	12	3
<b>Total .....</b>	<b>\$ 1,482</b>	<b>\$ 14</b>	<b>\$ 32</b>	<b>\$ 5</b>

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

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	Loan-to-Value Ratio			
	Amortized Cost		Unrealized Capital Losses	
	< 20%	> 20%	< 20%	> 20%
<b>December 31, 2016</b>				
<b>RMBS and Other ABS<sup>(1)</sup></b>				
Non-agency RMBS > 100% . . . . .	\$ —	\$ —	\$ —	\$ —
Non-agency RMBS > 90% - 100% . . . . .	—	—	—	—
Non-agency RMBS 80% - 90% . . . . .	5	—	—	—
Non-agency RMBS < 80% . . . . .	149	4	8	1
Agency RMBS . . . . .	1,347	3	39	3
Other ABS (Non-RMBS) . . . . .	384	2	2	—
Total RMBS and Other ABS . . . . .	\$ 1,885	\$ 9	\$ 49	\$ 4

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
	< 20%	> 20%	< 20%	> 20%
<b>December 31, 2016</b>				
<b>RMBS and Other ABS<sup>(1)</sup></b>				
Non-agency RMBS 10% + . . . . .	\$ 92	\$ —	\$ 5	\$ —
Non-agency RMBS > 5% - 10% . . . . .	9	—	—	—
Non-agency RMBS > 0% - 5% . . . . .	25	—	2	—
Non-agency RMBS 0% . . . . .	28	4	1	1
Agency RMBS . . . . .	1,347	3	39	3
Other ABS (Non-RMBS) . . . . .	384	2	2	—
Total RMBS and Other ABS . . . . .	\$ 1,885	\$ 9	\$ 49	\$ 4

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
	< 20%	> 20%	< 20%	> 20%
<b>December 31, 2016</b>				
Fixed Rate . . . . .	\$ 1,393	\$ 3	\$ 34	\$ 2
Floating Rate . . . . .	492	6	15	2
Total . . . . .	\$ 1,885	\$ 9	\$ 49	\$ 4

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

Investments with fair values less than amortized cost are included in the Company's other-than-temporary impairments analysis. Impairments were recognized as disclosed in the "Evaluating Securities for Other-Than-Temporary Impairments" section below. The Company evaluates non-agency RMBS and ABS for "other-than-temporary impairments" each quarter based on actual and projected cash flows, after considering the quality and updated loan-to-value ratios reflecting current home prices of underlying collateral, forecasted loss severity, the payment priority within the tranche structure of the security and amount of any credit enhancements. The Company's assessment of current levels of cash flows compared to estimated cash flows at the time the securities were acquired (typically pre-2008) indicates the amount and the pace of projected cash flows from the underlying collateral has generally been lower and slower, respectively. However, since cash flows are typically projected at a trust level, the impairment review incorporates the security's position within the trust structure as well as credit enhancement remaining in the trust to determine whether an impairment is warranted. Therefore, while lower and slower cash flows will impact the trust, the effect on the valuation of a particular security within the trust will also be dependent upon the trust structure. Where the assessment continues to project full recovery of principal and interest on schedule, the Company has not recorded an impairment. Based on this analysis, the Company determined that the remaining investments in an unrealized loss position were not other-than-temporarily impaired and therefore no further other-than-temporary impairment was necessary.

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*Troubled Debt Restructuring*

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt restructuring has occurred. A modification is a troubled debt restructuring when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. For the year ended December 31, 2017, the Company did not have any new commercial mortgage loan troubled debt restructuring and had one private placement troubled debt restructuring with a pre-modification and post-modification carrying value of \$22. For the year ended December 31, 2016, the Company had no new troubled debt restructurings for commercial mortgage loans or private placement bonds.

As of December 31, 2017, the Company held no commercial mortgage troubled debt restructured loans.

As of December 31, 2017 and 2016, the Company did not have any commercial mortgage loans or private placements modified in a troubled debt restructuring with a subsequent payment default.

*Mortgage Loans on Real Estate*

The Company's mortgage loans on real estate are all commercial mortgage loans held for investment, which are reported at amortized cost, less impairment write-downs and allowance for losses. The Company diversifies its commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. The Company manages risk when originating commercial mortgage loans by generally lending only up to 75% of the estimated fair value of the underlying real estate. Subsequently, the Company continuously evaluates mortgage loans based on relevant current information including a review of loan-specific credit quality, property characteristics and market trends. Loan performance is monitored on a loan specific basis through the review of submitted appraisals, operating statements, rent revenues and annual inspection reports, among other items. This review ensures properties are performing at a consistent and acceptable level to secure the debt. The components to evaluate debt service coverage are received and reviewed at least annually to determine the level of risk.

The following table summarizes the Company's investment in mortgage loans as of the dates indicated:

	December 31, 2017			December 31, 2016		
	Impaired	Non Impaired	Total	Impaired	Non Impaired	Total
Commercial mortgage loans . . . . .	\$ 4	\$ 8,685	\$ 8,689	\$ 5	\$ 8,001	\$ 8,006
Collective valuation allowance for losses.	N/A	(3)	(3)	N/A	(3)	(3)
Total net commercial mortgage loans . . .	\$ 4	\$ 8,682	\$ 8,686	\$ 5	\$ 7,998	\$ 8,003

N/A - Not Applicable

There were no impairments taken on the mortgage loan portfolio for the years ended December 31, 2017 and 2016.

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

	December 31, 2017	December 31, 2016
Collective valuation allowance for losses, balance at January 1 . . . . .	\$ 3	\$ 3
Addition to (reduction of) allowance for losses . . . . .	—	—
Collective valuation allowance for losses, end of period . . . . .	\$ 3	\$ 3

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Impaired loans without allowances for losses . . . . .	\$ 4	\$ 5
Less: Allowances for losses on impaired loans . . . . .	—	—
Impaired loans, net . . . . .	<u>\$ 4</u>	<u>\$ 5</u>
Unpaid principal balance of impaired loans . . . . .	<u>\$ 6</u>	<u>\$ 6</u>

For the years ended December 31, 2017 and 2016, the Company did not have any impaired loans with allowances for losses.

The Company defines delinquent mortgage loans consistent with industry practice as 60 days past due. The Company's policy is to recognize interest income until a loan becomes 90 days delinquent or foreclosure proceedings are commenced, at which point interest accrual is discontinued. Interest accrual is not resumed until the loan is brought current.

There were no mortgage loans in the Company's portfolio in process of foreclosure as of December 31, 2017 and 2016.

There were no loans 30 days or less in arrears, with respect to principal and interest as of December 31, 2017 and 2016.

The following table presents information on the average investment during the period in impaired loans and interest income recognized on impaired and troubled debt restructured loans for the periods indicated:

	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Impaired loans, average investment during the period (amortized cost) <sup>(1)</sup> \$	4	\$ 11	\$ 36
Interest income recognized on impaired loans, on an accrual basis <sup>(1)</sup> . . . . .	—	—	2
Interest income recognized on impaired loans, on a cash basis <sup>(1)</sup> . . . . .	—	—	2
Interest income recognized on troubled debt restructured loans, on an accrual basis . . . . .	—	—	2

<sup>(1)</sup> Includes amounts for Troubled debt restructured loans.

Loan-to-value ("LTV") and debt service coverage ("DSC") ratios are measures commonly used to assess the risk and quality of mortgage loans. The LTV ratio, calculated at time of origination, is expressed as a percentage of the amount of the loan relative to the value of the underlying property. A LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the underlying collateral. The DSC ratio, based upon the most recently received financial statements, is expressed as a percentage of the amount of a property's net income to its debt service payments. A DSC ratio of less than 1.0 indicates that property's operations do not generate sufficient income to cover debt payments. These ratios are utilized as part of the review process described above.

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

	<u>December 31, 2017<sup>(1)</sup></u>	<u>December 31, 2016<sup>(1)</sup></u>
Loan-to-Value Ratio:		
0% - 50% . . . . .	\$ 849	\$ 950
>50% - 60% . . . . .	2,125	1,976
>60% - 70% . . . . .	5,144	4,544
>70% - 80% . . . . .	551	523
>80% and above . . . . .	20	13
Total Commercial mortgage loans . . . . .	<u>\$ 8,689</u>	<u>\$ 8,006</u>

<sup>(1)</sup>Balances do not include collective valuation allowance for losses.

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

	December 31, 2017 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup>
Debt Service Coverage Ratio:		
Greater than 1.5x . . . . .	\$ 7,013	\$ 6,421
>1.25x - 1.5x . . . . .	655	824
>1.0x - 1.25x . . . . .	893	597
Less than 1.0x . . . . .	105	105
Commercial mortgage loans secured by land or construction loans . . . . .	23	59
Total Commercial mortgage loans . . . . .	<u>\$ 8,689</u>	<u>\$ 8,006</u>

<sup>(1)</sup>Balances do not include collective valuation allowance for losses.

Properties collateralizing mortgage loans are geographically dispersed throughout the United States, as well as diversified by property type, as reflected in the following tables as of the dates indicated:

	December 31, 2017 <sup>(1)</sup>		December 31, 2016 <sup>(1)</sup>	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by U.S. Region:				
Pacific . . . . .	\$ 2,024	23.4%	\$ 2,055	25.7%
South Atlantic . . . . .	1,716	19.7%	1,703	21.3%
Middle Atlantic . . . . .	1,612	18.5%	1,169	14.6%
West South Central . . . . .	959	11.0%	801	10.0%
Mountain . . . . .	859	9.9%	729	9.1%
East North Central . . . . .	884	10.2%	885	11.1%
New England . . . . .	161	1.8%	170	2.1%
West North Central . . . . .	391	4.5%	371	4.6%
East South Central . . . . .	83	1.0%	123	1.5%
Total Commercial mortgage loans . . . . .	<u>\$ 8,689</u>	<u>100.0%</u>	<u>\$ 8,006</u>	<u>100.0%</u>

<sup>(1)</sup> Balances do not include collective valuation allowance for losses.

	December 31, 2017 <sup>(1)</sup>		December 31, 2016 <sup>(1)</sup>	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by Property Type:				
Retail . . . . .	\$ 2,587	29.7%	\$ 2,607	32.6%
Industrial . . . . .	2,108	24.3%	1,708	21.3%
Apartments . . . . .	1,849	21.3%	1,620	20.2%
Office . . . . .	1,384	15.9%	1,267	15.8%
Hotel/Motel . . . . .	309	3.6%	332	4.2%
Other . . . . .	364	4.2%	388	4.9%
Mixed Use . . . . .	88	1.0%	84	1.0%
Total Commercial mortgage loans . . . . .	<u>\$ 8,689</u>	<u>100.0%</u>	<u>\$ 8,006</u>	<u>100.0%</u>

<sup>(1)</sup> Balances do not include collective valuation allowance for losses.

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The following table presents mortgages by year of origination as of the dates indicated:

	December 31, 2017 <sup>(1)</sup>	December 31, 2016 <sup>(1)</sup>
Year of Origination:		
2017 .....	\$ 1,525	\$ —
2016 .....	1,428	1,434
2015 .....	1,250	1,286
2014 .....	1,303	1,333
2013 .....	1,287	1,371
2012 .....	818	1,084
2011 and prior .....	1,078	1,498
Total Commercial mortgage loans .....	\$ 8,689	\$ 8,006

<sup>(1)</sup> Balances do not include collective valuation allowance for losses.

*Evaluating Securities for Other-Than-Temporary Impairments*

The Company performs a regular evaluation, on a security-by-security basis, of its available-for-sale securities holdings, including fixed maturity securities and equity securities in accordance with its impairment policy in order to evaluate whether such investments are other-than-temporarily impaired.

The following table identifies the Company's credit-related and intent-related impairments included in the Consolidated Statements of Operations, excluding impairments included in Other comprehensive income (loss) by type for the periods indicated:

	Year Ended December 31,					
	2017		2016		2015	
	Impairment	No. of Securities	Impairment	No. of Securities	Impairment	No. of Securities
State, municipalities and political subdivisions .....	1	3	—	2	—	—
U.S. corporate public securities .....	1	3	8	3	29	24
Foreign corporate public securities and foreign governments <sup>(1)</sup> .....	2	3	17	4	44	12
Foreign corporate private securities <sup>(1)</sup> .....	15	2	2	2	1	1
Residential mortgage-backed .....	2	47	7	80	6	59
Other .....	—	3	—	1	3	5
Total .....	\$ 21	61	\$ 34	92	\$ 83	101

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

The above tables include \$19, \$8 and \$8 of write-downs related to credit impairments for the years ended December 31, 2017, 2016 and 2015, respectively, in Other-than-temporary impairments, which are recognized in the Consolidated Statements of Operations. The remaining \$2, \$26 and \$75 in write-downs for the years ended December 31, 2017, 2016 and 2015, respectively, are related to intent impairments.

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The following table summarizes these intent impairments, which are also recognized in earnings, by type for the periods indicated:

	Year Ended December 31,					
	2017		2016		2015	
	Impairment	No. of Securities	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate public securities . . . . .	1	3	7	2	29	23
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	—	—	16	3	43	11
Residential mortgage-backed . . . . .	1	12	3	20	2	11
Other . . . . .	—	3	—	1	1	2
Total . . . . .	\$ 2	18	\$ 26	26	\$ 75	47

The Company 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 the Company's previous intent to continue holding a security. Accordingly, these factors may lead the Company to record additional intent related capital losses.

The following table identifies the amount of credit impairments on fixed maturities for which a portion of the OTTI loss was recognized in Other comprehensive income (loss) and the corresponding changes in such amounts for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
Balance at January 1 . . . . .	\$ 33	\$ 46	\$ 53
Additional credit impairments:			
On securities not previously impaired . . . . .	15	—	—
On securities previously impaired . . . . .	1	2	4
Reductions:			
Increase in cash flows . . . . .	1	—	1
Securities sold, matured, prepaid or paid down . . . . .	8	15	10
Balance at December 31 . . . . .	\$ 40	\$ 33	\$ 46

*Net Investment Income*

The following table summarizes Net investment income for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
Fixed maturities . . . . .	\$ 2,698	\$ 2,860	\$ 2,851
Equity securities, available-for-sale . . . . .	9	11	9
Mortgage loans on real estate . . . . .	388	372	394
Policy loans . . . . .	100	108	110
Short-term investments and cash equivalents . . . . .	10	5	3
Other . . . . .	145	62	37
Gross investment income . . . . .	3,350	3,418	3,404
Less: investment expenses . . . . .	56	64	61
Net investment income . . . . .	\$ 3,294	\$ 3,354	\$ 3,343

As of December 31, 2017 and 2016, the Company had \$5 and \$8, respectively, of investments in fixed maturities that did not produce net investment income. Fixed maturities are moved to a non-accrual status when the investment defaults.

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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. Such interest income is recorded in Net investment income in the Consolidated Statements of Operations.

*Net Realized Capital Gains (Losses)*

Net realized capital gains (losses) comprise 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 primarily generated from changes in fair value of embedded derivatives within products and fixed maturities, changes in fair value of fixed maturities 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 FIFO methodology.

Net realized capital gains (losses) were as follows for the periods indicated:

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Fixed maturities, available-for-sale, including securities pledged . . . . .	\$ 7	\$ (98)	\$ (90)
Fixed maturities, at fair value option . . . . .	(282)	(296)	(336)
Equity securities, available-for-sale . . . . .	(1)	1	(4)
Derivatives . . . . .	98	32	(68)
Embedded derivatives - fixed maturities . . . . .	(18)	(19)	(16)
Guaranteed benefit derivatives . . . . .	(22)	9	(46)
Other investments . . . . .	(9)	8	—
Net realized capital gains (losses) . . . . .	<u>\$ (227)</u>	<u>\$ (363)</u>	<u>\$ (560)</u>
After-tax net realized capital gains (losses) . . . . .	<u>\$ (120)</u>	<u>\$ (268)</u>	<u>\$ (370)</u>

Proceeds from the sale of fixed maturities and equity securities, available-for-sale and the related gross realized gains and losses, before tax, were as follows for the periods indicated:

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Proceeds on sales . . . . .	\$ 4,905	\$ 4,742	\$ 4,932
Gross gains . . . . .	93	91	91
Gross losses . . . . .	56	157	104

**4. Derivative Financial Instruments**

The Company enters into the following types of derivatives:

*Interest rate caps and floors:* The Company uses interest rate cap contracts to hedge the interest rate exposure arising from duration mismatches between assets and liabilities. Interest rate caps are also used to hedge interest rate exposure if rates rise above a specified level. The Company uses interest rate floor contracts to hedge interest rate exposure if rates decrease below a specified level. The Company pays an upfront premium to purchase these caps and floors. The Company utilizes these contracts in non-qualifying hedging relationships.

*Interest rate swaps:* Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and/or liabilities. Interest rate swaps are also used to hedge the interest rate risk associated with the value of assets it owns or in an anticipation of acquiring them. Using interest rate swaps, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating

**Voya Financial, Inc.**

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rate interest payments, calculated by reference to an agreed upon notional principal amount. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made to/from the counterparty at each due date. The Company utilizes these contracts in qualifying hedging relationships as well as non-qualifying hedging relationships.

*Foreign exchange swaps:* The Company uses foreign exchange or currency swaps to reduce the risk of change in the value, yield or cash flows associated with certain foreign denominated invested assets. Foreign exchange swaps represent contracts that require the exchange of foreign currency cash flows against U.S. dollar cash flows at regular periods, typically quarterly or semi-annually. The Company utilizes these contracts in qualifying hedging relationships as well as non-qualifying hedging relationships.

*Credit default swaps:* Credit default swaps are used to reduce credit loss exposure with respect to certain assets that the Company owns or to assume credit exposure on certain assets that the Company does not own. Payments are made to, or received from, the counterparty at specified intervals. In the event of a default on the underlying credit exposure, the Company will either receive a payment (purchased credit protection) or will be required to make a payment (sold credit protection) equal to the par minus recovery value of the swap contract. Credit default swaps are also used to hedge credit exposure associated with certain variable annuity guarantees. The Company utilizes these contracts in non-qualifying hedging relationships.

*Total return swaps:* The Company uses total return swaps as a hedge against a decrease in variable annuity account values, which are invested in certain indices. Using total return swaps, the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of assets or a market index and the LIBOR rate, calculated by reference to an agreed upon notional principal amount. No cash is exchanged at the onset of the contracts. Cash is paid and received over the life of the contract based upon the terms of the swaps. The Company utilizes these contracts in non-qualifying hedging relationships.

*Currency forwards:* The Company used currency forward contracts to hedge policyholder liabilities associated with the variable annuity contracts which are linked to foreign indices. The currency fluctuations may result in a decrease in account values, which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company also utilizes currency forward contracts to hedge currency exposure related to its invested assets. The Company utilizes these contracts in non-qualifying hedging relationships.

*Forwards:* The Company uses forward contracts to hedge certain invested assets against movement in interest rates, particularly mortgage rates. The Company uses To Be Announced mortgage-backed securities as an economic hedge against rate movements. The Company utilizes forward contracts in non-qualifying hedging relationships.

*Futures:* Futures contracts are used to hedge against a decrease in certain equity indices. Such decreases may correlate to a decrease in variable annuity account values which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company also uses interest rate futures contracts to hedge its exposure to market risks due to changes in interest rates. The Company enters into exchange traded futures with regulated futures commissions that are members of the exchange. The Company also posts initial and variation margins, with the exchange, on a daily basis. The Company utilizes exchange-traded futures in non-qualifying hedging relationships. The Company may also use futures contracts as a hedge against an increase in certain equity indices. Such increases may result in increased payments to the holders of fixed index annuity ("FIA") contracts.

*Swaptions:* A swaption is an option to enter into a swap with a forward starting effective date. The Company uses swaptions to hedge the interest rate exposure associated with the minimum crediting rate and book value guarantees embedded in the retirement products that the Company offers. Increases in interest rates will generate losses on assets that are backing such liabilities. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium when it purchases the swaption. The Company utilizes these contracts in non-qualifying hedging relationships.

*Options:* The Company uses options to manage the equity, interest rate and equity volatility risk of the economic liabilities associated with certain variable annuity minimum guaranteed benefits and/or to mitigate certain rebalancing costs resulting from increased volatility. The Company also uses equity options to hedge against an increase in various equity indices, and interest rate options to hedge against an increase in the interest rate benchmarked crediting strategies within FIA contracts. Such increases may result in increased payments to the holders of the FIA and IUL contracts. The Company pays an upfront premium to purchase these options. The Company utilizes these options in non-qualifying hedging relationships.

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*Currency Options:* The Company uses currency option contracts to hedge currency exposure related to its invested assets. The Company utilizes these contracts in non-qualifying hedging relationships.

*Variance swaps:* The Company uses variance swaps to manage equity volatility risk on the economic liabilities associated with certain minimum guaranteed living benefits and/or to mitigate certain rebalancing costs resulting from increased volatility. An increase in the equity volatility results in higher valuations of such liabilities. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on the changes in equity volatility over a defined period. The Company utilizes equity variance swaps in non-qualifying hedging relationships.

*Managed custody guarantees ("MCGs"):* The Company issues certain credited rate guarantees on variable fixed income portfolios that represent stand-alone derivatives. The market value is partially determined by, among other things, levels of or changes in interest rates, prepayment rates and credit ratings/spreads.

*Embedded derivatives:* The Company also invests in certain fixed maturity instruments and has issued certain products that contain embedded derivatives for which market 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 rates or credit ratings/spreads. In addition, the Company has entered into coinsurance with funds withheld arrangements, which contain embedded 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 equity 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, which provides the Company with the legal right of offset. However, in accordance with the Chicago Mercantile Exchange ("CME") rule changes related to the variation margin payments, effective the first quarter of 2017, the Company is required to adjust the derivative balances with the variation margin payments related to its cleared derivatives executed through CME.

The notional amounts and fair values of derivatives from continuing operations were as follows as of the dates indicated:

	December 31, 2017			December 31, 2016		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
<b>Derivatives: Qualifying for hedge accounting <sup>(1)</sup></b>						
Cash flow hedges:						
Interest rate contracts . . . . .	\$ 56	\$ —	\$ —	\$ 106	\$ 4	\$ —
Foreign exchange contracts . . . . .	625	—	60	324	28	7
<b>Derivatives: Non-qualifying for hedge accounting <sup>(1)</sup></b>						
Interest rate contracts . . . . .	27,482	173	58	39,570	550	247
Foreign exchange contracts . . . . .	85	—	2	368	30	27
Equity contracts . . . . .	1,526	198	19	917	95	—
Credit contracts . . . . .	1,983	26	10	3,051	30	16
<b>Embedded derivatives and Managed custody guarantees:</b>						
Within fixed maturity investments . . . . .	N/A	37	—	N/A	55	—
Within products . . . . .	N/A	—	306	N/A	—	291
Within reinsurance agreements . . . . .	N/A	—	129	N/A	—	79
Total . . . . .		\$ 434	\$ 584		\$ 792	\$ 667

<sup>(1)</sup> Open derivative contracts are reported as Derivatives assets or liabilities on the Consolidated Balance Sheets at fair value.  
N/A - Not Applicable

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The notional amounts and fair values of derivatives for businesses held for sale were as follows as of the dates indicated:

	December 31, 2017			December 31, 2016		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
<b>Derivatives: Qualifying for hedge accounting <sup>(1)</sup></b>						
Cash flow hedges:						
Interest rate contracts . . . . .	\$ 18	\$ —	\$ —	\$ 18	\$ 1	\$ —
Foreign exchange contracts . . . . .	227	—	24	157	12	4
<b>Derivatives: Non-qualifying for hedge accounting <sup>(1)</sup></b>						
Interest rate contracts . . . . .	28,412	470	88	38,830	530	108
Foreign exchange contracts . . . . .	17	—	—	1,205	31	12
Equity contracts . . . . .	34,637	1,043	664	28,043	399	50
Credit contracts . . . . .	431	1	6	204	3	—
<b>Embedded derivatives and Managed custody guarantees:</b>						
Within fixed maturity investments . . . . .	N/A	11	—	N/A	16	—
Within products . . . . .	N/A	—	3,400	N/A	—	3,499
<b>Total . . . . .</b>		<u>\$ 1,525</u>	<u>\$ 4,182</u>		<u>\$ 992</u>	<u>\$ 3,673</u>

<sup>(1)</sup> Open derivative contracts are reported as Derivatives assets or liabilities on the Consolidated Balance Sheets at fair value.

N/A - Not Applicable

Based on the notional amounts, a substantial portion of the Company's derivative positions was not designated or did not qualify for hedge accounting as part of a hedging relationship as of December 31, 2017 and 2016. The Company utilizes derivative contracts mainly to hedge exposure to variability in cash flows, interest rate risk, credit risk, foreign exchange risk and equity market risk. The majority of derivatives used by the Company are designated as product hedges, which hedge the exposure arising from insurance liabilities or guarantees embedded in the contracts the Company offers through various product lines. These derivatives do not qualify for hedge accounting as they do not meet the criteria of being "highly effective" as outlined in ASC Topic 815, but do provide an economic hedge, which is in line with the Company's risk management objectives. The Company also uses derivatives contracts to hedge its exposure to various risks associated with the investment portfolio. The Company does not seek hedge accounting treatment for certain of these derivatives as they generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules outlined in ASC Topic 815. The Company also uses credit default swaps coupled with other investments in order to produce the investment characteristics of otherwise permissible investments that do not qualify as effective accounting hedges under ASC Topic 815.

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Although the Company has not elected to net its derivative exposures, the notional amounts and fair values of Over-The-Counter ("OTC") and cleared derivatives excluding exchange traded contracts and forward contracts (To Be Announced mortgage-backed securities) for continuing operations and businesses held for sale are presented in the tables below as of the dates indicated:

<b>December 31, 2017</b>			
<b>Continuing operations:</b>	<b>Notional Amount</b>	<b>Asset Fair Value</b>	<b>Liability Fair Value</b>
Credit contracts . . . . .	\$ 1,983	\$ 26	\$ 10
Equity contracts . . . . .	1,382	197	19
Foreign exchange contracts . . . . .	710	—	62
Interest rate contracts . . . . .	24,490	173	57
		<u>396</u>	<u>148</u>
Counterparty netting <sup>(1)</sup> . . . . .		(100)	(100)
Cash collateral netting <sup>(1)</sup> . . . . .		(251)	—
Securities collateral netting <sup>(1)</sup> . . . . .		(37)	(40)
Net receivables/payables . . . . .		<u>\$ 8</u>	<u>\$ 8</u>

<sup>(1)</sup> Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

<b>December 31, 2017</b>			
<b>Businesses held for sale:</b>	<b>Notional Amount</b>	<b>Asset Fair Value</b>	<b>Liability Fair Value</b>
Credit contracts . . . . .	\$ 431	\$ 1	\$ 6
Equity contracts . . . . .	28,131	1,023	662
Foreign exchange contracts . . . . .	244	—	24
Interest rate contracts . . . . .	27,025	471	88
		<u>1,495</u>	<u>780</u>
Counterparty netting <sup>(1)</sup> . . . . .		(776)	(776)
Cash collateral netting <sup>(1)</sup> . . . . .		(676)	(4)
Securities collateral netting <sup>(1)</sup> . . . . .		(31)	—
Net receivables/payables . . . . .		<u>\$ 12</u>	<u>\$ —</u>

<sup>(1)</sup> Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

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	December 31, 2016		
	Notional Amount	Asset Fair Value	Liability Fair Value
<b>Continuing operations:</b>			
Credit contracts . . . . .	\$ 3,051	\$ 30	\$ 16
Equity contracts . . . . .	782	94	—
Foreign exchange contracts . . . . .	692	58	34
Interest rate contracts . . . . .	32,898	555	245
		<u>737</u>	<u>295</u>
Counterparty netting <sup>(1)</sup> . . . . .		(250)	(250)
Cash collateral netting <sup>(1)</sup> . . . . .		(399)	(6)
Securities collateral netting <sup>(1)</sup> . . . . .		(20)	(14)
Net receivables/payables . . . . .		<u>\$ 68</u>	<u>\$ 25</u>

<sup>(1)</sup> Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

	December 31, 2016		
	Notional Amount	Asset Fair Value	Liability Fair Value
<b>Businesses held for sale:</b>			
Credit contracts . . . . .	\$ 204	\$ 3	\$ —
Equity contracts . . . . .	21,545	378	49
Foreign exchange contracts . . . . .	1,362	43	16
Interest rate contracts . . . . .	35,444	530	108
		<u>954</u>	<u>173</u>
Counterparty netting <sup>(1)</sup> . . . . .		(161)	(161)
Cash collateral netting <sup>(1)</sup> . . . . .		(685)	(15)
Securities collateral netting <sup>(1)</sup> . . . . .		(52)	—
Net receivables/payables . . . . .		<u>\$ 56</u>	<u>\$ (3)</u>

<sup>(1)</sup> Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

*Collateral*

Under the terms of the OTC Derivative International Swaps and Derivatives Association, Inc. ("ISDA") agreements, the Company may receive from, or deliver to, counterparties collateral to assure that terms of the ISDA agreements will be met with regard to the Credit Support Annex ("CSA"). The terms of the CSA call for the Company to pay interest on any cash received equal to the Federal Funds rate. To the extent cash collateral is received and delivered, it 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 and is reinvested in short-term investments. Collateral held is used in accordance with the CSA to satisfy any obligations. Investment grade bonds owned by the Company are the source of noncash collateral posted, which is reported in Securities pledged on the Consolidated Balance Sheets.

*Continuing operations:* As of December 31, 2017, the Company held \$174 and \$73 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2016, the Company held \$154 and \$234 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of December 31, 2017, the Company delivered \$233 of securities and held \$38 of securities as collateral. As of December 31, 2016, the Company delivered \$276 of securities and held \$20 of securities as collateral.

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*Businesses held for sale:* As of December 31, 2017, the Company held \$666 and \$22 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2016, the Company held \$655 and \$23 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of December 31, 2017, the Company delivered \$477 of securities and held \$34 of securities as collateral. As of December 31, 2016, the Company delivered \$477 of securities and held \$52 of securities as collateral.

Net realized gains (losses) on derivatives from continuing operations were as follows for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<b>Derivatives: Qualifying for hedge accounting<sup>(1)</sup></b>			
Cash flow hedges:			
Interest rate contracts . . . . .	\$ 1	\$ 1	\$ 1
Foreign exchange contracts . . . . .	26	2	2
Fair value hedges:			
Interest rate contracts . . . . .	—	(3)	(6)
<b>Derivatives: Non-qualifying for hedge accounting<sup>(2)</sup></b>			
Interest rate contracts . . . . .	1	35	(56)
Foreign exchange contracts . . . . .	(8)	(4)	6
Equity contracts . . . . .	61	(11)	(18)
Credit contracts . . . . .	17	12	3
<b>Embedded derivatives and Managed custody guarantees:</b>			
Within fixed maturity investments <sup>(2)</sup> . . . . .	(18)	(19)	(16)
Within products <sup>(2)</sup> . . . . .	(22)	9	(46)
Within reinsurance agreements <sup>(3)</sup> . . . . .	(57)	(25)	125
<b>Total</b> . . . . .	<b>\$ 1</b>	<b>\$ (3)</b>	<b>\$ (5)</b>

<sup>(1)</sup> Changes in value for effective fair value hedges are recorded in Other net realized capital gains (losses). Changes in fair value upon disposal for effective cash flow hedges are amortized through Net investment income and the ineffective portion is recorded in Other net realized capital gains (losses) in the Consolidated Statements of Operations. For the years ended December 31, 2017, 2016 and 2015, ineffective amounts were immaterial.

<sup>(2)</sup> Changes in value are included in Other net realized capital gains (losses) in the Consolidated Statements of Operations.

<sup>(3)</sup> Changes in value are included in Policyholder benefits in the Consolidated Statements of Operations.

Net realized gains (losses) on derivatives from discontinued operations were as follows for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
<b>Derivatives: Qualifying for hedge accounting</b>			
Cash flow hedges:			
Foreign exchange contracts . . . . .	\$ 10	\$ 1	\$ 1
<b>Derivatives: Non-qualifying for hedge accounting</b>			
Interest rate contracts . . . . .	125	(6)	137
Foreign exchange contracts . . . . .	(38)	91	56
Equity contracts . . . . .	(1,376)	(1,145)	(277)
Credit contracts . . . . .	—	(15)	1
<b>Embedded derivatives and Managed custody guarantees:</b>			
Within fixed maturity investments . . . . .	(5)	(5)	(5)
Within products . . . . .	203	324	39
<b>Total</b> . . . . .	<b>\$ (1,081)</b>	<b>\$ (755)</b>	<b>\$ (48)</b>

### *Credit Default Swaps*

The Company has entered into various credit default swaps. When credit default swaps are sold, the Company assumes credit exposure to certain assets that it does not own. Credit default swaps may also be purchased to reduce credit exposure in the Company's portfolio. Credit default swaps involve a transfer of credit risk from one party to another in exchange for periodic payments. As of December 31, 2017, the fair values of credit default swaps of \$26 and \$10 were included in Derivatives assets and Derivatives liabilities, respectively, on the Consolidated Balance Sheets. As of December 31, 2016, the fair values of credit default swaps of \$30 and \$16 were included in Derivatives assets and Derivatives liabilities, respectively, on the Consolidated Balance Sheets. As of December 31, 2017, the maximum potential future net exposure to the Company was \$1,516 on credit default swap protection sold. As of December 31, 2016, the maximum potential future net exposure to the Company was \$1,516, net of purchased protection of \$500 on credit default swap protection sold. These instruments are typically written for a maturity period of 5 years and contain no recourse provisions. 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.

## **5. Fair Value Measurements (excluding Consolidated Investment Entities)**

### *Fair Value Measurement*

The Company categorizes its financial instruments into a three-level hierarchy based on the priority of the inputs to the valuation technique, pursuant to ASU 2011-04, "Fair Value Measurements (ASC Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP" ("ASU 2011-04"). 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. Financial assets and liabilities recorded at fair value on the Consolidated Balance Sheets are categorized as follows:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market. The Company defines an active market as a market in which transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Quoted prices in markets that are not active or valuation techniques that require inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:
  - a) Quoted prices for similar assets or liabilities in active markets;
  - b) Quoted prices for identical or similar assets or liabilities in non-active markets;
  - c) Inputs other than quoted market prices that are observable; and
  - d) Inputs that are derived principally from or corroborated by observable market data through correlation or other means.
- Level 3 - Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These valuations, whether derived internally or obtained from a third party, use critical assumptions that are not widely available to estimate market participant expectations in valuing the asset or liability.

When available, the estimated fair value of financial instruments 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 flow methodologies, matrix pricing or other similar techniques.

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The following table presents the Company's hierarchy for its assets and liabilities from continuing operations measured at fair value on a recurring basis as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries . . . . .	\$ 1,921	\$ 601	\$ —	\$ 2,522
U.S. Government agencies and authorities . . . . .	—	275	—	275
State, municipalities and political subdivisions . . . . .	—	1,913	—	1,913
U.S. corporate public securities . . . . .	—	23,201	57	23,258
U.S. corporate private securities . . . . .	—	4,706	1,127	5,833
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	—	5,705	11	5,716
Foreign corporate private securities <sup>(1)</sup> . . . . .	—	4,992	169	5,161
Residential mortgage-backed securities . . . . .	—	4,482	42	4,524
Commercial mortgage-backed securities . . . . .	—	2,687	17	2,704
Other asset-backed securities . . . . .	—	1,436	92	1,528
Total fixed maturities, including securities pledged . . . . .	<u>1,921</u>	<u>49,998</u>	<u>1,515</u>	<u>53,434</u>
Equity securities, available-for-sale . . . . .	278	—	102	380
Derivatives:				
Interest rate contracts . . . . .	—	173	—	173
Foreign exchange contracts . . . . .	—	—	—	—
Equity contracts . . . . .	—	44	154	198
Credit contracts . . . . .	—	21	5	26
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements . . . . .	3,277	38	—	3,315
Assets held in separate accounts . . . . .	72,535	5,059	11	77,605
Total assets . . . . .	<u>\$ 78,011</u>	<u>\$ 55,333</u>	<u>\$ 1,787</u>	<u>\$ 135,131</u>
Percentage of Level to total . . . . .	58%	41%	1%	100%
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives:				
FIA . . . . .	\$ —	\$ —	\$ 40	\$ 40
IUL . . . . .	—	—	159	159
GMWBL/GMWB/GMAB . . . . .	—	—	10	10
Stabilizer and MCGs . . . . .	—	—	97	97
Other derivatives:				
Interest rate contracts . . . . .	—	58	—	58
Foreign exchange contracts . . . . .	—	62	—	62
Equity contracts . . . . .	—	19	—	19
Credit contracts . . . . .	—	10	—	10
Embedded derivative on reinsurance . . . . .	—	129	—	129
Total liabilities . . . . .	<u>\$ —</u>	<u>\$ 278</u>	<u>\$ 306</u>	<u>\$ 584</u>

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

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The following table presents the Company's hierarchy for its assets and liabilities related to businesses held for sale measured at fair value on a recurring basis as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
Fixed maturities, including securities pledged:				
U.S. Treasuries . . . . .	\$ 993	\$ 8	\$ —	\$ 1,001
U.S. Government agencies and authorities . . . . .	—	32	—	32
State, municipalities and political subdivisions . . . . .	—	587	—	587
U.S. corporate public securities . . . . .	—	9,760	22	9,782
U.S. corporate private securities . . . . .	—	2,524	503	3,027
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	—	2,825	—	2,825
Foreign corporate private securities <sup>(1)</sup> . . . . .	—	2,500	83	2,583
Residential mortgage-backed securities . . . . .	—	1,889	32	1,921
Commercial mortgage-backed securities . . . . .	—	1,067	10	1,077
Other asset-backed securities . . . . .	—	498	47	545
Total fixed maturities, including securities pledged . . . . .	<u>993</u>	<u>21,690</u>	<u>697</u>	<u>23,380</u>
Equity securities, available-for-sale . . . . .	12	—	11	23
Derivatives:				
Interest rate contracts . . . . .	—	470	—	470
Foreign exchange contracts . . . . .	—	—	—	—
Equity contracts . . . . .	19	918	106	1,043
Credit contracts . . . . .	—	1	—	1
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements . . . . .	1,111	212	—	1,323
Assets held in separate accounts . . . . .	28,894	—	—	28,894
Total assets . . . . .	<u>\$ 31,029</u>	<u>\$ 23,291</u>	<u>\$ 814</u>	<u>\$ 55,134</u>
Percentage of Level to total . . . . .	56%	42%	2%	100%
<b>Liabilities:</b>				
Derivatives:				
Guaranteed benefit derivatives:				
FIA . . . . .	\$ —	\$ —	\$ 2,242	\$ 2,242
GMWBL/GMWB/GMAB . . . . .	—	—	1,158	1,158
Other derivatives:				
Interest rate contracts . . . . .	—	88	—	88
Foreign exchange contracts . . . . .	—	24	—	24
Equity contracts . . . . .	2	651	11	664
Credit contracts . . . . .	—	6	—	6
Total liabilities . . . . .	<u>\$ 2</u>	<u>\$ 769</u>	<u>\$ 3,411</u>	<u>\$ 4,182</u>

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The following table presents the Company's hierarchy for its assets and liabilities from continuing operations measured at fair value on a recurring basis as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
Fixed maturities, including securities pledged:				
U.S. Treasuries . . . . .	\$ 1,944	\$ 611	\$ —	\$ 2,555
U.S. Government agencies and authorities . . . . .	—	268	—	268
State, municipalities and political subdivisions . . . . .	—	1,631	—	1,631
U.S. corporate public securities . . . . .	—	23,405	12	23,417
U.S. corporate private securities . . . . .	—	4,224	913	5,137
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	—	5,373	12	5,385
Foreign corporate private securities <sup>(1)</sup> . . . . .	—	4,803	305	5,108
Residential mortgage-backed securities . . . . .	—	4,821	57	4,878
Commercial mortgage-backed securities . . . . .	—	2,339	16	2,355
Other asset-backed securities . . . . .	—	1,081	53	1,134
<b>Total fixed maturities, including securities pledged . . . . .</b>	<b>1,944</b>	<b>48,556</b>	<b>1,368</b>	<b>51,868</b>
Equity securities, available-for-sale . . . . .	164	—	94	258
<b>Derivatives:</b>				
Interest rate contracts . . . . .	—	554	—	554
Foreign exchange contracts . . . . .	—	58	—	58
Equity contracts . . . . .	—	18	77	95
Credit contracts . . . . .	—	19	11	30
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements . . . . .	2,949	124	—	3,073
Assets held in separate accounts . . . . .	61,397	4,783	5	66,185
<b>Total assets . . . . .</b>	<b>\$ 66,454</b>	<b>\$ 54,112</b>	<b>\$ 1,555</b>	<b>\$ 122,121</b>
Percentage of Level to total . . . . .	55%	44%	1%	100%
<b>Liabilities:</b>				
<b>Derivatives:</b>				
Guaranteed benefit derivatives:				
FIA . . . . .	\$ —	\$ —	\$ 42	\$ 42
IUL . . . . .	—	—	81	81
GMWBL/GMWB/GMAB . . . . .	—	—	18	18
Stabilizer and MCGs . . . . .	—	—	150	150
<b>Other derivatives:</b>				
Interest rate contracts . . . . .	1	246	—	247
Foreign exchange contracts . . . . .	—	34	—	34
Equity contracts . . . . .	—	—	—	—
Credit contracts . . . . .	—	—	16	16
Embedded derivative on reinsurance . . . . .	—	79	—	79
<b>Total liabilities . . . . .</b>	<b>\$ 1</b>	<b>\$ 359</b>	<b>\$ 307</b>	<b>\$ 667</b>

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

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

The following table presents the Company's hierarchy for its assets and liabilities related to businesses held for sale measured at fair value on a recurring basis as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
Fixed maturities, including securities pledged:				
U.S. Treasuries . . . . .	\$ 1,327	\$ 9	\$ —	\$ 1,336
U.S. Government agencies and authorities . . . . .	—	30	—	30
State, municipalities and political subdivisions . . . . .	—	505	—	505
U.S. corporate public securities . . . . .	—	10,265	10	10,275
U.S. corporate private securities . . . . .	—	2,265	406	2,671
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	—	2,694	—	2,694
Foreign corporate private securities <sup>(1)</sup> . . . . .	—	2,542	136	2,678
Residential mortgage-backed securities . . . . .	—	1,921	15	1,936
Commercial mortgage-backed securities . . . . .	—	996	8	1,004
Other asset-backed securities . . . . .	—	310	31	341
Total fixed maturities, including securities pledged . . . . .	<u>1,327</u>	<u>21,537</u>	<u>606</u>	<u>23,470</u>
Equity securities, available-for-sale . . . . .	11	—	5	16
Derivatives:				
Interest rate contracts . . . . .	—	531	—	531
Foreign exchange contracts . . . . .	—	43	—	43
Equity contracts . . . . .	23	342	34	399
Credit contracts . . . . .	—	3	—	3
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements . . . . .	1,377	65	5	1,447
Assets held in separate accounts . . . . .	30,934	—	—	30,934
Total assets . . . . .	<u>\$ 33,672</u>	<u>\$ 22,521</u>	<u>\$ 650</u>	<u>\$ 56,843</u>
Percentage of Level to total . . . . .	59%	40%	1%	100%
<b>Liabilities:</b>				
Derivatives:				
Guaranteed benefit derivatives:				
FIA . . . . .	\$ —	\$ —	\$ 1,987	\$ 1,987
GMWBL/GMWB/GMAB . . . . .	—	—	1,512	1,512
Other derivatives:				
Interest rate contracts . . . . .	1	107	—	108
Foreign exchange contracts . . . . .	—	16	—	16
Equity contracts . . . . .	1	49	—	50
Credit contracts . . . . .	—	—	—	—
Total liabilities . . . . .	<u>\$ 2</u>	<u>\$ 172</u>	<u>\$ 3,499</u>	<u>\$ 3,673</u>

*Valuation of Financial Assets and Liabilities at Fair Value*

Certain assets and liabilities are measured at estimated fair value on the Company's Consolidated Balance Sheets. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The exit price and the transaction (or entry) price will be the same at initial recognition in many circumstances. However, in certain cases, the transaction price may not represent fair value. The fair value of a liability is based on the amount that would be paid to transfer a liability to a third party with an equal credit standing. Fair value is required to be a market-based measurement that is determined based on a hypothetical transaction at the measurement date, from a market participant's perspective. The Company considers three broad valuation approaches when a quoted price is unavailable: (i) the market approach, (ii) the income approach and (iii) the cost approach. The Company determines the most appropriate valuation technique to use, given the instrument being measured and the availability of sufficient inputs. The Company prioritizes the inputs to fair valuation approaches and allows for the use of unobservable inputs to the extent that observable inputs are not available.

The Company utilizes a number of valuation methodologies to determine the fair values of its financial assets and liabilities in conformity with the concepts of exit price and the fair value hierarchy as prescribed in ASC Topic 820. Valuations are obtained from third-party commercial pricing services, brokers and industry-standard, vendor-provided software that models the value based on market observable inputs. The valuations obtained from third-party commercial pricing services are non-binding. The Company reviews the assumptions and inputs used by third-party commercial pricing services for each reporting period in order to determine an appropriate fair value hierarchy level. The documentation and analysis obtained from third-party commercial pricing services are reviewed by the Company, including in-depth validation procedures confirming the observability of inputs. The valuations are reviewed and validated monthly through the internal valuation committee price variance review, comparisons to internal pricing models, back testing to recent trades or monitoring of trading volumes.

*Fixed maturities:* The fair values for actively traded marketable bonds are determined based upon the quoted market prices and are classified as Level 1 assets. Assets in this category primarily include certain U.S. Treasury securities.

For fixed maturities classified as Level 2 assets, fair values are determined using a matrix-based market approach, based on prices obtained from third-party commercial pricing services and the Company's matrix and analytics-based pricing models, which in each case incorporate a variety of market observable information as valuation inputs. The market observable inputs used for these fair value measurements, by fixed maturity asset class, are as follows:

*U.S. Treasuries:* Fair value is determined using third-party commercial pricing services, with the primary inputs being stripped interest and principal U.S. Treasury yield curves that represent a U.S. Treasury zero-coupon curve.

*U.S. government agencies and authorities, State, municipalities and political subdivisions:* Fair value is determined using third-party commercial pricing services, with the primary inputs being U.S. Treasury yield curves, trades of comparable securities, credit spreads off benchmark yields and issuer ratings.

*U.S. corporate public securities, Foreign corporate public securities and foreign governments:* Fair value is determined using third-party commercial pricing services, with the primary inputs being benchmark yields, trades of comparable securities, issuer ratings, bids and credit spreads off benchmark yields.

*U.S. corporate private securities and Foreign corporate private securities:* Fair values are determined using a matrix and analytics-based pricing model. The model incorporates the current level of risk-free interest rates, current corporate credit spreads, credit quality of the issuer and cash flow characteristics of the security. The model also considers a liquidity spread, the value of any collateral, the capital structure of the issuer, the presence of guarantees, and prices and quotes for comparably rated publicly traded securities.

*RMBS, CMBS and ABS:* Fair value is determined using third-party commercial pricing services, with the primary inputs being credit spreads off benchmark yields, prepayment speed assumptions, current and forecasted loss severity, debt service coverage ratios, collateral type, payment priority within tranche and the vintage of the loans underlying the security.

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

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Generally, the Company does not obtain more than one vendor price from pricing services per instrument. The Company uses a hierarchy process in which prices are obtained from a primary vendor and, if that vendor is unable to provide the price, the next vendor in the hierarchy is contacted until a price is obtained or it is determined that a price cannot be obtained from a commercial pricing service. When a price cannot be obtained from a commercial pricing service, independent broker quotes are solicited. Securities priced using independent broker quotes are classified as Level 3.

Broker quotes and prices obtained from pricing services are reviewed and validated through an internal valuation committee price variance review, comparisons to internal pricing models, back testing to recent trades or monitoring of trading volumes. As of December 31, 2017, \$1.1 billion and \$42.1 billion of a total fair value of \$53.4 billion in fixed maturities, including securities pledged, related to continuing operations were valued using unadjusted broker quotes and unadjusted prices obtained from pricing services, respectively, and verified through the review process. As of December 31, 2017, \$0.5 billion and \$17.6 billion of a total fair value of \$23.4 billion in fixed maturities, including securities pledged, related to businesses held for sale were valued using unadjusted broker quotes and unadjusted prices obtained from pricing services, respectively, and verified through the review process. The remaining balances in fixed maturities consisted primarily of privately placed bonds valued using matrix-based pricing. As of December 31, 2016, \$1.1 billion and \$41.3 billion of a total fair value of \$51.9 billion in fixed maturities, including securities pledged, related to continuing operations were valued using unadjusted broker quotes and unadjusted prices obtained from pricing services, respectively, and verified through the review process. As of December 31, 2016, \$0.5 billion and \$18.0 billion of a total fair value of \$23.4 billion in fixed maturities, including securities pledged, related to businesses held for sale were valued using unadjusted broker quotes and unadjusted prices obtained from pricing services, respectively, and verified through the review process. The remaining balances in fixed maturities consisted primarily of privately placed bonds valued using matrix-based pricing.

All prices and broker quotes obtained go through the review process described above including valuations for which only one broker quote is obtained. After review, for those instruments where the price is determined to be appropriate, the unadjusted price provided is used for financial statement valuation. If it is determined that the price is questionable, another price may be requested from a different vendor. The internal valuation committee then reviews all prices for the instrument again, along with information from the review, to determine which price best represents exit price for the instrument.

Fair values of privately placed bonds are determined primarily using a matrix-based pricing model and are generally classified as Level 2 assets. The model considers the current level of risk-free interest rates, current corporate spreads, the credit quality of the issuer and cash flow characteristics of the security. Also considered are factors such as the net worth of the borrower, the value of collateral, the capital structure of the borrower, the presence of guarantees and the Company's evaluation of the borrower's ability to compete in its relevant market. Using this data, the model generates estimated market values, which the Company considers reflective of the fair value of each privately placed bond.

*Equity securities, available-for-sale:* Fair values of publicly traded equity securities are based upon quoted market price and are classified as Level 1 assets. Other equity securities, typically private equities or equity securities not traded on an exchange, are valued by other sources such as analytics or brokers and are classified as Level 2 or Level 3 assets.

*Derivatives:* Derivatives are carried at fair value, which is determined using the Company's derivative accounting system in conjunction with observable key financial data from third-party sources, such as yield curves, exchange rates, S&P 500 Index prices, London Interbank Offered Rates ("LIBOR") and Overnight Index Swap ("OIS") rates. The Company uses OIS for valuations of collateralized interest rate derivatives, which are obtained from third-party sources. For those derivatives that are unable to be valued by the accounting system, the Company typically utilizes values established by third-party brokers. Counterparty credit risk is considered and incorporated in the Company's valuation process through counterparty credit rating requirements and monitoring of overall exposure. It is the Company's policy to transact only with investment grade counterparties with a credit rating of A- or better. The Company's nonperformance risk is also considered and incorporated in the Company's valuation process. Valuations for the Company's futures and interest rate forward contracts are based on unadjusted quoted prices from an active exchange and, therefore, are classified as Level 1. The Company also has certain credit default swaps and options that are priced using models that primarily use market observable inputs, but contain inputs that are not observable to market participants, which have been classified as Level 3. The remaining derivative instruments, including those priced by third party vendors, are valued based on market observable inputs and are classified as Level 2.

*Cash and cash equivalents, Short-term investments and Short-term investments under securities loan agreement:* The carrying amounts for cash reflect the assets' fair values. The fair values for cash equivalents and most short-term investments are determined based on quoted market prices. These assets are classified as Level 1. Other short-term investments are valued and classified in the fair value hierarchy consistent with the policies described herein, depending on investment type.

*Assets held in separate accounts:* Assets held in separate accounts are reported at the quoted fair values of the underlying investments in the separate accounts. The underlying investments include mutual funds, short-term investments and cash, the valuations of which are based upon a quoted market price and are included in Level 1. Fixed maturity valuations are obtained from third-party commercial pricing services and brokers and are classified in the fair value hierarchy consistent with the policy described above for fixed maturities.

*Guaranteed benefit derivatives:* The Company records reserves for annuity contracts containing GMWBL, GMWB and GMAB riders. The guarantee is an embedded derivative and is required to be accounted for separately from the host variable annuity contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced by using stochastic techniques under a variety of market return scenarios and other market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

The index-crediting feature in the Company's FIA and IUL contracts is an embedded derivative that is required to be accounted for separately from the host contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts for FIAs and over the current indexed term for IULs. The cash flow estimates are produced by market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

The Company records reserves for Stabilizer and MCG contracts containing guaranteed credited rates. The guarantee is treated as an embedded derivative or a stand-alone derivative (depending on the underlying product) and is required to be reported at fair value. The estimated fair value 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 relevant actuarial and capital market assumptions, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced by using stochastic techniques under a variety of risk neutral scenarios and other market implied assumptions. These derivatives are classified as Level 3 liabilities.

The discount rate used to determine the fair value of the Company's GMAB, GMWB, GMWBL, FIA, IUL 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"). The nonperformance risk adjustment incorporates a blend of observable, similarly rated peer holding company credit default swap spreads, adjusted to reflect the credit quality of the individual insurance subsidiary that issued the guarantee, as well as an adjustment to reflect the priority of policyholder claims.

The Company's valuation actuaries are responsible for the policies and procedures for valuing the embedded derivatives, reflecting the capital markets and actuarial valuation inputs and nonperformance risk in the estimate of the fair value of the embedded derivatives. The actuarial and capital market assumptions for each liability are approved by each product's Chief Risk Officer ("CRO"), including an independent annual review by the CRO. Models used to value the embedded derivatives must comply with the Company's governance policies.

Quarterly, an attribution analysis is performed to quantify changes in fair value measurements and a sensitivity analysis is used to analyze the changes. The changes in fair value measurements are also compared to corresponding movements in the hedge target to assess the validity of the attributions. The results of the attribution analysis are reviewed by the valuation actuaries, responsible CFOs, Controllers, CROs and/or others as nominated by management.

*Embedded derivatives on reinsurance:* The carrying value of embedded derivatives is estimated based upon the change in the fair value of the assets supporting the funds withheld payable under reinsurance agreements. The fair value of the embedded derivative is based on market observable inputs and is classified as Level 2.

*Transfers in and out of Level 1 and 2*

There were no securities transferred between Level 1 and Level 2 for the years ended December 31, 2017 and 2016. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

*Level 3 Financial Instruments*

The fair values of certain assets and liabilities are determined using prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (i.e., Level 3 as defined by ASC Topic 820), including but not limited to liquidity spreads for investments within markets deemed not currently active. These valuations, whether derived internally or obtained from a third party, use critical assumptions that are not widely available to estimate market participant expectations in valuing the asset or liability. In addition, the Company has determined, for certain financial instruments, an active market is such a significant input to determine fair value that the presence of an inactive market may lead to classification in Level 3. In light of the methodologies employed to obtain the fair values of financial assets and liabilities classified as Level 3, additional information is presented below.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the change in fair value of the Company's Level 3 assets and liabilities from continuing operations and transfers in and out of Level 3 for the period indicated:

	Year Ended December 31, 2017										
	Fair Value as of January 1	Total Realized/ Unrealized Gains (Losses) Included in:						Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of December 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI	Purchases	Issuances	Sales	Settlements				
Fixed maturities, including securities pledged:											
U.S. corporate public securities . . . . .	\$ 12	\$ —	\$ —	\$ 29	\$ —	\$ —	\$ (2)	\$ 18	\$ —	\$ 57	\$ —
U.S. corporate private securities . . . . .	913	—	16	128	—	(5)	(40)	130	(15)	1,127	—
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	12	—	(1)	—	—	—	—	—	—	11	—
Foreign corporate private securities <sup>(1)</sup> . . . . .	305	(14)	(46)	57	—	(1)	(44)	—	(88)	169	(14)
Residential mortgage-backed securities	57	(14)	1	5	—	(8)	(1)	2	—	42	(14)
Commercial mortgage-backed securities . . . . .	16	—	—	17	—	—	—	—	(16)	17	—
Other asset-backed securities . . . . .	53	—	1	72	—	—	(3)	—	(31)	92	—
Total fixed maturities including securities pledged . . . . .	1,368	(28)	(29)	308	—	(14)	(90)	150	(150)	1,515	(28)

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

Year Ended December 31, 2017 (continued)

	Fair Value as of January 1	Total Realized/ Unrealized Gains (Losses) Included in:						Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of December 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI	Purchases	Issuances	Sales	Settlements				
Equity securities, available-for-sale . . . . .	\$ 94	\$ —	\$ 2	\$ 8	\$ —	\$ (2)	\$ —	\$ —	\$ —	\$ 102	\$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA <sup>(2)</sup> . . . . .	(42)	(2)	—	—	(1)	—	5	—	—	(40)	—
IUL <sup>(2)</sup> . . . . .	(81)	(87)	—	—	(35)	—	44	—	—	(159)	—
GMWBL/GMWB/GMAB <sup>(2)</sup> . . . . .	(18)	10	—	—	(2)	—	—	—	—	(10)	—
Stabilizer and MCGs <sup>(2)</sup> . . . . .	(150)	57	—	—	(4)	—	—	—	—	(97)	—
Other derivatives, net . . . . .	72	78	—	31	—	—	(22)	—	—	159	87
Assets held in separate accounts <sup>(5)</sup> . . . . .	5	—	—	18	—	(3)	—	2	(11)	11	—

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

<sup>(2)</sup> All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by-contract basis. These amounts are included in Other net realized gains (losses) in the Consolidated Statements of Operations.

<sup>(3)</sup> The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

<sup>(4)</sup> For financial instruments still held as of December 31 amounts are included in Net investment income and Total net realized capital gains (losses) in the Consolidated Statements of Operations.

<sup>(5)</sup> The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on Net income (loss) for the Company.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the change in fair value of the Company's Level 3 assets and liabilities related to businesses held for sale and transfers in and out of Level 3 for the period indicated:

	Year Ended December 31, 2017										
	Fair Value as of January 1	Total Realized/ Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of December 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate public securities . . . . .	\$ 10	\$ —	\$ 1	\$ 15	\$ —	\$ (10)	\$ —	\$ 6	\$ —	\$ 22	\$ —
U.S. corporate private securities . . . . .	406	—	9	71	—	(1)	(16)	44	(10)	503	—
Foreign corporate private securities <sup>(1)</sup> . . . . .	136	(10)	(21)	13	—	—	(14)	—	(21)	83	(10)
Residential mortgage-backed securities	15	(3)	(1)	22	—	—	(1)	—	—	32	(3)
Commercial mortgage-backed securities . . . . .	8	—	—	10	—	—	—	—	(8)	10	—
Other asset-backed securities . . . . .	31	—	—	38	—	—	(2)	1	(21)	47	—
Total fixed maturities including securities pledged . . . . .	606	(13)	(12)	169	—	(11)	(33)	51	(60)	697	(13)

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

Year Ended December 31, 2017 (continued)

	Fair Value as of January 1	Total Realized/ Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of December 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI								
Equity securities, available-for-sale . . . . .	\$ 5	\$ —	\$ 1	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11	\$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA <sup>(2)</sup> . . . . .	(1,987)	(297)	—	—	(153)	—	195	—	—	(2,242)	—
GMWBL/GMWB/GMAB <sup>(2)</sup> . . . . .	(1,512)	500	—	—	(146)	—	—	—	—	(1,158)	—
Other derivatives, net . . . . .	34	133	—	41	—	—	(117)	4	—	95	57
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements . . . . .	5	—	—	—	—	(5)	—	—	—	—	—

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

<sup>(2)</sup> All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by-contract basis.

<sup>(3)</sup> The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

<sup>(4)</sup> For financial instruments still held as of December 31 amounts are included in Income (loss) from discontinued operations, net of tax in the Consolidated Statements of Operations.

<sup>(5)</sup> The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on Net income (loss) for the Company.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the change in fair value of the Company's Level 3 assets and liabilities from continuing operations and transfers in and out of Level 3 for the period indicated:

Year Ended December 31, 2016

	Fair Value as of January 1	Total Realized/ Unrealized Gains (Losses) Included in:						Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of December 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI	Purchases	Issuances	Sales	Settlements				
Fixed maturities, including securities pledged:											
U.S. corporate public securities . . . . .	\$ 6	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ (2)	\$ 9	\$ —	\$ 12	\$ —
U.S. corporate private securities . . . . .	720	—	4	302	—	(23)	(135)	63	(18)	913	—
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	12	—	—	—	—	—	—	—	—	12	—
Foreign corporate private securities <sup>(1)</sup> . . . . .	294	(2)	12	—	—	—	(52)	61	(8)	305	(2)
Residential mortgage-backed securities	76	(5)	(1)	—	—	(12)	(1)	—	—	57	(12)
Commercial mortgage-backed securities . . . . .	19	(1)	1	4	—	—	(7)	1	(1)	16	(1)
Other asset-backed securities . . . . .	33	—	1	31	—	—	(3)	1	(10)	53	—
Total fixed maturities including securities pledged . . . . .	1,160	(8)	17	337	—	(36)	(200)	135	(37)	1,368	(15)

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

Year Ended December 31, 2016 (continued)

	Fair Value as of January 1	Total Realized/ Unrealized Gains (Losses) Included in:						Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of December 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI	Purchases	Issuances	Sales	Settlements				
Equity securities, available-for-sale . . . .	\$ 92	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 94	\$ —	
Derivatives:											
Guaranteed benefit derivatives:											
FIA <sup>(2)</sup> . . . . .	(41)	(3)	—	—	(1)	—	3	—	(42)	—	
IUL <sup>(2)</sup> . . . . .	(53)	(12)	—	—	(29)	—	13	—	(81)	—	
GMWBL/GMWB/GMAB <sup>(2)</sup> . . . . .	(24)	9	—	—	(3)	—	—	—	(18)	—	
Stabilizer and MCGs <sup>(2)</sup> . . . . .	(161)	15	—	—	(4)	—	—	—	(150)	—	
Other derivatives, net . . . . .	47	9	—	26	—	—	(10)	—	72	25	
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements . . . . .	—	—	—	—	—	—	—	—	—	—	
Assets held in separate accounts <sup>(5)</sup> . . . . .	4	—	—	3	—	—	—	2	(4)	5	

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

<sup>(2)</sup> All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by-contract basis. These amounts are included in Other net realized gains (losses) in the Consolidated Statements of Operations.

<sup>(3)</sup> The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

<sup>(4)</sup> For financial instruments still held as of December 31 amounts are included in Net investment income and Total net realized capital gains (losses) in the Consolidated Statements of Operations.

<sup>(5)</sup> The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on Net income (loss) for the Company.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the change in fair value of the Company's Level 3 assets and liabilities related to businesses held for sale and transfers in and out of Level 3 for the period indicated:

Year Ended December 31, 2016

	Fair Value as of January 1	Total Realized/ Unrealized Gains (Losses) Included in:						Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of December 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI	Purchases	Issuances	Sales	Settlements				
Fixed maturities, including securities pledged:											
U.S. corporate public securities . . . . .	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ (1)	\$ 11	\$ —	\$ 10	\$ —
U.S. corporate private securities . . . . .	321	—	3	127	—	(14)	(42)	18	(7)	406	—
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	1	(1)	—	—	—	—	—	—	—	—	(1)
Foreign corporate private securities <sup>(1)</sup> . . . . .	136	(1)	8	—	—	—	(23)	19	(3)	136	(1)
Residential mortgage-backed securities	21	(3)	—	—	—	(3)	—	—	—	15	(3)
Commercial mortgage-backed securities . . . . .	12	—	—	—	—	—	(4)	—	—	8	—
Other asset-backed securities . . . . .	11	—	—	14	—	—	(3)	9	—	31	—
Total fixed maturities including securities pledged . . . . .	503	(5)	11	141	—	(18)	(73)	57	(10)	606	(5)

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

Year Ended December 31, 2016 (continued)

	Fair Value as of January 1	Total Realized/ Unrealized Gains (Losses) Included in:						Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Fair Value as of December 31	Change In Unrealized Gains (Losses) Included in Earnings <sup>(4)</sup>
		Net Income	OCI	Purchases	Issuances	Sales	Settlements				
Equity securities, available-for-sale . . . . .	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA <sup>(2)</sup> . . . . .	(1,779)	(160)	—	—	(237)	—	189	—	—	(1,987)	—
GMWBL/GMWB/GMAB <sup>(2)</sup> . . . . .	(1,849)	484	—	—	(148)	—	1	—	—	(1,512)	—
Other derivatives, net . . . . .	6	4	—	27	—	—	(3)	—	—	34	28
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements . . . . .	—	—	—	5	—	—	—	—	—	5	—

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

<sup>(2)</sup> All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by-contract basis.

<sup>(3)</sup> The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

<sup>(4)</sup> For financial instruments still held as of December 31 amounts are included in Income (loss) from discontinued operations, net of tax in the Consolidated Statements of Operations.

<sup>(5)</sup> The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on Net income (loss) for the Company.

For the years ended December 31, 2017 and 2016, the transfers in and out of Level 3 for fixed maturities, other derivatives and separate accounts were due to the variation in inputs relied upon for valuation each quarter. Securities that are primarily valued using independent broker quotes when prices are not available from one of the commercial pricing services are reflected as transfers into Level 3. When securities are valued using more widely available information, the securities are transferred out of Level 3 and into Level 1 or 2, as appropriate.

*Significant Unobservable Inputs*

The Company's Level 3 fair value measurements of its fixed maturities, equity securities available-for-sale and equity and credit derivative contracts are primarily based on broker quotes for which the quantitative detail of the unobservable inputs is neither provided nor reasonably corroborated, thus negating the ability to perform a sensitivity analysis. The Company performs a review of broker quotes by performing a monthly price variance comparison and back tests broker quotes to recent trade prices.

Quantitative information about the significant unobservable inputs used in the Company's Level 3 fair value measurements of its guaranteed benefit derivatives is presented in the following sections and table.

Significant unobservable inputs used in the fair value measurements of GMWBLs, GMWBs and GMABs include long-term equity and interest rate implied volatility, correlations between the rate of return on policyholder funds and between interest rates and equity returns, nonperformance risk, mortality and policyholder behavior assumptions, such as benefit utilization, lapses and partial withdrawals. Such inputs are monitored quarterly.

Significant unobservable inputs used in the fair value measurements of FIAs include nonperformance risk and policyholder behavior assumptions, such as lapses and partial withdrawals. Such inputs are monitored quarterly.

Significant unobservable inputs used in the fair value measurements of IULs include nonperformance risk and policyholder behavior assumptions, such as lapses. Such inputs are monitored quarterly.

The significant unobservable inputs used in the fair value measurement of the Stabilizer embedded derivatives and MCG derivative are interest rate implied volatility, nonperformance risk, lapses and policyholder deposits. Such inputs are monitored quarterly.

Following is a description of selected inputs:

*Equity/Interest Rate Volatility:* A term-structure model is used to approximate implied volatility for the equity indices and swap rates for GMWBL, GMWB and GMAB fair value measurements and swap rates for the Stabilizer and MCG fair value measurements. Where no implied volatility is readily available in the market, an alternative approach is applied based on historical volatility.

*Correlations:* Integrated interest rate and equity scenarios are used in GMWBL, GMWB and GMAB fair value measurements to better reflect market interest rates and interest rate volatility correlations between equity and fixed income fund groups and between equity fund groups and interest rates. The correlations are based on historical fund returns and swap rates from external sources.

*Nonperformance Risk:* For the estimate of the fair value of embedded derivatives associated with the Company's product guarantees, the Company uses a blend of observable, similarly rated peer company credit default swap spreads, adjusted to reflect the credit quality of the individual insurance company subsidiary that issued the guarantee and the priority of policyholder claims.

*Actuarial Assumptions:* Management regularly reviews actuarial assumptions, which are based on the Company's experience and periodically reviewed against industry standards. Industry standards and Company experience may be limited on certain products.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
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The following table presents the unobservable inputs for Level 3 fair value measurements for continuing operations and businesses held for sale as of December 31, 2017:

Unobservable Input	Range <sup>(1)</sup>			
	GMWBL/GMWB/GMAB	FIA	IUL	Stabilizer/ MCGs
Long-term equity implied volatility	15% to 25%	—	—	—
Interest rate implied volatility	0.1% to 16%	—	—	0.1% to 6.3%
Correlations between:				
Equity Funds	-13% to 99%	—	—	—
Equity and Fixed Income Funds	-38% to 62%	—	—	—
Interest Rates and Equity Funds	-32% to 26%	—	—	—
Nonperformance risk	0.02% to 1.1%	0.02% to 1.1%	0.02% to 0.54%	0.02% to 1.1%
Actuarial Assumptions:				
Benefit Utilization	70% to 100% <sup>(2)</sup>	—	—	—
Partial Withdrawals	0% to 3.4% <sup>(2)</sup>	0.5% to 7%	—	—
Lapses	0.1% to 15.3% <sup>(3)(4)</sup>	0% to 56% <sup>(3)</sup>	2% to 10%	0% to 50% <sup>(5)</sup>
Policyholder Deposits <sup>(6)</sup>	—	—	—	0% to 50% <sup>(5)</sup>
Mortality	— <sup>(7)</sup>	— <sup>(7)</sup>	— <sup>(8)</sup>	—

<sup>(1)</sup> Represents the range of reasonable assumptions that management has used in its fair value calculations.

<sup>(2)</sup> Those GMWBL policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of policies, approximately 45% are taking systematic withdrawals. The Company assumes that at least 70% of all policies will begin systematic withdrawals either immediately or after a delay period, with 100% utilizing by age 95. The utilization function varies by policyholder age, policy duration and tax status. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWBL and GMWB tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWBL and GMWB benefit amount. There is also a lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWBL or GMWB benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money". The chart below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of December 31, 2017. Due to the benefit utilization assumption for GMWBL/GMWB, the partial withdrawal assumption only applies to GMAB.

Attained Age Group	Account Values (\$ in billions)			Average Expected Delay (Years)**
	In the Money	Out of the Money	Total	
< 60	\$ 1.5	\$ 0.2	\$ 1.7	9.0
60-69	5.0	0.6	5.6	3.7
70+	6.0	0.7	6.7	2.4
	<u>\$ 12.5</u>	<u>\$ 1.5</u>	<u>\$ 14.0</u>	4.4

\*\* For population expected to withdraw in future. Excludes policies taking systematic withdrawals and policies the Company assumes will never withdraw until age 95.

<sup>(3)</sup> Lapse rates tend to be lower during the contractual surrender charge period and higher after the surrender charge period ends; the highest lapse rates occur in the year immediately after the end of the surrender charge period.

<sup>(4)</sup> The Company makes dynamic adjustments to lower the lapse rates for contracts that are more "in the money." The table below shows an analysis of policy account values according to whether they are in or out of the surrender charge period or at the shock lapse period and to whether they are "in the money" or "out of the money" as of December 31, 2017. Lapse ranges are based on weighted average ranges of underlying account value exposure.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
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	GMWBL/GMWB/GMAB		
	Moneyiness	Account Value (\$ in billions)	Lapse Range
<b>During Surrender Charge Period</b>			
In the Money**	\$	0.2	0.1% to 4.8%
Out of the Money		0.1	0.6% to 5.2%
<b>Shock Lapse Period</b>			
In the Money**	\$	1.5	1.7% to 13.9%
Out of the Money		0.2	13.9% to 15.3%
<b>After Surrender Charge Period</b>			
In the Money**	\$	10.7	0.9% to 6.4%
Out of the Money		1.7	6.4% to 7.1%

\*\* The low end of the range corresponds to policies that are highly "in the money." The high end of the range corresponds to the policies that are close to zero in terms of "in the moneyiness."

(5) Stabilizer contracts with recordkeeping agreements have a different range of lapse and policyholder deposit assumptions from Stabilizer (Investment only) and MCG contracts as shown below:

	Percentage of Plans	Overall Range of Lapse Rates	Range of Lapse Rates for 85% of Plans	Overall Range of Policyholder Deposits	Range of Policyholder Deposits for 85% of Plans
Stabilizer (Investment Only) and MCG Contracts . . . . .	92%	0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements . . . . .	8%	0-50%	0-30%	0-50%	0-25%
Aggregate of all plans . . . . .	100%	0-50%	0-30%	0-50%	0-25%

(6) Measured as a percentage of assets under management or assets under administration.

(7) The mortality rate is based on the 2012 Individual Annuity Mortality Basic table with mortality improvements.

(8) The mortality rate, along with the associated cost of insurance charges, are based on the 2001 Commissioner's Standard Ordinary table with mortality improvements.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

The following table presents the unobservable inputs for Level 3 fair value measurements for continuing operations and businesses held for sale as of December 31, 2016:

Unobservable Input	Range <sup>(1)</sup>			
	GMWBL/GMWB/GMAB	FIA	IUL	Stabilizer/ MCGs
Long-term equity implied volatility	15% to 25%	—	—	—
Interest rate implied volatility	0.1% to 18%	—	—	0.1% to 7.5%
Correlations between:				
Equity Funds	-13% to 99%	—	—	—
Equity and Fixed Income Funds	-38% to 62%	—	—	—
Interest Rates and Equity Funds	-32% to 26%	—	—	—
Nonperformance risk	0.25% to 1.6%	0.25% to 1.6%	0.25% to 0.69%	0.25% to 1.6%
Actuarial Assumptions:				
Benefit Utilization	85% to 100% <sup>(2)</sup>	—	—	—
Partial Withdrawals	0% to 3.4% <sup>(2)</sup>	0% to 10%	—	—
Lapses	0.12% to 12.4% <sup>(3)(4)</sup>	0% to 60% <sup>(3)</sup>	2% to 10%	0% to 50% <sup>(5)</sup>
Policyholder Deposits <sup>(6)</sup>	—	—	—	0% to 50% <sup>(5)</sup>
Mortality	— <sup>(7)</sup>	— <sup>(7)</sup>	— <sup>(8)</sup>	—

<sup>(1)</sup> Represents the range of reasonable assumptions that management has used in its fair value calculations.

<sup>(2)</sup> Those GMWBL policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of policies, approximately 40% are taking systematic withdrawals. The Company assumes that at least 85% of all policies will begin systematic withdrawals either immediately or after a delay period, with 100% utilizing by age 100. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWBL and GMWB tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWBL and GMWB benefit amount. There is also a lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWBL or GMWB benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money". The chart below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of December 31, 2016. Due to the benefit utilization assumption for GMWBL/GMWB, the partial withdrawal assumption only applies to GMAB.

Attained Age Group	Account Values (\$ in billions)			Average Expected Delay (Years)**
	In the Money	Out of the Money	Total	
< 60	\$ 1.9	\$ —	\$ 1.9	9.9
60-69	5.7	0.1	5.8	4.9
70+	5.8	0.1	5.9	3.0
	\$ 13.4	\$ 0.2	\$ 13.6	5.5

\*\* For population expected to withdraw in future. Excludes policies taking systematic withdrawals and 15% of policies the Company assumes will never withdraw until age 100.

<sup>(3)</sup> Lapse rates tend to be lower during the contractual surrender charge period and higher after the surrender charge period ends; the highest lapse rates occur in the year immediately after the end of the surrender charge period.

<sup>(4)</sup> The Company makes dynamic adjustments to lower the lapse rates for contracts that are more "in the money." The table below shows an analysis of policy account values according to whether they are in or out of the surrender charge period or at the shock lapse period and to whether they are "in the money" or "out of the money" as of December 31, 2016. Lapse ranges are based on weighted average ranges of underlying account value exposure.

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	GMWBL/GMWB/GMAB		
	Moneyiness	Account Value (\$ in billions)	Lapse Range
<b>During Surrender Charge Period</b>			
	In the Money**	\$ 2.0	0.1% to 4.6%
	Out of the Money	—	0.6% to 4.8%
<b>Shock Lapse Period</b>			
	In the Money**	2.8	2.4% to 11.8%
	Out of the Money	—	11.8% to 12.4%
<b>After Surrender Charge Period</b>			
	In the Money**	\$ 8.7	1.4% to 6.8%
	Out of the Money	0.6	6.8% to 7.1%

\*\* The low end of the range corresponds to policies that are highly "in the money." The high end of the range corresponds to the policies that are close to zero in terms of "in the moneyiness."

<sup>(5)</sup> Stabilizer contracts with recordkeeping agreements have a different range of lapse and policyholder deposit assumptions from Stabilizer (Investment only) and MCG contracts as shown below:

	Percentage of Plans	Overall Range of Lapse Rates	Range of Lapse Rates for 85% of Plans	Overall Range of Policyholder Deposits	Range of Policyholder Deposits for 85% of Plans
Stabilizer (Investment Only) and MCG Contracts	93%	0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements	7%	0-50%	0-30%	0-50%	0-25%
Aggregate of all plans	100%	0-50%	0-30%	0-50%	0-25%

<sup>(6)</sup> Measured as a percentage of assets under management or assets under administration.

<sup>(7)</sup> The mortality rate is based on the 2012 Individual Annuity Mortality Basic table with mortality improvements.

<sup>(8)</sup> The mortality rate, along with the associated cost of insurance charges, are based on the 2001 Commissioner's Standard Ordinary table with mortality improvements.

Generally, the following will cause an increase (decrease) in the GMWBL, GMWB and GMAB embedded derivative fair value liabilities:

- An increase (decrease) in long-term equity implied volatility
- An increase (decrease) in interest rate implied volatility
- An increase (decrease) in equity-interest rate correlations
- A decrease (increase) in nonperformance risk
- A decrease (increase) in mortality
- An increase (decrease) in benefit utilization
- A decrease (increase) in lapses

Changes in fund correlations may increase or decrease the fair value depending on the direction of the movement and the mix of funds. Changes in partial withdrawals may increase or decrease the fair value depending on the timing and magnitude of withdrawals.

Generally, the following will cause an increase (decrease) in the FIA and IUL embedded derivative fair value liabilities:

- A decrease (increase) in nonperformance risk
- A decrease (increase) in lapses

Generally, the following will cause an increase (decrease) in the derivative and embedded derivative fair value liabilities related to Stabilizer and MCG contracts:

- An increase (decrease) in interest rate implied volatility
- A decrease (increase) in nonperformance risk
- A decrease (increase) in lapses
- A decrease (increase) in policyholder deposits

The Company notes the following interrelationships:

- Higher long-term equity implied volatility is often correlated with lower equity returns, which will result in higher in-the-moneyness, which in turn, results in lower lapses due to the dynamic lapse component reducing the lapses. This increases the projected number of policies that are available to use the GMWBL benefit and may also increase the fair value of the GMWBL.
- Generally, an increase (decrease) in benefit utilization will decrease (increase) lapses for GMWBL and GMWB.
- Generally, an increase (decrease) in interest rate volatility will increase (decrease) lapses of Stabilizer and MCG contracts due to dynamic participant behavior.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

*Other Financial Instruments*

The following table presents the carrying values and estimated fair values of the Company's financial instruments from continuing operations as of the dates indicated:

	December 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets:</b>				
Fixed maturities, including securities pledged . . . . .	\$ 53,434	\$ 53,434	\$ 51,868	\$ 51,868
Equity securities, available-for-sale . . . . .	380	380	258	258
Mortgage loans on real estate . . . . .	8,686	8,748	8,003	8,185
Policy loans . . . . .	1,888	1,888	1,943	1,943
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements . . . . .	3,315	3,315	3,073	3,073
Derivatives . . . . .	397	397	737	737
Notes receivable <sup>(1)</sup> . . . . .	350	445	350	432
Other investments . . . . .	47	55	47	57
Assets held in separate accounts . . . . .	77,605	77,605	66,185	66,185
<b>Liabilities:</b>				
Investment contract liabilities:				
Funding agreements without fixed maturities and deferred annuities <sup>(2)</sup> . . . . .	33,986	38,553	33,871	38,368
Funding agreements with fixed maturities and guaranteed investment contracts . . . . .	501	501	473	470
Supplementary contracts, immediate annuities and other . . . . .	1,275	1,285	1,330	1,337
Derivatives:				
Guaranteed benefit derivatives:				
FIA . . . . .	40	40	42	42
IUL . . . . .	159	159	81	81
GMWBL/GMWB/GMAB . . . . .	10	10	18	18
Stabilizer and MCGs . . . . .	97	97	150	150
Other derivatives . . . . .	149	149	297	297
Short-term debt . . . . .	337	337	—	—
Long-term debt . . . . .	3,123	3,478	3,550	3,738
Embedded derivative on reinsurance . . . . .	129	129	79	79

<sup>(1)</sup> Included in Other assets on the Consolidated Balance Sheets.

<sup>(2)</sup> Certain amounts included in Funding agreements without fixed maturities and deferred annuities are also reflected within the Guaranteed benefit derivatives section of the table above.

**Voya Financial, Inc.**  
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The following table presents the carrying values and estimated fair values of the Company's financial instruments related to businesses held for sale as of the dates indicated:

	December 31, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets:</b>				
Fixed maturities, including securities pledged .....	\$ 23,380	\$ 23,380	\$ 23,470	\$ 23,470
Equity securities, available-for-sale .....	23	23	16	16
Mortgage loans on real estate .....	4,212	4,215	3,722	3,776
Policy loans .....	17	17	19	19
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements .....	1,323	1,323	1,447	1,447
Derivatives .....	1,514	1,514	976	976
Other investments .....	34	34	—	—
Assets held in separate accounts .....	28,894	28,894	30,934	30,934
<b>Liabilities:</b>				
Investment contract liabilities:				
Funding agreements without fixed maturities and deferred annuities <sup>(1)</sup> .....	19,272	18,901	19,443	19,193
Funding agreements with fixed maturities and guaranteed investment contracts .....	601	601	—	—
Supplementary contracts, immediate annuities and other .....	2,651	2,908	2,549	2,783
Derivatives:				
Guaranteed benefit derivatives:				
FIA .....	2,242	2,242	1,987	1,987
GMWBL/GMWB/GMAB .....	1,158	1,158	1,512	1,512
Other derivatives .....	782	782	174	174
Notes payable .....	350	445	350	432

<sup>(1)</sup> Certain amounts included in Funding agreements without fixed maturities and deferred annuities are also reflected within the Guaranteed benefit derivatives section of the table above.

The following disclosures are made in accordance with the requirements of ASC Topic 825 which requires disclosure of fair value information about financial instruments, whether or not recognized at fair value on the Consolidated Balance Sheets, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates, in many cases, could not be realized in immediate settlement of the instrument.

ASC Topic 825 excludes certain financial instruments, including insurance contracts and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following valuation methods and assumptions were used by the Company in estimating the fair value of the following financial instruments, which are not carried at fair value on the Consolidated Balance Sheets:

*Mortgage loans on real estate:* The fair values for mortgage loans on real estate are estimated on a monthly basis using discounted cash flow analyses and rates currently being offered in the marketplace for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. Mortgage loans on real estate are classified as Level 3.

*Policy loans:* The fair value of policy loans approximates the carrying value of the loans. Policy loans are collateralized by the cash surrender value of the associated insurance contracts and are classified as Level 2.

*Notes receivable:* Estimated fair value of the Company's notes receivable is determined primarily using matrix-based pricing. The model considers the current level of risk-free interest rates, credit quality of the issuer and cash flow characteristics of the security model and is classified as Level 2.

*Other investments:* Primarily Federal Home Loan Bank ("FHLB") stock which is carried at cost and periodically evaluated for impairment based on ultimate recovery of par value and is classified as Level 2.

*Investment contract liabilities:*

*Funding agreements without fixed maturities and deferred annuities:* Fair value is estimated as the present value of expected cash flows associated with the contract liabilities discounted using risk-free rates plus an adjustment for nonperformance risk. The valuation is consistent with current market parameters. Margins for non-financial risks associated with the contract liabilities are also included. These liabilities are classified as Level 3.

*Funding agreements with fixed maturities and guaranteed investment contracts:* Fair value is estimated by discounting cash flows at rates that are risk-free rates plus an adjustment for nonperformance risk. These liabilities are classified as Level 2.

*Supplementary contracts and immediate annuities:* Fair value is estimated as the present value of expected cash flows associated with the contract liabilities discounted using risk-free rates plus an adjustment for nonperformance risk. The valuation is consistent with current market parameters. Margins for non-financial risks associated with the contract liabilities are also included. These liabilities are classified as Level 3.

*Short-term debt and Long-term debt:* Estimated fair value of the Company's short-term and long-term debt is based upon discounted future cash flows using a discount rate approximating the current market rate, incorporating nonperformance risk. Short-term debt and long-term debt is classified as Level 2.

Fair value estimates are made at a specific point in time, based on available market information and judgments about various financial instruments, such as estimates of timing and amounts of future cash flows. Such estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized capital gains (losses). In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instruments. In evaluating the Company's management of interest rate, price and liquidity risks, the fair values of all assets and liabilities should be taken into consideration, not only those presented above.

**6. Deferred Policy Acquisition Costs and Value of Business Acquired**

The following table presents a rollforward of DAC and VOBA for the periods indicated:

	DAC	VOBA	Total
Balance at January 1, 2015	\$ 3,013	\$ 665	\$ 3,678
Deferrals of commissions and expenses	260	10	270
Amortization:			
Amortization, excluding unlocking	(443)	(163)	(606)
Unlocking <sup>(1)</sup>	(39)	(6)	(45)
Interest accrued	192	82 <sup>(2)</sup>	274
Net amortization included in Consolidated Statements of Operations	(290)	(87)	(377)
Change in unrealized capital gains/losses on available-for-sale securities	441	409	850
Balance at December 31, 2015	3,424	997	4,421
Deferrals of commissions and expenses	255	9	264
Amortization:			
Amortization, excluding unlocking	(384)	(144)	(528)
Unlocking <sup>(1)</sup>	(78)	(78)	(156)
Interest accrued	193	76 <sup>(2)</sup>	269
Net amortization included in Consolidated Statements of Operations	(269)	(146)	(415)
Change in unrealized capital gains/losses on available-for-sale securities	(224)	(49)	(273)
Balance as of December 31, 2016	3,186	811	3,997
Deferrals of commissions and expenses	234	8	242
Amortization:			
Amortization, excluding unlocking	(418)	(152)	(570)
Unlocking <sup>(1)</sup>	(123)	(89)	(212)
Interest accrued	188	65 <sup>(2)</sup>	253
Net amortization included in Consolidated Statements of Operations	(353)	(176)	(529)
Change in unrealized capital gains/losses on available-for-sale securities	(249)	(87)	(336)
Balance as of December 31, 2017	\$ 2,818	\$ 556	\$ 3,374

<sup>(1)</sup> There was no loss recognition for DAC and VOBA during 2017 and 2015. There was loss recognition of DAC and VOBA of \$3 and \$4, respectively during 2016. Additionally, the 2017 amounts include unfavorable unlocking for DAC and VOBA of \$80 and \$140, respectively, associated with consent acceptances received from customers and expected future acceptances of customer consents to changes related to guaranteed minimum interest rate provisions of certain retirement plan contracts with fixed investment options.

<sup>(2)</sup> Interest accrued at the following rates for VOBA: 4.0% to 7.4% during 2017, 4.1% to 7.5% during 2016 and 4.2% to 7.5% during 2015.

The estimated amount of VOBA amortization expense, net of interest, during the next five years is presented in the following table. Actual amortization incurred during these years may vary as assumptions are modified to incorporate actual results and/or changes in best estimates of future results.

Year	Amount
2018	\$ 67
2019	53
2020	48
2021	44
2022	40

**7. Reserves for Future Policy Benefits and Contract Owner Account Balances**

Future policy benefits and contract owner account balances were as follows as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<b>Future policy benefits:</b>		
Individual and group life insurance contracts .....	\$ 8,857	\$ 8,294
Product guarantees on universal life and deferred annuity contracts, and payout contracts with life contingencies .....	5,941	5,443
Accident and health .....	849	838
<b>Total .....</b>	<b>\$ 15,647</b>	<b>\$ 14,575</b>
<b>Contract owner account balances:</b>		
Universal life-type contracts .....	14,561	14,626
Fixed annuities and payout contracts without life contingencies .....	34,949	35,014
GICs and other .....	\$ 648	\$ 633
<b>Total .....</b>	<b>\$ 50,158</b>	<b>\$ 50,273</b>

**8. Guaranteed Benefit Features**

The Company issues UL and VUL contracts where the Company contractually guarantees to the contract owner a death benefit even when there is insufficient value to cover monthly mortality and expense charges, whereas otherwise the contract would typically lapse ("no lapse guarantee"), and other provisions that would produce expected gains from the insurance benefit function followed by losses from that function in later years.

In addition, the Company's Stabilizer and MCG products have guaranteed credited rates. Credited rates are set either quarterly or annually. Most contracts have a zero percent minimum credited rate guarantee, although some contracts have minimum credited rate guarantees up to 3% and allow the contract holder to select either the market value of the account or the book value of the account at termination. The book value of the account is equal to deposits plus interest, less any withdrawals. The fair value is estimated using the income approach.

The Company's retail variable annuity products, which the Company ceased new sales of in 2010, are substantially classified as discontinued operations in this Annual Report on Form 10-K. These products include separate account options and guarantee the contract owner a return of no less than (i) total deposits made to the contract less any partial withdrawals, (ii) total deposits made to the contract less any partial withdrawals plus a minimum return, or (iii) the highest contract value on a specified date minus any withdrawals. These guarantees include benefits that are payable in the event of death, annuitization or at specified dates.

The Company also has certain indexed annuity products which contain guaranteed withdrawal benefit provisions that are classified as discontinued operations. This provision guarantees an annual withdrawal amount for life that is calculated as a percentage of the benefit base, which equals premium paid at the time of product issue, and can increase by a rollup percentage (mainly 7%, 6% or a percentage linked to indexed credits earned, depending on versions of the benefit) or annual ratchet. The percentage used to determine the guaranteed annual withdrawal amount may vary by age at first withdrawal and depends on whether the benefit is for a single life or joint lives.

The Company's major source of income from guaranteed benefit features is the base contract mortality, expense and guaranteed death and living benefit rider fees charged to the contract owner, less the costs of administering the product and providing for the guaranteed death and living benefits.

The CBVA contracts, which are now substantially reported as discontinued operations, offer one or more of the following guaranteed death and living benefits:

*Guaranteed Minimum Death Benefits (GMDB)*

- *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, adjusted for 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 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 annually or quarterly, depending on versions). The rollup ceases 10 years after purchase of the rider, or in the year when withdrawals occur. 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, adjusted for withdrawals. The Company 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.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

The following assumptions and methodologies were used to determine the guaranteed reserves for CBVA contracts for continuing operations and businesses held for sale as of December 31, 2017 and 2016:

Area	Assumptions/Basis for Assumptions
Data used	Based on 1,000 investment performance scenarios.
Mean investment performance	GMDB: The overall blended mean is 7.8% based on a single fund group. GMIB: The overall blended mean is 8.1% based on a single fund group. GMWBL/GMWB/GMAB: Zero rate curve.
Volatility	GMDB: 13.0% for 2017 and 14.2% for 2016. GMIB: 14.3% for 2017 and 14.2% for 2016. GMWBL/GMWB/GMAB: Implied volatilities through the first 5 years and then a blend of implied and historical thereafter.
Mortality	Depending on the type of benefit and gender, the Company uses the 2012 Individual Annuity Mortality Basic table with mortality improvement, further adjusted for company experience.
Lapse rates	Vary by benefit type, share class, time remaining in the surrender charge period and in-the-moneyness.
Discount rates	GMDB/GMIB: 5.5% for 2017 and 2016. GMWBL/GMWB/GMAB: Zero rate curve plus adjustment for nonperformance risk.

Variable annuity contracts containing guaranteed minimum death and living benefits expose the Company to market risk. For example, with a decline in the equity markets, the Company has exposure to increasing claims due to the guaranteed minimum benefits. On the other hand, with an increase in the equity markets, the Company's exposure to risks associated with the guaranteed minimum benefits generally decreases. In order to mitigate the risk associated with guaranteed death and living benefits, the Company enters into reinsurance agreements and derivative positions on various public market indices chosen to closely replicate contract owner variable fund returns.

The calculation of the GMDB, GMIB, GMAB, GMWB and GMWBL liabilities assumes dynamic surrenders and dynamic utilization of the guaranteed living benefit feature.

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

The liabilities for UL contracts are recorded in the general account. The liabilities for VUL contracts are recorded in separate account liabilities. The liabilities related to the products of variable annuity contracts classified as businesses held for sale containing guaranteed minimum death and living benefits are recorded in Liabilities held for sale as follows as of December 31, 2017, and 2016. The separate account liabilities may include more than one type of guarantee. These liabilities are subject to the requirements for additional reserve liabilities under ASC Topic 944, which are recorded on the Consolidated Balance Sheets in Future policy benefits and Contract owner account balances. The paid and incurred amounts were as follows for the years ended December 31, 2017, 2016 and 2015:

	Continuing Operations			Businesses Held for Sale		
	UL and VUL <sup>(1)</sup>	Stabilizer and MCGs <sup>(2)</sup>	Other <sup>(3)</sup>	GMDB <sup>(4)</sup>	GMWBL/GMWB/GMAB	GMIB
Separate account liability at December 31, 2017	\$ 519	37,219	\$ 2,308	\$ 28,701	\$ 14,112	\$ 7,247
Separate account liability at December 31, 2016	\$ 488	\$ 37,577	\$ 2,291	\$ 30,839	\$ 13,845	\$ 9,806
Additional liability balance:						
Balance at January 1, 2015	\$ 1,095	\$ 103	\$ 54	\$ 374	1,508	\$ 1,136
Incurred guaranteed benefits	554	58	19	231	342	440
Paid guaranteed benefits	(452)	—	(3)	(89)	(1)	(162)
Balance at December 31, 2015	1,197	161	70	516	1,849	1,414
Incurred guaranteed benefits	614	(11)	5	128	(336)	449
Paid guaranteed benefits	(496)	—	(2)	(136)	(1)	(518)
Balance at December 31, 2016	1,315	150	73	508	1,512	1,345
Incurred guaranteed benefits	101	(53)	(28)	(15)	(354)	(629)
Paid guaranteed benefits	(235)	—	(1)	(107)	—	(83)
Balance at December 31, 2017	\$ 1,181	\$ 97	\$ 44	\$ 386	\$ 1,158	\$ 633

<sup>(1)</sup> The additional liability balances as of December 31, 2017, 2016, 2015 and as of January 1, 2015 are presented net of reinsurance of \$1,304, \$1,006, \$935 and \$874, respectively.

<sup>(2)</sup> The Separate account liability at December 31, 2017 and 2016 includes \$30.0 billion of externally managed assets, which are not reported on the Company's Consolidated Balance Sheets.

<sup>(3)</sup> Includes GMDB/GMWBL/GMWB/GMAB/GMIB related to the Retained Business.

<sup>(4)</sup> The additional liability balances as of December 31, 2017, 2016, 2015 and as of January 1, 2015 are presented net of reinsurance of \$22, \$29, \$33 and \$31, respectively.

The Company also calculates additional liabilities for FIA contracts with guaranteed withdrawal benefits, which have all been classified as held for sale. The additional liability represents the expected value of these benefits in excess of the projected account balance, and is accreted based on assessments over the accumulation period of the contract. The additional liability for FIA guaranteed withdrawal benefits was \$157 and \$147, as of December 31, 2017 and 2016, respectively.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

The net amount at risk for the GMDB, GMAB and GMWB benefits is equal to the guaranteed value of these benefits in excess of the account values. The net amount at risk 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. The separate account values, net amount at risk, net of reinsurance and the weighted average attained age of contract owners by type of minimum guaranteed benefit for retail variable annuity contracts classified as continuing operations and businesses held for sale were as follows as of December 31, 2017 and 2016:

	December 31, 2017			
	In the Event of Death	At Annuitization, Maturity, or Withdrawal		
	GMDB	GMAB/GMWB	GMIB	GMWBL
<b>Annuity Contracts:</b>				
<b>Minimum Return or Contract Value</b>				
<b>Continuing operations:</b>				
Separate account value .....	\$ 1,706	\$ 26	\$ 290	\$ 286
Net amount at risk, net of reinsurance.....	\$ 48	\$ 1	\$ 37	\$ 3
Weighted average attained age .....	68	71	62	71
<b>Businesses held for sale:</b>				
Separate account value .....	\$ 28,701	\$ 525	\$ 7,247	\$ 13,587
Net amount at risk, net of reinsurance.....	\$ 3,929	\$ 11	\$ 1,656	\$ 1,573
Weighted average attained age .....	71	74	64	69

	December 31, 2016			
	In the Event of Death	At Annuitization, Maturity, or Withdrawal		
	GMDB	GMAB/GMWB	GMIB	GMWBL
<b>Annuity Contracts:</b>				
<b>Minimum Return or Contract Value</b>				
<b>Continuing operations:</b>				
Separate account value .....	\$ 1,674	\$ 30	\$ 304	\$ 283
Net amount at risk, net of reinsurance.....	\$ 59	\$ 1	\$ 60	\$ 9
Weighted average attained age .....	68	68	62	70
<b>Businesses held for sale:</b>				
Separate account value .....	\$ 30,839	\$ 534	\$ 9,807	\$ 13,311
Net amount at risk, net of reinsurance.....	\$ 5,504	\$ 14	\$ 2,886	\$ 2,201
Weighted average attained age .....	71	73	63	68

The net amount at risk for the secondary guarantees is equal to the current death benefit in excess of the account values. The general and separate account values, net amount at risk, net of reinsurance and the weighted average attained age of contract owners by type of minimum guaranteed benefit for UL and VUL contracts within the continuing operations were as follows as of December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Secondary Guarantees	Paid-up Guarantees	Secondary Guarantees	Paid-up Guarantees
Account value (general and separate account) .....	\$ 3,234	\$ —	\$ 3,262	\$ —
Net amount at risk, net of reinsurance .....	\$ 16,485	\$ —	\$ 16,372	\$ —
Weighted average attained age .....	64	—	63	—

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

Account balances of contracts with guarantees invested in variable separate accounts were as follows as of December 31, 2017 and 2016:

	Continuing Operations		Businesses Held for Sale	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Equity securities (including mutual funds):</b>				
Equity funds .....	\$ 2,262	\$ 2,127	\$ 21,124	\$ 22,368
Bond funds .....	243	259	3,109	3,540
Balanced funds .....	403	400	4,045	4,385
Money market funds .....	60	70	350	464
Other .....	15	15	73	83
<b>Total.....</b>	<b>\$ 2,983</b>	<b>\$ 2,871</b>	<b>\$ 28,701</b>	<b>\$ 30,840</b>

In addition, the aggregate fair value of fixed income securities supporting separate accounts with Stabilizer benefits as of December 31, 2017 and 2016 was \$8.0 billion and \$7.2 billion, respectively.

**9. Reinsurance**

The Company has reinsurance treaties covering a portion of the mortality risks and guaranteed death and living benefits under its life insurance contracts. The Company remains liable to the extent its reinsurers do not meet their obligations under the reinsurance agreements.

The Company reinsures its business through a diversified group of reinsurers. The Company monitors trends in arbitration and any litigation outcomes with its 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 letters of credit ("LOC").

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(Dollar amounts in millions, unless otherwise stated)

Information regarding the effect of reinsurance on the Consolidated Balance Sheets is as follows as of the periods indicated:

	<b>December 31, 2017</b>			
	<b>Direct</b>	<b>Assumed</b>	<b>Ceded</b>	<b>Total, Net of Reinsurance</b>
<b>Assets</b>				
Premiums receivable . . . . .	\$ 110	\$ 405	\$ (449)	\$ 66
Reinsurance recoverable . . . . .	—	—	7,566	7,566
<b>Total</b> . . . . .	<b>\$ 110</b>	<b>\$ 405</b>	<b>\$ 7,117</b>	<b>\$ 7,632</b>
<b>Liabilities</b>				
Future policy benefits and contract owner account balances . .	\$ 62,005	\$ 3,800	\$ (7,566)	\$ 58,239
Liability for funds withheld under reinsurance agreements . . .	791	—	—	791
<b>Total</b> . . . . .	<b>\$ 62,796</b>	<b>\$ 3,800</b>	<b>\$ (7,566)</b>	<b>\$ 59,030</b>
	<b>December 31, 2016</b>			
	<b>Direct</b>	<b>Assumed</b>	<b>Ceded</b>	<b>Total, Net of Reinsurance</b>
<b>Assets</b>				
Premiums receivable . . . . .	\$ 105	\$ 358	\$ (404)	\$ 59
Reinsurance recoverable . . . . .	—	—	7,228	7,228
<b>Total</b> . . . . .	<b>\$ 105</b>	<b>\$ 358</b>	<b>\$ 6,824</b>	<b>\$ 7,287</b>
<b>Liabilities</b>				
Future policy benefits and contract owner account balances . .	\$ 61,566	\$ 3,282	\$ (7,228)	\$ 57,620
Liability for funds withheld under reinsurance agreements . . .	729	—	—	729
<b>Total</b> . . . . .	<b>\$ 62,295</b>	<b>\$ 3,282</b>	<b>\$ (7,228)</b>	<b>\$ 58,349</b>

**Voya Financial, Inc.**  
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(Dollar amounts in millions, unless otherwise stated)

Information regarding the effect of reinsurance on the Consolidated Statement of Operations is as follows for the periods indicated:

	Year ended December 31,		
	2017	2016	2015
<b>Premiums:</b>			
Direct premiums . . . . .	\$ 2,606	\$ 3,284	\$ 2,975
Reinsurance assumed . . . . .	1,192	1,222	1,191
Reinsurance ceded . . . . .	(1,677)	(1,711)	(1,612)
Net premiums . . . . .	<u>\$ 2,121</u>	<u>\$ 2,795</u>	<u>\$ 2,554</u>
<b>Fee income:</b>			
Gross fee income . . . . .	\$ 2,628	\$ 2,472	\$ 2,471
Reinsurance ceded . . . . .	(1)	(1)	(1)
Net fee income . . . . .	<u>\$ 2,627</u>	<u>\$ 2,471</u>	<u>\$ 2,470</u>
<b>Interest credited and other benefits to contract owners / policyholders:</b>			
Direct interest credited and other benefits to contract owners / policyholders . . . . .	\$ 5,124	\$ 5,859	\$ 5,399
Reinsurance assumed . . . . .	1,929	1,213	1,068
Reinsurance ceded <sup>(1)</sup> . . . . .	(2,417)	(1,758)	(1,769)
Net interest credited and other benefits to contract owners / policyholders . . . . .	<u>\$ 4,636</u>	<u>\$ 5,314</u>	<u>\$ 4,698</u>

<sup>(1)</sup> Includes \$491, \$482 and \$453 for amounts paid to reinsurers in connection with the Company's UL contracts for the years ended December 31, 2017, 2016 and 2015, respectively.

Effective October 1, 1998, the Company disposed of a block of its individual life insurance business under an indemnity reinsurance arrangement with a subsidiary of Lincoln National Corporation ("Lincoln") for \$1.0 billion. Under the agreement, Lincoln contractually assumed from the Company certain policyholder liabilities and obligations, although the Company remains obligated to contract owners. The Lincoln subsidiary established a trust to secure its obligations to the Company under the reinsurance transaction. Of the Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets, \$1.5 billion and \$1.6 billion as of December 31, 2017 and 2016, respectively, is related to the reinsurance recoverable from the subsidiary of Lincoln under this reinsurance agreement.

Effective January 1, 2009, the Company executed a Master Asset Purchase Agreement (the "MPA") with respect to its individual reinsurance business whereby the Company recaptured business then-reinsured to Scottish Re (U.S.), Inc., Scottish Re Life (Bermuda) Limited and Scottish Re (Dublin) Limited and immediately ceded 100% of such business to Hannover Re on a modified coinsurance, funds withheld, and coinsurance basis. Prior to September 24, 2015 the Company was obligated to maintain collateral for the statutory reserve requirements on the business transferred from the Company to Hannover Re or until Hannover Re elected the option to implement its own facility providing collateral for reinsurance between Security Life of Denver Insurance Company ("SLD") and Security Life of Denver International Limited ("SLDI") ("Hannover Re Buyer Facility Agreement"). Hannover Re exercised this election and consequently, on September 24, 2015, the Company entered into a Hannover Re Buyer Facility Agreement with Hannover Life Reassurance Company of America, Hannover Re (Ireland) Limited, Hannover Ruck SE and SLDI ("Buyer Facility Agreement"). Under the Buyer Facility Agreement, the existing collateral, provided by SLDI through LOCs and a collateral note supporting the reserves on the Hannover Re block, was replaced by a \$2.9 billion senior unsecured floating rate note issued by Hannover Ruck SE and deposited into a reserve credit trust established by SLDI for the benefit of SLD. Consequently, the Company has no remaining collateral requirement as of December 31, 2017 and December 31, 2016 with respect to collateral provided by SLDI for the benefit of SLD. Of the Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets, \$2.9 billion and \$1.9 billion as of December 31, 2017 and 2016, respectively, is related to the reinsurance recoverable from Hannover Re under the MPA.

Effective October 1, 2014, the Company disposed of an in-force block of term life insurance policies to RGA Reinsurance Company, a subsidiary of Reinsurance Group of America, Inc., ("RGA") under an indemnity reinsurance arrangement for \$448. Under the agreement, RGA contractually assumed from the Company the policyholder liabilities and obligations related to the policies, although the Company remains obligated to policyholders. As of December 31, 2017 and 2016, the reinsurance recoverable within Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets related to the Term Life Coinsurance Agreement was \$542 and \$499, respectively.

Effective April 1, 2015, the Company disposed of, via reinsurance, retained group reinsurance policies to Enstar Group Ltd. for \$305. In connection with this transaction, the Company recognized a loss of \$39, primarily related to intent impairments of assets included in the transaction and other transactions costs. As of December 31, 2017 and 2016, the reinsurance recoverable within Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets related to this transaction was \$164 and \$198, respectively.

Effective October 1, 2015, the Company disposed of, via reinsurance, an in-force block of term life insurance policies to RGA Reinsurance Company for \$419. Under the terms of the agreement, RGA Reinsurance Company contractually assumed from the Company the policyholder liabilities and obligations related to the policies, although the Company remains obligated to policyholders. The Company recognized a loss of \$110, composed of \$14 in Net realized capital gains on assets included in the transaction, \$4 in Other-than-temporary impairments related to intent and \$120 of transaction and ongoing expenses recorded in Operating expenses in the Consolidated Statements of Operations for the year ended December 31, 2015. As of December 31, 2017 and 2016, the reinsurance recoverable within Premium receivable and reinsurance recoverable on the Consolidated Balance Sheets related to this agreement was \$458 and \$452, respectively.

#### **10. Goodwill and Other Intangible Assets**

##### *Goodwill*

Goodwill is the excess of cost over the estimated fair value of net assets acquired. As of December 31, 2017 and 2016, the Company had \$31 in goodwill, which was related to the Investment Management segment. There is no accumulated impairment balance associated with this goodwill. The Company performs a goodwill impairment analysis annually as of October 1 and more frequently if facts and circumstances indicate that goodwill may be impaired.

##### *Other Intangible Assets*

The Company has the following assets included in Other intangible assets, which have been capitalized and are amortized over their expected economic lives.

The Company recorded Value of Management Contracts ("VMCR") from the acquisition of ReliaStar Life Insurance Company in 2000 that represent the right by the mutual fund advisor company to manage the assets that are held in the mutual funds business.

Customer relationship lists from the acquisition of CitiStreet, LLC in 2008 represent Value of Customer Relationship Acquired ("VOCRA") for contracts with customers that were in place at the time of the acquisition.

In addition, computer software that has been purchased or developed internally for own use is stated at cost, less amortization and any impairment losses. Amortization is calculated on a straight-line basis over its useful life. When assessing potential impairment, the unamortized capitalized costs are compared with the net realizable value of the computer software. The amount by which the unamortized capitalized costs exceed the net realizable value is written off.

**Voya Financial, Inc.**  
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The following table presents other intangible assets as of the dates indicated:

	Weighted Average Amortization Lives	December 31, 2017			December 31, 2016		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Management contract rights .....	20 years	\$ 550	\$ 477	\$ 73	\$ 550	\$ 449	\$ 101
Customer relationship lists ..	20 years	116	76	40	116	68	48
Computer software ..	3 years	382	340	42	356	317	39
Total intangible assets .....		<u>\$ 1,048</u>	<u>\$ 893</u>	<u>\$ 155</u>	<u>\$ 1,022</u>	<u>\$ 834</u>	<u>\$ 188</u>

Amortization expense related to intangible assets was \$62, \$63 and \$59 for the years ended December 31, 2017, 2016 and 2015, respectively.

The estimated amortization of intangible assets are as follows:

Year	Amount
2018 .....	\$ 55
2019 .....	46
2020 .....	30
2021 .....	9
2022 .....	6
Thereafter .....	9

Amortization of intangible assets is included in the Consolidated Statements of Operations in Operating expenses.

The Company does not have any indefinite-lived intangibles other than goodwill.

## 11. Share-based Incentive Compensation Plans

### *ING U.S., Inc. 2013 Omnibus Employee Incentive Plan and Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan*

The Company has provided equity-based compensation awards to its employees under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (the "2013 Omnibus Plan") and the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (the "2014 Omnibus Plan"). At inception of the 2013 Omnibus Plan, a total of 7,650,000 shares of Company common stock were reserved and available for issuance under the plan. As of December 31, 2017, common stock reserved and available for issuance under the 2013 Omnibus Plan was 344,885 shares. The 2013 Omnibus Plan is no longer actively used for new grants of equity-based compensation awards.

The 2014 Omnibus Plan was adopted by the Company's Board of Directors and approved by shareholders in 2014, and has substantially the same terms as the 2013 Omnibus Plan, except for certain changes intended to allow certain performance-based compensation awards to comply with the criteria for tax deductibility set forth in Section 162(m) of the Internal Revenue Code. The 2014 Omnibus Plan provides for 17,800,000 shares of common stock to be available for issuance as equity-based compensation awards. As of December 31, 2017, common stock reserved and available for issuance under the 2014 Omnibus Plan was 7,862,649 shares.

The 2013 Omnibus Plan and the 2014 Omnibus Plan (together, the "Omnibus Plans") each permit the granting of a wide range of equity-based awards, including RSUs, which represent the right to receive a number of shares of Company common stock upon vesting; restricted stock, which are shares of Company stock that are issued subject to sale and transfer restrictions until the vesting conditions are met; PSUs, which are RSUs subject to certain performance-based vesting conditions, and under which the number of shares of common stock delivered upon vesting varies with the level of achievement of performance criteria; and stock options.

Grants of equity-based awards under the Omnibus Plans are approved in advance by the Compensation and Benefits Committee (the "Committee") of the Board of Directors of the Company, and are subject to such terms and conditions as the Committee may determine, including in respect of vesting and forfeiture, subject to certain limitations provided in the Omnibus Plans. Equity-based awards under the Omnibus Plans may carry dividend equivalent rights, pursuant to which notional dividends accumulate on unvested equity awards and are paid, in cash, upon vesting. Except for stock option awards made during 2015, awards made under the Omnibus Plans, to date, have included dividend equivalent rights. Dividend equivalents are credited to the recipient and are paid only to the extent the applicable performance criteria and service conditions are met.

During each of the years ended December 31, 2017, 2016 and 2015 the Company awarded RSUs and PSUs to its employees under the Omnibus Plans. The PSU awards entitle recipients to receive, upon vesting, a number of shares of common stock that ranges from 0% to 150% of the number of PSUs awarded, depending on the level of achievement of the specified performance conditions. The establishment and the achievement of performance objectives are determined and approved by the Committee. Except under certain termination conditions, RSUs and PSUs generally vest no earlier than one year from the date of the award and no later than three years from the date of the award. In the case of retirement (eligibility for which is based on the employee's age and years of service as provided in the relevant award agreement), awards vest in full, but subject to the satisfaction of any applicable performance criteria.

In December 2015, the Company also awarded contingent stock options under the 2014 Omnibus Plan. These options are subject to vesting conditions based on the achievement of specified performance measures, and generally become exercisable one year following satisfaction of the relevant vesting condition. The options have a term of ten years from the grant date. During the year ended December 31, 2017, all outstanding options vested as the necessary performance conditions were satisfied. The vested options are generally subject to a one year holding period from the dates of vesting and have an exercise price of \$37.60 per share

If an award under the Omnibus Plans is forfeited, expired, terminated or otherwise lapses, the shares of Company common stock underlying that award will again become available for issuance. Shares withheld by the Company to pay employee taxes, or which are withheld by or tendered to the Company to pay the exercise price of stock options (or are repurchased from an option holder by the Company with proceeds from the exercise of stock options) are not available for reissuance.

*Voya Financial, Inc. 2013 Omnibus Non-Employee Director Incentive Plan*

The Company offers equity-based awards to Voya Financial, Inc. non-employee directors under the Voya Financial, Inc. 2013 Omnibus Non-Employee Director Incentive Plan ("2013 Director Plan"), which the Company adopted in connection with the IPO. A total of 288,000 shares of Company common stock may be issued under the 2013 Director Plan. The material terms of the 2013 Director Plan are substantially consistent with the material terms of the 2013 Omnibus Plan described above.

During the years ended December 31, 2017, 2016, and 2015, the Company granted 27,261, 34,758 and 19,913 RSUs, respectively, to certain of its non-employee directors. The awards granted in 2017 vest in full on the first anniversary of the grant date, and the awards granted in 2016 and 2015 vest one-third on each of the first, second and third anniversary of the grant date, in each case provided that the grantee remains a director of the Company on the relevant vesting date; however, no shares are delivered in connection with the RSUs until such time as the director's service on the Board is terminated.

**Voya Financial, Inc.**  
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*Compensation Cost*

The fair value of stock options was estimated using the Black-Scholes option pricing model. The following is a summary of the assumptions used in this model for the stock options granted during 2015:

Expected volatility . . . . .	28.6%
Expected term (in years) . . . . .	6.02
Strike price . . . . .	\$ 37.60
Risk-free interest rate . . . . .	2.1%
Expected dividend yield . . . . .	0.11%
Weighted average estimated fair value . . . . .	\$ 11.89

The vesting of the stock options was contingent on the satisfaction of performance conditions on or before December 31, 2018; the Company assumed for purposes of the award's fair value that such conditions would be met in full prior to such date. The Company utilized the Simplified Method for the Expected term calculations. At the time of grant, the Company did not have historical exercises on which to base its own estimate. Additionally, exercise data relating to employees of comparable companies was not easily obtainable. Furthermore, because the Company did not have historical stock prices for a period at least equal to the expected term, the Company estimated volatility using a weighted-average consisting 70% of historical peer group volatility and 30% of the historical volatility of the Company common stock. The contractual term for exercising the options is ten years.

The fair value of the TSR component of the PSU awards was estimated using a Monte Carlo simulation. The following is a summary of the significant assumptions used to calculate the fair value of the TSR component of the PSU awards granted during the periods indicated:

	<u>2017</u>	<u>2016</u>
Expected volatility of the Company's common stock . . . . .	26.67%	24.37%
Average expected volatility of peer companies . . . . .	27.43%	25.63%
Expected term (in years) . . . . .	2.86	2.82
Risk-free interest rate . . . . .	1.45%	1.05%
Expected dividend yield . . . . .	—%	—%
Average correlation coefficient of peer companies . . . . .	68%	61%

The following table summarizes share-based compensation expense, which includes expenses related to awards granted under the Omnibus Plans, Director Plan, Phantom Plan and ING Group share-based compensation plans for the periods indicated:

	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
RSUs . . . . .	\$ 57	\$ 62	\$ 54
PSU awards . . . . .	44	32	37
Stock options . . . . .	16	14	1
Other <sup>(1)</sup> . . . . .	1	2	15
Total . . . . .	<u>118</u>	<u>110</u>	<u>107</u>
Income tax benefit . . . . .	39	38	37
Share-based compensation . . . . .	<u>\$ 79</u>	<u>\$ 72</u>	<u>\$ 70</u>

<sup>(1)</sup> Includes compensation cost for legacy plans, under which no new awards are being issued.

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*Awards Outstanding*

The following tables summarize the number of awards under the Omnibus Plans for the periods indicated:

	RSU Awards		PSU Awards	
	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards <sup>(1)</sup>	Weighted Average Grant Date Fair Value
<i>(awards in millions)</i>				
Outstanding at January 1, 2017	3.3	\$ 35.02	1.5	\$ 28.88
Adjusted for PSU performance factor	N/A	N/A	— *	31.45
Granted	1.4	42.30	1.2	42.32
Vested	(1.6)	34.86	(0.4)	31.34
Forfeited	(0.1)	36.86	(0.1)	34.00
Outstanding at December 31, 2017	<u>3.0</u>	<u>\$ 38.42</u>	<u>2.2</u>	<u>\$ 35.53</u>
Awards expected to vest as of December 31, 2017	3.0	\$ 38.42	2.2	\$ 35.53

\* Less than 0.1.

<sup>(1)</sup>Based upon performance through December 31, 2017, recipients of performance awards would be entitled to between 125.0% and 131.0% of shares at the vesting date depending on the year of grant. The performance awards are included in the preceding table as if the participants earn shares equal to 100% of the units granted.

	Stock Options	
	Number of Awards	Weighted Average Exercise Price
<i>(awards in millions)</i>		
Outstanding as of January 1, 2017	3.3	\$ 37.60
Granted	—	—
Exercised	—	—
Forfeited	(0.3)	37.60
Outstanding as of December 31, 2017	<u>3.0</u>	<u>\$ 37.60</u>
Vested, not exercisable, as of December 31, 2017	3.0	\$ 37.60
Vested, exercisable, as of December 31, 2017	—	—

	RSUs	PSU Awards	Stock Options
Unrecognized compensation cost	\$ 34	\$ 35	\$ 5
Expected remaining weighted-average period of expense recognition (in years)	1.5	1.8	0.5

The total grant date fair value of shares vested for the year ended December 31, 2017 was \$54, \$12 and \$36 for RSUs, PSUs and stock options, respectively.

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**12. Shareholders' Equity**

*Common Shares*

The following table presents the rollforward of common shares used in calculating the weighted average shares utilized in the basic earnings per common share calculation for the periods indicated:

	<b>Common Shares</b>		
	<b>Issued</b>	<b>Held in Treasury</b>	<b>Outstanding</b>
<i>(shares in millions)</i>			
<b>Balance, January 1, 2015</b> .....	263.7	21.8	241.9
Common Shares issued .....	—	—	—
Common Shares acquired - share repurchase .....	—	34.3	(34.3)
Share-based compensation programs .....	1.6	0.1	1.5
<b>Balance, December 31, 2015</b> .....	265.3	56.2	209.1
Common Shares issued .....	—*	—	—*
Common Shares acquired - share repurchase .....	—	17.0	(17.0)
Share-based compensation programs .....	2.7	0.2	2.5
<b>Balance, December 31, 2016</b> .....	268.0	73.4	194.6
Common Shares issued .....	—*	—	—*
Common Shares acquired - share repurchase .....	—	24.4	(24.4)
Share-based compensation programs .....	2.0	0.2	1.8
<b>Balance, December 31, 2017</b> .....	270.0	98.0	172.0

\* Less than 0.1.

*Share Repurchase Program*

From time to time, the Company's Board of Directors authorizes the Company to repurchase shares of its common stock. These authorizations permit stock repurchases up to a prescribed dollar amount and generally may be accomplished through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, accelerated repurchase, or automatic repurchase transactions, or tender offers. Share repurchase authorizations typically expire if unused by a prescribed date.

On November 3, 2016, the Company entered into a share repurchase arrangement with a third-party financial institution, pursuant to which the Company made an up-front payment of \$200 during the fourth quarter of 2016 and received delivery of 5,216,025 shares during the first quarter of 2017.

On March 9, 2017, the Company entered into a share repurchase arrangement with a third-party financial institution, pursuant to which the Company made an up-front payment of \$150 and received delivery of 3,986,647 shares during the second quarter of 2017.

On October 26, 2017, the Board of Directors provided share repurchase authorization, increasing the aggregate amount of the Company's common stock authorized for repurchase by \$800. On February 1, 2018, the Board of Directors provided its most recent share repurchase authorization, increasing the aggregate amount of the Company's common stock authorized for repurchase by \$500. The current share repurchase authorization expires on December 31, 2018 (unless extended), and does not obligate the Company to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by the Board of Directors at any time.

On December 26, 2017, the Company entered into a share repurchase arrangement with a third-party financial institution, pursuant to which the Company made an up-front payment of \$500 and received initial delivery of 7,821,666 shares during the fourth quarter of 2017. The transaction is scheduled to terminate during the first quarter of 2018, at which time additional shares may be delivered or returned depending on the daily volume-weighted average prices of the Company's common stock. The initial delivery of shares was recorded as treasury stock in the Company's Consolidated Balance Sheets. As of December 31, 2017, any additional shares to be delivered upon final settlement represent a forward contract and were recorded to Additional paid-in capital. The Company reflected the initial shares delivered pursuant to the arrangement as a repurchase of common stock for purposes of calculating earnings per share.

#### *Warrants*

On May 7, 2013, the Company issued to ING Group warrants to purchase up to 26,050,846 shares of the Company's common stock equal in the aggregate to 9.99% of the issued and outstanding shares of common stock at that date. The current exercise price of the warrants is \$48.75 per share of common stock, subject to adjustments, including for stock dividends, cash dividends in excess of \$0.01 per share a quarter, subdivisions, combinations, reclassifications and non-cash distributions. The warrants 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 became exercisable to ING Group and its affiliates on January 1, 2017 and to all other holders starting on the first anniversary of the completion of the IPO (May 7, 2014). The warrants expire on the tenth anniversary of the completion of the IPO (May 7, 2023). The warrants are net share settled, which means that no cash will be payable by a warrant holder in respect of the exercise price of a warrant upon exercise, and are classified as permanent equity. They have been recorded at their fair value determined on the issuance date of May 7, 2013 in the amount of \$94 as an addition and reduction to Additional-paid-in-capital. Warrant holders are not entitled to receive dividends. As of December 31, 2017, no warrants have been exercised.

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**13. Earnings per Common Share**

The following table presents a reconciliation of Net income (loss) and shares used in calculating basic and diluted net income (loss) per common share for the periods indicated:

<i>(in millions, except for per share data)</i>	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Earnings</b>			
Net income (loss) available to common shareholders			
Income (loss) from continuing operations	\$ (212)	\$ 39	\$ 392
Less: Net income (loss) attributable to noncontrolling interest	200	29	130
Income (loss) from continuing operations available to common shareholders	(412)	10	262
Income (loss) from discontinued operations, net of tax	(2,580)	(337)	146
Net income (loss) available to common shareholders	<u>\$ (2,992)</u>	<u>\$ (327)</u>	<u>\$ 408</u>
<b>Weighted-average common shares outstanding</b>			
Basic	184.1	200.8	225.4
Dilutive Effects: <sup>(1)(2)</sup>			
RSUs	—	1.7	1.8
PSU awards	—	0.2	0.2
Stock Options <sup>(3)</sup>	—	—	—
Diluted	<u>184.1</u>	<u>202.7</u>	<u>227.4</u>
<b>Basic</b>			
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ (2.24)	\$ 0.05	\$ 1.16
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	\$ (14.01)	\$ (1.68)	\$ 0.65
Income (loss) available to Voya Financial, Inc.'s common shareholders	\$ (16.25)	\$ (1.63)	\$ 1.81
<b>Diluted</b>			
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	\$ (2.24)	\$ 0.05	\$ 1.15
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	\$ (14.01)	\$ (1.66)	\$ 0.65
Income (loss) available to Voya Financial, Inc.'s common shareholders	\$ (16.25)	\$ (1.61)	\$ 1.80

<sup>(1)</sup> For the years ended December 31, 2017, 2016 and 2015, weighted average shares used for calculating earnings per share excludes the dilutive impact of warrants, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to "out of the moneyness" in the periods presented. For the year ended December 31, 2017, weighted average shares used for calculating earnings per share excludes the dilutive impact of the forward contract related to the share repurchase agreement entered into on December 26, 2017, as the inclusion of this instrument would be antidilutive to the earnings per share calculation. For more information on warrants and the share repurchase agreement, see the *Shareholders' Equity* Note to these Consolidated Financial Statements.

<sup>(2)</sup> For the year ended December 31, 2017, weighted average shares used for calculating basic and diluted earnings per share are the same, as the inclusion of 1.9 and 0.8 shares for stock compensation plans of RSU and PSU awards, respectively, would be antidilutive to the earnings per share calculation due to the net loss from continuing operations during the period.

<sup>(3)</sup> For the year ended December 31, 2017, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of stock options, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to the average share price for the periods presented. For more information on stock options, see the *Share-based Incentive Compensation Plans* Note to these Consolidated Financial Statements.

**14. Insurance Subsidiaries**

*Principal Insurance Subsidiaries Statutory Equity and Income*

Each of Voya Financial, Inc.'s four principal insurance subsidiaries (the "Principal Insurance Subsidiaries") is subject to minimum risk-based capital ("RBC") requirements established by the insurance departments of their respective states 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 total adjusted capital ("TAC"), as defined by the National Association of Insurance Commissioners ("NAIC"), to authorized control level RBC, as defined by the NAIC. Each of the Company's Principal Insurance Subsidiaries exceeded the minimum RBC requirements that would require any regulatory or corrective action for all periods presented herein.

The Company's Principal Insurance Subsidiaries are each required to prepare statutory financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of its respective state of domicile. Such statutory accounting practices primarily differ from U.S. GAAP by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities and contract owner account balances 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 an insurance company's state of domicile, the entire amount or a portion of an insurance company's asset balance can be non-admitted based on the specific rules regarding admissibility. For the years ended December 31, 2017, 2016 and 2015, the Principal Insurance Subsidiaries have no prescribed or permitted practices that materially impact total capital and surplus.

Statutory Net income (loss) for the years ended December 31, 2017, 2016 and 2015 and statutory capital and surplus as of December 31, 2017 and 2016 of the Company's Principal Insurance Subsidiaries are as follows:

	Statutory Net Income (Loss)			Statutory Capital and Surplus	
	2017	2016	2015	2017	2016
<b>Subsidiary Name (State of Domicile):</b>					
Voya Insurance and Annuity Company ("VIAC") (IA) . . . . .	\$ 514	\$ 232	\$ 553	\$ 1,835	\$ 1,906
Voya Retirement Insurance and Annuity Company ("VRIAC") (CT) . . . . .	195	266	318	1,793	1,959
Security Life of Denver Insurance Company (CO) . . . . .	58	93	(245)	950	897
ReliaStar Life Insurance Company ("RLI") (MN) . . . . .	234	(507)	74	1,483	1,662

All of the Company's Principal Insurance Subsidiaries have capital and surplus levels that exceed their respective regulatory minimum requirements.

As of December 31, 2017, VIAC had the following surplus notes ("the Surplus Notes") outstanding to its insurance company affiliates.

	Maturity	2017	2016
7.979% Security Life of Denver Insurance Company, due 2029 <sup>(1)</sup> . . . . .	12/07/2029	\$ 35	\$ 35
6.257% Security Life of Denver International Limited, due 2034 <sup>(1)</sup> . . . . .	12/29/2034	50	50
6.257% ReliaStar Life Insurance Company, due 2034 . . . . .	12/29/2034	175	175
6.257% Voya Retirement Insurance and Annuity Company, due 2034 . . . . .	12/29/2034	175	175

<sup>(1)</sup> Under the Transaction, an affiliate of the buyer will purchase these surplus notes upon closing.

As part of the restructuring associated with the Master Transaction Agreement, effective December 28, 2017 Voya Financial, Inc. ("Voya") and Voya Holdings Inc. ("Voya Holdings") entered into an agreement with VIAC in order to provide a joint and several guarantee of VIAC's payment obligations as the issuer of the Surplus Notes. Accordingly, on January 9, 2018, Kroll Bond Rating Agency assigned a rating of BBB+, outlook Stable to the Surplus Notes.

*Insurance Subsidiaries Dividend Restrictions*

The states in which the insurance subsidiaries of Voya Financial, Inc. are domiciled impose certain restrictions on the subsidiaries' ability to pay dividends to their parent. 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.

Under the insurance laws applicable to Voya Financial, Inc.'s insurance subsidiaries domiciled in Connecticut, 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 (i) 10% of the insurer's policyholder surplus as of the preceding December 31, or (ii) the insurer's net gain from operations for the twelve-month period ending the preceding December 31, in each case determined in accordance with statutory accounting principles. Under Colorado insurance law, 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 lesser of (i) 10% of the insurer's policyholder surplus as of the preceding December 31, or (ii) the insurer's net gain from operations for the twelve-month period ending the preceding December 31, in each case determined in accordance with statutory accounting principles. In addition, under the insurance laws of Connecticut, Iowa and Minnesota, no dividend or other distribution exceeding an amount equal to a domestic insurance company's earned surplus may be paid without the domiciliary insurance regulator's prior approval. The Company's Principal Insurance Subsidiaries domiciled in Colorado, Connecticut and Iowa each have ordinary dividend capacity for 2018. However, as a result of the extraordinary dividends it paid in 2015 and 2016, together with statutory losses incurred in connection with the recapture and cession to one of the Company's Arizona captives of certain term life insurance business in the fourth quarter of 2016, the Company's Principal Insurance Subsidiary domiciled in Minnesota currently has negative earned surplus and therefore does not have capacity at this time to make ordinary dividend payments to Voya Holdings and cannot make an extraordinary dividend payment without domiciliary insurance regulatory approval, which can be granted or withheld at the discretion of the regulator.

*Principal Insurance Subsidiaries - Dividends and Return of Capital*

The following table summarizes dividends permitted to be paid by the Company's Principal Insurance Subsidiaries to Voya Financial, Inc. or Voya Holdings without the need for insurance regulatory approval for the periods presented:

<b>Subsidiary Name (State of domicile):</b>	<b>Dividends Permitted without Approval</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Voya Insurance and Annuity Company (IA) <sup>(1)</sup> .....	\$ 208	\$ 279	\$ 448
Voya Retirement Insurance and Annuity Company (CT) .....	158	266	364
Security Life of Denver Insurance Company (CO) .....	53	74	55
ReliaStar Life Insurance Company (MN) .....	—	—	—

<sup>(1)</sup> Due to the impending sale of VIAC, the Company does not expect VIAC to pay any ordinary dividends in 2018. The difference between the buyer's capital and statutory capital reflects the purchase price for VIAC and will represent either a capital contribution or extraordinary dividend upon closing.

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The following table summarizes dividends and extraordinary distributions paid by each of the Company's Principal Insurance Subsidiaries to its parent for the periods indicated:

<u>Subsidiary Name (State of domicile):</u>	<u>Dividends Paid</u>		<u>Extraordinary Distributions Paid</u>	
	<u>Year Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Voya Insurance and Annuity Company (IA) . . . . .	\$ 278	\$ 373	\$ 250	\$ —
Voya Retirement Insurance and Annuity Company (CT) . . . . .	265	278	—	—
Security Life of Denver Insurance Company (CO) . . . . .	73	54	—	—
ReliaStar Life Insurance Company (MN) . . . . .	—	—	231	100

*Captive Reinsurance Subsidiaries*

Voya Financial, Inc.'s special purpose life reinsurance captive insurance company subsidiaries domiciled in Missouri (collectively referred to as the "captive reinsurance subsidiaries") provide reinsurance to the Company's insurance subsidiaries in order to facilitate the financing of statutory reserves including those associated with Regulation XXX or AG38 and to fund certain statutory annuity reserve requirements. Each of the Company's captive reinsurance subsidiaries, that is domiciled in Missouri, is subject to specific minimum capital requirements set forth in the insurance statutes of Missouri, and is required to prepare statutory financial statements in accordance with statutory accounting practices prescribed in the Missouri insurance statutes or permitted by the Missouri insurance department. There are no prescribed practices material to the Missouri captive reinsurance subsidiaries, except that certain of these subsidiaries have included the value of LOCs and trust notes as admitted assets supporting the statutory reserves ceded to such subsidiaries. The effect of these prescribed practices was to increase statutory capital and surplus by \$623 and \$577 as of December 31, 2017 and 2016, respectively. The aggregate statutory capital and surplus, including the aforementioned prescribed practices, was \$398 and \$352 as of December 31, 2017 and 2016, respectively.

The Company's Arizona captives, SLDI and its wholly owned subsidiary RRII, provide reinsurance to the Company's insurance subsidiaries in order to facilitate the financing of statutory reserves including those associated with Regulation XXX or AG38 and to fund certain statutory annuity reserve requirements including the living benefit guarantees under the Company's CBVA business. Arizona state insurance statutes and regulations require the Company's Arizona captives to file financial statements with the Arizona Department of Insurance ("ADOI") and allow the filing of such financial statements on a U.S. GAAP basis modified for certain prescribed practices outlined in the Arizona insurance statutes that are applicable to U.S. GAAP filers. These prescribed practices had no impact on Company's Arizona captives Shareholder's equity as of December 31, 2017 and 2016. In addition, the Arizona captives obtained approval from the ADOI for certain permitted practices, including, for SLDI, taking reinsurance credit for certain ceded reserves where the assets backing the liabilities are held by a wholly owned Principal Insurance Subsidiary of Voya Financial, Inc. SLDI has recorded a receivable for these assets. The effect of the permitted practice was to increase SLDI's Shareholder's equity by \$451 and \$441 as of December 31, 2017 and 2016, respectively, but has no effect on the Company's consolidated Total shareholders' equity. In the unlikely event that the permitted practice is suspended in the future, the Company has various alternatives which could be executed to allow the reinsurance credit for these ceded reserves. Additionally, RRII has obtained approval from the ADOI to present the U.S. GAAP deferred liability resulting from its assumption of business from a wholly owned Principal Insurance Subsidiary of Voya Financial, Inc. net of related federal income taxes, as a separate component of Shareholder's equity. The effect of the permitted practice was to increase RRII's Shareholder's equity by \$2,761 and \$2,467 as of December 31, 2017 and 2016, respectively, but has no effect on SLDI or the Company's Consolidated total shareholders' equity. In conjunction with the Transaction disclosed in the *Business Held for Sale and Discontinued Operations* Note to these Consolidated Financial Statements, the reinsurance treaty assumed by RRII is expected to be recaptured in 2018 and the associated liability will be released through RRII net income. At that time, the permitted practice will no longer be in effect.

The captive reinsurance subsidiaries may not declare or pay any dividends other than in accordance with their respective insurance reserve financing transaction agreements and their respective governing licensing orders. Likewise, the Company's Arizona captives may not declare or pay dividends other than in accordance with their annual capital and dividend plans as approved by the ADOI, which include minimum capital requirements. The Company's Arizona captives did not make any dividend payments in 2017.

## 15. Employee Benefit Arrangements

### *Pension, Other Postretirement Benefit Plans and Other Benefit Plans*

Voya Financial, Inc.'s subsidiaries maintain both qualified and non-qualified defined benefit pension plans (the "Plans"). These plans generally cover all employees and certain sales representatives who meet specified eligibility requirements. Pension benefits are based on a formula using compensation and length of service. Annual contributions are paid to the Plans at a rate necessary to adequately fund the accrued liabilities of the Plans calculated in accordance with legal requirements. The Plans comply with applicable regulations concerning investments and funding levels.

The Voya Retirement Plan (the "Retirement Plan") is a tax qualified defined benefit plan, the benefits of which are guaranteed (within certain specified legal limits) by the Pension Benefit Guaranty Corporation ("PBGC"). Beginning January 1, 2012, the Retirement Plan adopted a cash balance pension formula instead of a final average pay ("FAP") formula, allowing all eligible employees to participate in the Retirement Plan. Participants earn an annual credit equal to 4% of eligible compensation. Interest is credited monthly based on a 30-year U.S. Treasury securities bond rate published by the Internal Revenue Service in the preceding August of each year. The accrued vested cash pension balance benefit is portable; participants can take it if they leave the Company.

During the fourth quarter of 2015, terminated, vested participants of the Retirement Plan were offered an opportunity to receive their retirement plan benefit as a lump sum payment or an annuity. The lump sum payments and related settlement were recorded in the fourth quarter of 2015 and are reflected in the Demographic Data and other line in the net actuarial (gains) losses related to pension and other postretirement benefit obligations table below.

In addition to providing qualified retirement benefit plans, the Company provides certain supplemental retirement benefits to eligible employees, non-qualified pension plans for insurance sales representatives who have entered into a career agent agreement and certain other individuals. These plans are non-qualified defined benefit plans, which means all benefits are payable from the general assets of the sponsoring company.

The Company also offers deferred compensation plans for eligible employees, including eligible career agents and certain other individuals who meet the eligibility criteria. The Company's deferred compensation commitment for employees is recorded on the Consolidated Balance Sheets in Other liabilities and totaled \$305 and \$284 as of December 31, 2017 and 2016, respectively.

Voya Financial, Inc.'s subsidiaries also provide other postretirement and post-employment benefits to certain employees. These are primarily postretirement healthcare and life insurance benefits to retired employees and other eligible dependents and post-employment/pre-retirement plans provided to employees and former employees.

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*Obligations, Funded Status and Net Periodic Benefit Costs*

The Company's qualified pension plans were fully funded in compliance with Employee Retirement Income Security Act ("ERISA") guidelines as of December 31, 2016, which is tested annually subsequent to this filing. The following tables summarize a reconciliation of beginning and ending balances of the benefit obligation and fair value of plan assets, as well as the funded status of the Company's defined benefit pension and postretirement healthcare benefit plans for the years ended December 31, 2017 and 2016:

	Pension Plans		Other Postretirement Benefits	
	2017	2016	2017	2016
<b>Change in benefit obligation:</b>				
Benefit obligations, January 1	\$ 2,116	\$ 2,054	\$ 21	\$ 28
Service cost	24	25	—	—
Interest cost	93	96	1	1
Net actuarial (gains) losses	156	33	1	(2)
Benefits paid	(98)	(92)	(3)	(3)
(Gain) loss recognized due to curtailment	3	—	—	—
Plan amendments	—	—	—	(3)
Benefit obligations, December 31	<u>2,294</u>	<u>2,116</u>	<u>20</u>	<u>21</u>
<b>Change in plan assets:</b>				
Fair value of plan net assets, January 1	1,463	1,395	—	—
Actual return on plan assets	257	80	—	—
Employer contributions	142	80	3	3
Benefits paid	(98)	(92)	(3)	(3)
Fair value of plan net assets, December 31	<u>1,764</u>	<u>1,463</u>	<u>—</u>	<u>—</u>
<b>Unfunded status at end of year</b> <sup>(1)</sup>	<u>\$ (530)</u>	<u>\$ (653)</u>	<u>\$ (20)</u>	<u>\$ (21)</u>

<sup>(1)</sup> Funded status is not indicative of the Company's ability to pay ongoing pension benefits or of its obligation to fund retirement trusts. Required pension funding for qualified plans is determined in accordance with ERISA regulations.

The following table summarizes amounts recognized on the Consolidated Balance Sheets and in AOCI as follows as of December 31, 2017 and 2016:

	Pension Plans		Other Postretirement Benefits	
	2017	2016	2017	2016
<b>Amounts recognized in the Consolidated Balance Sheets consist of:</b>				
Accrued benefit cost	\$ (530)	\$ (653)	\$ (20)	\$ (21)
<b>Net amount recognized</b>	<u>\$ (530)</u>	<u>\$ (653)</u>	<u>\$ (20)</u>	<u>\$ (21)</u>
<b>Accumulated other comprehensive (income) loss:</b>				
Prior service cost (credit)	\$ (10)	\$ (21)	\$ (15)	\$ (18)
Tax effect	4	7	5	6
<b>Accumulated other comprehensive (income) loss, net of tax</b>	<u>\$ (6)</u>	<u>\$ (14)</u>	<u>\$ (10)</u>	<u>\$ (12)</u>

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The following table summarizes information for pension and other postretirement benefit plans with a projected benefit obligation and an accumulated benefit obligation in excess of plan assets as of December 31, 2017 and 2016:

	Pension Plans		Other Postretirement Benefits	
	2017	2016	2017	2016
Projected benefit obligation.....	\$ 2,294	\$ 2,116	\$ 20	\$ 21
Accumulated benefit obligation.....	2,290	2,111	N/A	N/A
Fair value of plan assets.....	1,764	1,463	—	—

*Components of Periodic Net Benefit Cost*

Net periodic pension cost and net periodic other postretirement benefit plan cost consist of the following:

- *Service Cost:* Service cost represents the increase in the projected benefit obligation as a result of benefits payable to employees on service rendered during the current year.
- *Interest Cost (on the Liability):* Interest cost represents the increase in the amount of projected benefit obligation at the end of each year due to the time value adjustment.
- *Expected Return on Plan Assets:* Expected return on plan assets represents the anticipated return earned by the pension fund assets in a given year.
- *Net Loss (Gain) Recognition:* Actuarial gains and losses occur as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during a given period. The Company immediately recognizes actuarial losses (gains) on the qualified and nonqualified retirement plans as well as the other postretirement benefit plans.
- *Amortization of Prior Service Cost:* This cost represents the recognition of increases or decreases in Pension and other postretirement provisions on the Consolidated Balance Sheets as a result of changes in plans or initiation of new plans. The increases or decreases in obligation are recognized in AOCI at the time of the particular amendment. The costs are then amortized to Operating expenses in the Consolidated Statements of Operations over the expected service years of the covered employees.
- *(Gain) Loss Recognized due to Curtailment:* Curtailment gains and losses occur as a result of events that significantly reduce the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future services.

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The components of net periodic benefit costs recognized in Operating expenses in the Consolidated Statements of Operations and other changes in plan assets and benefit obligations recognized in Other comprehensive income (loss) were as follows for the years ended December 31, 2017, 2016 and 2015:

	Pension Plans			Other Postretirement Benefits		
	2017	2016	2015	2017	2016	2015
<b>Net Periodic (Benefit) Costs Recognized in Consolidated Statements of Operations:</b>						
Service cost . . . . .	\$ 24	\$ 25	\$ 26	\$ —	\$ —	\$ —
Interest cost . . . . .	93	96	104	1	1	1
Expected return on plan assets	(115)	(104)	(122)	—	—	—
Amortization of prior service cost (credit) . . . . .	(10)	(10)	(10)	(4)	(3)	(4)
(Gain) loss recognized due to curtailment . . . . .	1	—	—	—	—	—
Net (gain) loss recognition . . .	14	57	(62)	1	(2)	(1)
Net periodic (benefit) costs . . . .	<u>7</u>	<u>64</u>	<u>(64)</u>	<u>(2)</u>	<u>(4)</u>	<u>(4)</u>
<b>Other Changes in Plan Assets and Benefit Obligations Recognized in AOCI:</b>						
Amortization of prior service (credit) cost . . . . .	10	10	10	4	—	4
(Credit) cost recognized due to curtailment . . . . .	2	—	—	—	—	—
Total recognized in AOCI . . . . .	<u>12</u>	<u>10</u>	<u>10</u>	<u>4</u>	<u>—</u>	<u>4</u>
Total recognized in net periodic (benefit) costs and AOCI . . . . .	<u>\$ 19</u>	<u>\$ 74</u>	<u>\$ (54)</u>	<u>\$ 2</u>	<u>\$ (4)</u>	<u>\$ —</u>

The table below summarizes the components of the net actuarial (gains) losses related to Pension and Other postretirement benefit obligations reported within Operating expenses in the Consolidated Statements of Operations for the periods presented:

<i>(Gain)/Loss Recognized</i>	2017	2016	2015
Discount Rate . . . . .	\$ 196	\$ 69	\$ (133)
Asset Returns . . . . .	(142)	24	123
Mortality Table Assumptions . . . . .	(14)	(22)	(32)
Demographic Data and other . . . . .	(25)	(16)	(21)
Total Net Actuarial (Gain)/Loss Recognized . . . . .	<u>\$ 15</u>	<u>\$ 55</u>	<u>\$ (63)</u>

The estimated prior service cost for the pension plans and other postretirement benefit plans are amortized from AOCI into net periodic (benefit) cost. Such amounts included in AOCI and expected to be recognized as components of periodic (benefit) cost in 2018 are as follows:

	Pension Plans	Other Postretirement Benefits
Amortization of prior service cost (credit) . . . . .	\$ (9)	\$ (4)

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*Assumptions*

The discount rates used in determining benefit obligations as of December 31, 2017 and 2016 were as follows:

	Pension Plans		Other Postretirement Benefits	
	2017	2016	2017	2016
Discount rate .....	3.85%	4.55%	3.64%	4.55%

In determining the discount rate assumption, the Company utilizes current market information provided by its plan actuaries including discounted cash flow analyses of the Company's pension and other postretirement obligations and general movements in the current market environment. The discount rate modeling process involves selecting a portfolio of high quality, noncallable bonds that will match the cash flows of the pension plans and other postretirement benefit plans.

The weighted-average assumptions used in determining net benefit cost for the years ended December 31, 2017, 2016 and 2015 were as follows:

	Pension Plans			Other Postretirement Benefits		
	2017	2016	2015	2017	2016	2015
Discount rate .....	4.55%	4.81%	4.36%	4.55%	4.81%	4.36%
Expected rate of return on plan assets .....	7.50%	7.50%	7.50%	N/A	N/A	N/A

The expected return on plan assets is updated at least annually using the calculated value approach, taking into consideration the Retirement Plan's asset allocation, historical returns on the types of assets held in the Retirement Plan's portfolio of assets ("the Fund") and the current economic environment. Based on these factors, it is expected that the Fund's 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-Voya investment manager fees paid from the Fund. For estimation purposes, it is assumed the long-term asset mix will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension income or expense, the funded status of the Plan, and the need for future cash contributions.

The annual assumed rate of increase in the per capita cost of covered benefits (i.e. health care cost trend rate) for the medical rate, within the other postretirement benefit plans, is 7.0%, decreasing gradually to 5.5% over the next five years with an ultimate trend rate of 4.5%.

Assumed healthcare cost trend rates may have a significant effect on the amounts reported for healthcare plans. A one-percentage point change in assumed healthcare cost trend rates would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on the aggregate of service and interest cost components .....	\$ —	\$ —
Effect on accumulated postretirement benefit obligation .....	1	(1)

*Plan Assets*

The Retirement Plan is the only defined benefit plan with plan assets in a trust. The primary financial objective of the Retirement Plan is to secure participant retirement benefits. As such, the key objective in the Retirement Plan's financial management is to promote stability and, to the extent appropriate, growth in funded status (i.e. the ratio of market value of assets to liabilities). The investment strategy for the Fund balances the requirement to generate returns with the need to control risk. The asset mix is recognized as the primary mechanism to influence the reward and risk structure of the Fund in an effort to accomplish the Retirement Plan's funding objectives. Desirable target allocations amongst identified asset classes are set and, within each asset class, careful consideration is given to balancing the portfolio among industry sectors, geographies, interest rate sensitivity, economic growth, currency and other factors affecting investment returns. The assets are managed by professional investment firms. They are bound

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by mandates and are measured against benchmarks. Consideration is given to balancing security concentration, investment style and reliance on particular active investment strategies, among other factors. The Company reviews its asset mix of the Fund on a regular basis. Generally, the pension committee of the Company will rebalance the Fund's asset mix to the target mix as individual portfolios approach their minimum or maximum levels. However, the Company has the discretion to deviate from these ranges or to manage investment performance using different criteria.

Derivative contracts may be used for hedging purposes to reduce the Retirement Plan's exposure to interest rate risk. Treasury futures are used to manage the interest rate risk in the Retirement Plan's fixed maturity portfolio. The derivatives do not qualify for hedge accounting.

The following table summarizes the Company's pension plan's target allocation range and actual asset allocation by asset category as of December 31, 2017 and 2016:

	<b>Actual Asset Allocation</b>	
	<b>2017</b>	<b>2016</b>
<b>Equity securities:</b>		
<i>Target allocation range</i> . . . . .	37%-65%	37%-65%
Large-cap domestic . . . . .	25.3%	23.7%
Small/Mid-cap domestic . . . . .	6.9%	6.4%
International commingled funds . . . . .	12.5%	11.6%
Limited Partnerships . . . . .	2.5%	3.4%
Total equity securities . . . . .	47.2%	45.1%
<b>Fixed maturities:</b>		
<i>Target allocation range</i> . . . . .	30%-50%	30%-50%
U.S. Treasuries, short term investments, cash and futures . . . . .	8.0%	6.3%
U.S. Government agencies and authorities . . . . .	4.1%	4.2%
U.S. corporate, state and municipalities . . . . .	27.4%	29.7%
Foreign securities . . . . .	4.1%	4.3%
Other fixed maturities . . . . .	0.1%	0.1%
Total fixed maturities . . . . .	43.7%	44.6%
<b>Other investments:</b>		
<i>Target allocation range</i> . . . . .	6%-14%	6%-14%
Hedge funds . . . . .	4.2%	4.8%
Real estate . . . . .	4.9%	5.5%
Total other investments . . . . .	9.1%	10.3%
Total . . . . .	100.0%	100.0%

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The following table summarizes the fair values of the pension plan assets by asset class as of December 31, 2017:

	Level 1	Level 2	Level 3	NAV	Total
<b>Assets</b>					
Fixed maturities, short-term investments and cash:					
Cash and cash equivalents	\$ 7	\$ —	\$ —	\$ —	\$ 7
Short-term investment fund <sup>(1)</sup>	—	—	—	136	136
U.S. Government securities	73	—	—	—	73
U.S. corporate, state and municipalities	—	476	7	—	483
Foreign securities	—	72	—	—	72
Other fixed maturities	—	1	—	—	1
<b>Total fixed maturities</b>	<b>80</b>	<b>549</b>	<b>7</b>	<b>136</b>	<b>772</b>
Equity securities:					
Large-cap domestic	446	—	—	—	446
Small/Mid-cap domestic	121	—	—	—	121
International commingled funds <sup>(2)</sup>	—	—	—	220	220
Limited partnerships <sup>(3)</sup>	—	—	—	43	43
<b>Total equity securities</b>	<b>567</b>	<b>—</b>	<b>—</b>	<b>263</b>	<b>830</b>
Other investments:					
Real estate <sup>(4)</sup>	—	—	—	86	86
Limited partnerships <sup>(5)</sup>	—	—	—	75	75
Other	1	—	—	—	1
<b>Total other investments</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>161</b>	<b>162</b>
<b>Net, total pension assets</b>	<b>\$ 648</b>	<b>\$ 549</b>	<b>\$ 7</b>	<b>\$ 560</b>	<b>\$ 1,764</b>

<sup>(1)</sup> This category includes common collective trust funds invested in the EB Temporary Investment Fund of The Bank of New York Mellon ("Short-term Investment Fund"). The Short-term Investment Fund is designed to provide a rate of return by investing in a full range of high-quality, short-term money market securities. Participant's redemptions in the Short-term Investment Fund may be requested by 2 p.m. eastern standard time and are processed by the following day.

<sup>(2)</sup> International Commingled Funds are comprised of two assets that use NAV to calculate fair value. Baillie Gifford Funds has a balance of \$111 and uses a bottom up approach to stock picking. In determining the potential of a company, the fund manager analyzes industry background, competitive advantage, management attitudes and financial strength and valuation. There are no redemption restrictions in the Baillie Gifford Funds. Silchester has a fund balance of \$109 that has an investment objective to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the United States. Silchester clients may contribute to and redeem monies from the funds on a monthly basis as of the last business day of each month. Clients must notify Silchester at least six business days before the month-end to make a redemption request. Baillie Gifford and Silchester, as a normal course of business, enter into contracts (commitments) that contain indemnifications or warranties. The funds' maximum exposure under these arrangements is unknown, as this would involve future claims that have not yet occurred. Baillie Gifford and Silchester have no unfunded commitments.

<sup>(3)</sup> Limited partnerships are comprised of two assets that use NAV to calculate fair value. Pantheon Europe has a balance of \$6 and Pantheon USA has a balance of \$37. Their strategy is to create a portfolio of high quality private equity funds, operating across Europe and diversified by stage, sector, geography, manager and vintage year. For the year ended December 31, 2017, Pantheon Europe and Pantheon USA have unfunded commitments of \$1 and \$5, respectively, and there were no significant redemption restrictions.

<sup>(4)</sup> UBS Trumbull Property Fund ("UBS") uses NAV to calculate fair value. UBS has a balance of \$86 and is an actively managed core portfolio of equity real estate. The Fund has both relative and real return objectives. Its relative performance objective is to outperform the National Council of Real Estate Investment Fiduciaries Open-End Diversified Core ("NFL\_ODCE") index over any given three-to-five-year period. The Fund's real return performance objective is to achieve at least a 5.0% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given three-to-five-year period. Investors may request redemptions of all or a portion of their units as of the end of a calendar quarter by delivering written notice to the Fund at least sixty days prior to the end of the quarter.

<sup>(5)</sup> Magnitude Institutional, Ltd. ("MIL") has a balance of \$75 and is designed to realize appreciation in value primarily through the allocation of capital directly and indirectly among investment funds and accounts. There are significant redemption restrictions in the MIL fund.

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The following table summarizes the fair values of the pension plan assets by asset class as of December 31, 2016:

	Level 1	Level 2	Level 3	NAV	Total
<b>Assets</b>					
Fixed maturities, short term investments and cash:					
Cash and cash equivalents . . . . .	\$ 2	\$ —	\$ —	\$ —	\$ 2
Short-term investment fund <sup>(1)</sup> . . . . .	—	—	—	90	90
U.S. Government securities . . . . .	61	—	—	—	61
U.S. corporate, state and municipalities . . . . .	—	435	—	—	435
Foreign securities . . . . .	—	63	—	—	63
Other fixed maturities . . . . .	—	1	—	—	1
<b>Total fixed maturities . . . . .</b>	<b>63</b>	<b>499</b>	<b>—</b>	<b>90</b>	<b>652</b>
Equity securities:					
Large-cap domestic . . . . .	347	—	—	—	347
Small/Mid-cap domestic . . . . .	94	—	—	—	94
International commingled funds <sup>(2)</sup> . . . . .	—	—	—	170	170
Limited partnerships <sup>(3)</sup> . . . . .	—	—	—	49	49
<b>Total equity securities . . . . .</b>	<b>441</b>	<b>—</b>	<b>—</b>	<b>219</b>	<b>660</b>
Other investments:					
Real estate <sup>(4)</sup> . . . . .	—	—	—	81	81
Limited partnerships <sup>(5)</sup> . . . . .	—	—	—	70	70
Other . . . . .	—	—	—	—	—
<b>Total other investments . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>151</b>	<b>151</b>
<b>Net, total pension assets . . . . .</b>	<b>\$ 504</b>	<b>\$ 499</b>	<b>\$ —</b>	<b>\$ 460</b>	<b>\$ 1,463</b>

<sup>(1)</sup> This category includes common collective trust funds invested in the Short-term Investment Fund. The Short-term Investment Fund is designed to provide a rate of return by investing in a full range of high-quality, short-term money market securities. Participant's redemptions in the Short-term Investment Fund may be requested by 2 p.m. eastern standard time and are processed by the following day.

<sup>(2)</sup> International Commingled funds are comprised of two assets that use NAV to calculate fair value. Baillie Gifford Funds has a balance of \$84 and uses a bottom up approach to stock picking. In determining the potential of a company, the fund manager analyzes industry background, competitive advantage, management attitudes and financial strength and valuation. There are no redemption restrictions in the Baillie Gifford Funds. Silchester has a fund balance of \$86 that has an investment objective to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the United States. Silchester clients may contribute to and redeem moneys from the funds on a monthly basis as of the last business day of each month. Clients must notify Silchester at least six business days before the month-end to make a redemption request. Baillie Gifford and Silchester, as a normal course of business, enter into contracts (commitments) that contain indemnifications or warranties. The funds' maximum exposure under these arrangements is unknown, as this would involve future claims that have not yet occurred. Baillie Gifford and Silchester have no unfunded commitments.

<sup>(3)</sup> Limited partnerships are comprised of two assets that use NAV to calculate fair value. Pantheon Europe has a balance of \$7 and Pantheon USA has a balance of \$42. Their strategy is to create a portfolio of high quality private equity funds, operating across Europe and diversified by stage, sector, geography, manager and vintage year. For the year ended December 31, 2016, Pantheon Europe and Pantheon USA have unfunded commitments of \$1 and \$5, respectively, and there were no significant redemption restrictions.

<sup>(4)</sup> UBS uses NAV to calculate fair value. UBS has a balance of \$81 and is an actively managed core portfolio of equity real estate. The Fund has both relative and real return objectives. Its relative performance objective is to outperform the NFI\_ODCE index over any given three-to-five-year period. The Fund's real return performance objective is to achieve at least a 5.0% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given three-to-five-year period. Investors may request redemptions of all or a portion of their units as of the end of a calendar quarter by delivering written notice to the Fund at least sixty days prior to the end of the quarter.

<sup>(5)</sup> MIL has a balance of \$70 and is designed to realize appreciation in value primarily through the allocation of capital directly and indirectly among investment funds and accounts. There are significant redemption restrictions in the MIL fund.

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As described in the *Fair Value Measurements (excluding Consolidated Investment Entities)* Note to these Consolidated Financial Statements, pension plan assets are categorized into a three-level fair value hierarchy based upon the inputs available in evaluating each of the assets. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). Certain investments are measured at fair value using the NAV per share as a practical expedient and have not been classified in the fair value hierarchy. The leveling hierarchy is applied to the pension plans assets as follows:

*Cash and cash equivalents:* The carrying amounts for cash and cash equivalents reflect the assets' fair value. The fair values for cash and cash equivalents are determined based on quoted market prices. These assets are classified as Level 1.

*Short-term Investment Funds:* Short term investment funds are estimated at NAV. See subscript (1) in Fair Value Hierarchy table footnotes for a description of the fund's redemption policies.

*U.S. Government securities, corporate bonds and notes and foreign securities:* Fair values for actively traded marketable bonds are determined based upon quoted market prices and are classified as Level 1 assets. Corporate bonds, ABS, U.S. agency bonds, and foreign securities use observable pricing method such as matrix pricing, market corroborated pricing or inputs such as yield curves and indices. These investments are classified as Level 2.

*International Commingled Funds:* Commingled funds are estimated at NAV per share. See subscript (2) in Fair Value Hierarchy table footnotes for description of the fund's redemption policies.

*Equity securities:* Fair values are based upon a quoted market price determined in an active market and are included in Level 1.

*Real estate:* Real estate is estimated at NAV. See subscript (4) in Fair Value Hierarchy table footnotes for more information on real estate.

*Limited partnerships:* Limited partnerships are estimated at NAV. See subscripts (3) and (5) in Fair Value Hierarchy table footnotes for more information on limited partnerships.

*Transfers in and out of Level 1 and 2*

There were no securities transferred between Level 1 and Level 2 for the years ended December 31, 2017 and 2016. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

*Expected Future Contributions and Benefit Payments*

The following table summarizes the expected benefit payments for the Company's pension and postretirement plans to be paid for the years indicated:

	<b>Pension Benefits</b>	<b>Other Postretirement Benefits Gross</b>
2018.....	\$ 115	\$ 2
2019.....	119	2
2020.....	123	2
2021.....	128	2
2022.....	131	1
2023-2027.....	685	6

The Company does not expect that it will make a cash contribution to the qualified pension plan in 2018. The Company expects that it will make a cash contribution of approximately \$23 to the non-qualified pension plans and approximately \$2 to other postretirement plans in 2018.

*Defined Contribution Plans*

Certain of the Company's subsidiaries sponsor defined contribution plans. The largest defined contribution plan is the Voya 401(k) Savings Plan (the "Savings Plan"). The assets of the Savings Plan are held in independently administered funds. Substantially all employees of the Company are eligible to participate, other than the Company's agents. The Savings Plan is a tax qualified defined contribution plan. Savings Plan benefits are not guaranteed by the PBGC. The Savings Plan allows eligible participants to defer into the Savings Plan a specified percentage of eligible compensation on a pretax basis. The Company matches such pretax contributions, up to a maximum of 6% of eligible compensation, subject to IRS limits. Matching contributions are subject to a 4-year graded vesting schedule. Contributions made to the Savings Plan are subject to certain limits imposed by applicable law. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in Other liabilities. The amount of cost recognized for the defined contribution pension plans for the years ended December 31, 2017, 2016 and 2015 was \$39, \$38 and \$36, respectively, and is recorded in Operating expenses in the Consolidated Statements of Operations.

**16. Accumulated Other Comprehensive Income (Loss)**

Shareholders' equity included the following components of Accumulated Other Comprehensive Income ("AOCI") as of the dates indicated:

	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Fixed maturities, net of OTTI	\$ 5,351	\$ 3,413	\$ 2,123
Equity securities, available-for-sale	35	33	31
Derivatives	127	258	259
DAC/VOBA adjustment on available-for-sale securities	(1,471)	(1,083)	(765)
Premium deficiency reserve	(190)	(54)	—
Sales inducements adjustment on available-for-sale securities	(278)	(169)	(23)
Other	(18)	(31)	(31)
Unrealized capital gains (losses), before tax	3,556	2,367	1,594
Deferred income tax asset (liability)	(840)	(472)	(202)
Net unrealized capital gains (losses)	2,716	1,895	1,392
Pension and other postretirement benefits liability, net of tax	15	26	33
AOCI	<u>\$ 2,731</u>	<u>\$ 1,921</u>	<u>\$ 1,425</u>

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

Changes in AOCI, including the reclassification adjustments recognized in the Consolidated Statements of Operations were as follows for the periods indicated:

	December 31, 2017		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities . . . . .	\$ 1,943	\$ (647)	\$ 1,296
Equity securities . . . . .	2	(1)	1
Other . . . . .	13	(5)	8
OTTI . . . . .	(2)	1	(1)
Adjustments for amounts recognized in Net realized capital gains (losses) in the Consolidated Statements of Operations . . . . .	(3)	1	(2)
DAC/VOBA . . . . .	(388) <sup>(1)</sup>	150	(238)
Premium deficiency reserve . . . . .	(136)	48	(88)
Sales inducements . . . . .	(109)	39	(70)
Change in unrealized gains/losses on available-for-sale securities . . . . .	<u>1,320</u>	<u>(414)</u>	<u>906</u>
Derivatives:			
Derivatives . . . . .	(106) <sup>(2)</sup>	37	(69)
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Consolidated Statements of Operations . . . . .	(25)	9	(16)
Change in unrealized gains/losses on derivatives . . . . .	<u>(131)</u>	<u>46</u>	<u>(85)</u>
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Consolidated Statements of Operations . . . . .	(15) <sup>(3)</sup>	4	(11)
Change in pension and other postretirement benefits liability . . . . .	<u>(15)</u>	<u>4</u>	<u>(11)</u>
Change in Other comprehensive income (loss) . . . . .	<u>\$ 1,174</u>	<u>\$ (364)</u>	<u>\$ 810</u>

<sup>(1)</sup> See the *Deferred Policy Acquisition Costs and Value of Business Acquired* Note to these Consolidated Financial Statements for additional information.

<sup>(2)</sup> See the *Derivative Financial Instruments* Note to these Consolidated Financial Statements for additional information.

<sup>(3)</sup> See the *Employee Benefit Arrangements* Note to these Consolidated Financial Statements for amounts reported in Net Periodic (Benefit) Costs.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
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	December 31, 2016		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities . . . . .	\$ 1,168	\$ (408)	\$ 760
Equity securities . . . . .	2	(1)	1
Other . . . . .	—	—	—
OTTI . . . . .	24	(8)	16
Adjustments for amounts recognized in Net realized capital gains (losses) in the Consolidated Statements of Operations . . . . .	98	(34)	64
DAC/VOBA . . . . .	(318) <sup>(1)</sup>	111	(207)
Premium deficiency reserve . . . . .	(54)	20	(34)
Sales inducements . . . . .	(146)	50	(96)
Change in unrealized gains/losses on available-for-sale securities . . . . .	<u>774</u>	<u>(270)</u>	<u>504</u>
Derivatives:			
Derivatives . . . . .	19 <sup>(2)</sup>	(7)	12
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Consolidated Statements of Operations . . . . .	(20)	7	(13)
Change in unrealized gains/losses on derivatives . . . . .	<u>(1)</u>	<u>—</u>	<u>(1)</u>
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Consolidated Statements of Operations . . . . .	(10) <sup>(3)</sup>	3	(7)
Change in pension and other postretirement benefits liability . . . . .	<u>(10)</u>	<u>3</u>	<u>(7)</u>
Change in Other comprehensive income (loss) . . . . .	<u>\$ 763</u>	<u>\$ (267)</u>	<u>\$ 496</u>

<sup>(1)</sup> See the *Deferred Policy Acquisition Costs and Value of Business Acquired* Note to these Consolidated Financial Statements for additional information.

<sup>(2)</sup> See the *Derivative Financial Instruments* Note to these Consolidated Financial Statements for additional information.

<sup>(3)</sup> See the *Employee Benefit Arrangements* Note to these Consolidated Financial Statements for amounts reported in Net Periodic (Benefit) Costs.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

	December 31, 2015		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities .....	\$ (3,863)	\$ 1,348	\$ (2,515)
Equity securities .....	2	(1)	1
Other .....	—	—	—
OTTI .....	19	(7)	12
Adjustments for amounts recognized in Net realized capital gains (losses) in the Consolidated Statements of Operations ..	122	(43)	79
DAC/VOBA .....	1,076 <sup>(1)</sup>	(377)	699
Premium deficiency reserve .....	—	—	—
Sales inducements .....	53	(18)	35
Change in unrealized gains/losses on available-for-sale securities .....	<u>(2,591)</u>	<u>902</u>	<u>(1,689)</u>
Derivatives:			
Derivatives .....	44 <sup>(2)</sup>	(15)	29
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Consolidated Statements of Operations .....	(15)	5	(10)
Change in unrealized gains/losses on derivatives .....	<u>29</u>	<u>(10)</u>	<u>19</u>
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Consolidated Statements of Operations .....	(14) <sup>(3)</sup>	5	(9)
Change in pension and other postretirement benefits liability .....	<u>(14)</u>	<u>5</u>	<u>(9)</u>
Change in Other comprehensive income (loss) .....	<u>\$ (2,576)</u>	<u>\$ 897</u>	<u>\$ (1,679)</u>

<sup>(1)</sup> See the *Deferred Policy Acquisition Costs and Value of Business Acquired* Note to these Consolidated Financial Statements for additional information.

<sup>(2)</sup> See the *Derivative Financial Instruments* Note to these Consolidated Financial Statements for additional information.

<sup>(3)</sup> See the *Employee Benefit Arrangements* Note to these Consolidated Financial Statements for amounts reported in Net Periodic (Benefit) Costs.

**17. Income Taxes**

Income tax expense (benefit) consisted of the following for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
Current tax expense (benefit):			
Federal .....	\$ (122)	\$ 122	\$ 202
State .....	—	—	(11)
Total current tax expense (benefit) .....	<u>(122)</u>	<u>122</u>	<u>191</u>
Deferred tax expense (benefit):			
Federal .....	859	(152)	(104)
State .....	3	1	(3)
Total deferred tax expense (benefit) .....	<u>862</u>	<u>(151)</u>	<u>(107)</u>
Total income tax expense (benefit) .....	<u>\$ 740</u>	<u>\$ (29)</u>	<u>\$ 84</u>

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
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Income taxes were different from the amount computed by applying the federal income tax rate to Income (loss) before income taxes for the following reasons for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
Income (loss) before income taxes . . . . .	\$ 528	\$ 10	\$ 476
Tax Rate . . . . .	35.0%	35.0 %	35.0%
Income tax expense (benefit) at federal statutory rate . . . . .	185	4	167
Tax effect of:			
Valuation allowance . . . . .	(28)	1	(14)
Dividend received deduction . . . . .	(43)	(37)	(33)
State tax expense (benefit) . . . . .	4	(16)	2
Noncontrolling interest . . . . .	(70)	(10)	(46)
Tax credits . . . . .	14	10	7
Nondeductible expenses . . . . .	2	2	3
Expirations of federal tax capital loss carryforward . . . . .	2	17	—
Effect of Tax Reform . . . . .	679	—	—
Other . . . . .	(5)	—	(2)
Income tax expense (benefit) . . . . .	\$ 740	\$ (29)	\$ 84
Effective tax rate . . . . .	140.2%	(290.0)%	17.6%

\*Effect of Tax Reform includes a tax benefit of \$283 related to change in valuation allowance

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("Tax Reform"). Tax Reform makes broad changes to U.S. federal tax law, including, but not limited to (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) changing the computations of the dividends received deduction, tax reserves, and deferred acquisition costs; (3) further limiting deductibility of executive compensation; (4) changing how alternative minimum tax credits can be realized; and (5) eliminating the net operating loss ("NOL") carryback and limiting the NOL carryforward deduction to 80% of taxable income for losses arising in taxable years beginning after December 31, 2017.

The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address situations where a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting under ASC Topic 740 for certain income tax effects of Tax Reform for the reporting period of enactment. SAB 118 allows the Company to provide a provisional estimate of the impacts of Tax Reform during a measurement period similar to the measurement period used when accounting for business combinations. Adjustments to provisional estimates and additional impacts from Tax Reform must be recorded as they are identified during the measurement period as provided for in SAB 118.

In reliance on SAB 118, the Company provisionally remeasured its deferred tax assets and liabilities based on the 21% tax rate at which they are expected to reverse in the future. The Company continues to analyze the effects of Tax Reform and will record adjustments and additional impacts from Tax Reform as they are identified during the measurement period as provided for in SAB 118.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

**Temporary Differences**

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities were as follows as of the dates indicated:

	December 31,	
	2017	2016
<b>Deferred tax assets</b>		
Federal and state loss carryforwards.....	\$ 1,030	\$ 1,525
Investments.....	1,440	2,531
Compensation and benefits.....	369	548
Other assets.....	330	397
Total gross assets before valuation allowance.....	3,169	5,001
Less: Valuation allowance.....	653	964
Assets, net of valuation allowance.....	2,516	4,037
<b>Deferred tax liabilities</b>		
Net unrealized investment gains.....	(824)	(980)
Insurance reserves.....	(342)	(301)
Deferred policy acquisition costs.....	(556)	(1,151)
Other liabilities.....	(13)	(35)
Total gross liabilities.....	(1,735)	(2,467)
Net deferred income tax asset (liability).....	\$ 781	\$ 1,570

The following table sets forth the federal, state and capital loss carryforwards for tax purposes as of the dates indicated:

	December 31,	
	2017	2016
Federal net operating loss carryforward.....	\$ 4,410 <sup>(1)</sup>	\$ 4,112
State net operating loss carryforward.....	2,228 <sup>(1)</sup>	2,209
Federal tax capital loss carryforward.....	30 <sup>(2)</sup>	58
Credit carryforward.....	254 <sup>(3)</sup>	268

<sup>(1)</sup> Expire between 2018 and 2037.

<sup>(2)</sup> Expire between 2018 and 2020.

<sup>(3)</sup> Expire between 2018 and 2035 except for \$220 of Alternative Minimum Tax ("AMT"), which does not expire.

Valuation allowances are provided when it is considered more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2017 and 2016, the Company had a total valuation allowance of \$653 and \$964, respectively. As of December 31, 2017 and 2016, \$1,007 and \$1,318, respectively, of this valuation allowance was allocated to continuing operations, \$(354) was allocated to Other comprehensive income (loss) related to realized and unrealized capital losses at the end of each period.

For the year ended December 31, 2017, the decrease in the valuation allowance was \$311, all of which was allocated to continuing operations. The net decrease in the valuation allowance was primarily related to the reduction of the U.S. federal corporate rate from 35% to 21%, and expiration of foreign tax credits subject to a valuation allowance.

For the year ended December 31, 2016, the increase in valuation allowance was \$1, of which an increase of \$6 was allocated to continuing operations, and a decrease of \$5 was related to additional paid-in capital. The net increase in the valuation allowance was a result of the generation and expiration of certain capital losses and expiration of foreign tax credits subject to a valuation allowance as well as state apportionment changes for certain state deferred tax assets subject to a valuation allowance.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

For the year ended December 31, 2015, the decrease in the valuation allowance was \$9, of which a decrease of \$14 and an increase of \$5 were allocated to continuing operations and Additional paid-in capital, respectively. With respect to the 2015 amount allocated to continuing operations, the decrease was mostly due to the impact of state law changes on certain state deferred tax assets subject to valuation allowance.

***Unrecognized Tax Benefits***

Reconciliations of the change in the unrecognized income tax benefits were as follows for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
Balance at beginning of period . . . . .	\$ 36	\$ 45	\$ 62
Additions for tax positions related to current year . . . . .	2	3	3
Additions for tax positions related to prior years . . . . .	—	—	—
Reductions for tax positions related to prior years . . . . .	—	(7)	(18)
Reductions for settlements with taxing authorities . . . . .	—	(1)	(2)
Reductions for expiring statutes . . . . .	(1)	(4)	—
Balance at end of period . . . . .	<u>\$ 37</u>	<u>\$ 36</u>	<u>\$ 45</u>

The Company had \$8 of unrecognized tax benefits as of December 31, 2017 and 2016, and \$9 of unrecognized tax benefits as of December 31, 2015, which would affect the Company's effective rate if recognized.

***Interest and Penalties***

The Company recognizes interest expense and penalties, if applicable, related to unrecognized tax benefits in tax expense net of federal income tax. The total amounts of gross accrued interest and penalties on the Company's Consolidated Balance Sheets as of December 31, 2017 and 2016 was \$1 at the end of each period. The Company recognized no gross interest (benefit) related to unrecognized tax in its Consolidated Statements of Operations years ended December 31, 2017 and 2016. For the year ended December 31, 2015 the Company recognized gross interest (benefit) of \$(6).

The timing of the payment of the remaining allowance of \$37 cannot be reasonably estimated.

***Tax Regulatory Matters***

The Company is currently under audit by the IRS, and it is expected that the examination of tax year 2016 will be finalized within the next twelve months. The Company and the IRS have agreed to participate in the Compliance Assurance Process for the tax years 2016 through 2018.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

**18. Financing Agreements**

**Short-term Debt**

As of December 31, 2017, the Company had \$337 of short-term debt borrowings outstanding consisting entirely of the current portion of long-term debt. As of December 31, 2016, the Company did not have any short-term borrowings outstanding.

**Long-term Debt**

The following table summarizes the carrying value of the Company's long-term debt securities issued and outstanding as of December 31, 2017 and 2016:

	<b>Maturity</b>	<b>2017</b>	<b>2016</b>
7.25% Voya Holdings Inc. debentures, due 2023 <sup>(1)</sup>	08/15/2023	\$ 143	\$ 143
7.63% Voya Holdings Inc. debentures, due 2026 <sup>(1)</sup>	08/15/2026	186	186
8.42% Equitable of Iowa Companies Capital Trust II Notes, due 2027	04/01/2027	14	14
6.97% Voya Holdings Inc. debentures, due 2036 <sup>(1)</sup>	08/15/2036	94	94
1.00% Windsor Property Loan	06/14/2027	5	5
5.5% Senior Notes, due 2022	07/15/2022	361	361
2.9% Senior Notes, due 2018	02/15/2018	337	825
5.65% Fixed-to-Floating Rate Junior Subordinated Notes, due 2053	05/15/2053	738	738
5.7% Senior Notes, due 2043	07/15/2043	395	394
3.65% Senior Notes, due 2026	06/15/2026	495	494
4.8% Senior Notes, due 2046	06/15/2046	296	296
3.125% Senior Notes, due 2024	07/15/2024	396	—
Subtotal		3,460	3,550
Less: Current portion of long-term debt		337	—
Total		<u>\$ 3,123</u>	<u>\$ 3,550</u>

<sup>(1)</sup> Guaranteed by ING Group.

Unsecured senior debt, which consists of senior fixed rate notes and guarantees of fixed rate notes, ranks highest in priority, followed by subordinated debt, which consists of junior subordinated debt securities.

As of December 31, 2017, aggregate amounts of future principal payments of long-term debt for the next five years and thereafter are as follows:

2018	\$ 337
2019	1
2020	1
2021	1
2022	364
Thereafter	2,792
Total	<u>\$ 3,496</u>

**Senior Notes**

On July 13, 2012, Voya Financial, Inc. issued \$850 of unsecured 5.5% Senior Notes due 2022 (the "2022 Notes") in a private placement with registration rights. The 2022 Notes are guaranteed by Voya Holdings. Interest is paid semi-annually, in arrears, on each January 15 and July 15.

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

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On February 11, 2013, Voya Financial, Inc. issued \$1.0 billion of unsecured 2.9% Senior Notes due 2018 (the "2018 Notes") in a private placement with registration rights. The 2018 Notes are guaranteed by Voya Holdings. Interest is paid semi-annually, in arrears, on each February 15 and August 15.

On July 26, 2013, Voya Financial, Inc. issued \$400 of unsecured 5.7% Senior Notes due 2043 (the "2043 Notes") in a private placement with registration rights. The 2043 Notes are guaranteed by Voya Holdings. Interest is paid semi-annually on each January 15 and July 15.

The 2022 Notes, 2018 Notes and 2043 Notes were the subject of SEC-registered exchange offers during 2013, pursuant to which the Company's registration obligations with respect to each of these series were satisfied.

On June 13, 2016, Voya Financial, Inc. issued \$500 of unsecured 3.65% Senior Notes due 2026 (the "2026 Notes") and \$300 of unsecured 4.8% Senior Notes due 2046 (the "2046 Notes") in a registered public offering. The 2026 Notes and 2046 Notes are fully, irrevocably and unconditionally guaranteed by Voya Holdings. Interest is paid semi-annually, in arrears, on each June 15 and December 15.

On July 5, 2017, Voya Financial, Inc. issued \$400 of unsecured 3.125% Senior Notes due July 15, 2024 (the "2024 Notes") in a registered public offering. The 2024 Notes are fully, irrevocably and unconditionally guaranteed by Voya Holdings. Interest is paid semi-annually, in arrears on January 15 and July 15 of each year, commencing on January 15, 2018. The offering resulted in aggregate net proceeds to the Company of \$395, after deducting commissions and expenses.

During the year ended December 31, 2016, Voya Financial, Inc. repurchased \$487 and \$173 of the outstanding principal amounts of the 2022 Notes and the 2018 Notes, respectively. In connection with these transactions, the Company incurred a loss on debt extinguishment of \$88 for the year ended December 31, 2016, which was recorded in Interest expense in the Consolidated Statements of Operations.

During the year ended December 31, 2017, Voya Financial, Inc. repurchased \$90 and redeemed \$400 in aggregate principal amounts of the outstanding 2018 Notes, following which, \$337 aggregate principal amount of 2018 Notes remained outstanding. In connection with these transactions, the Company incurred a loss on debt extinguishment of \$4 for the year ended December 31, 2017, which was recorded in Interest expense in the Consolidated Statements of Operations.

On February 15, 2018, the remaining 2018 Notes matured and Voya Financial paid the principal and interest due.

*Put Option Agreement for Senior Debt Issuance*

On March 17, 2015, the Company entered into an off-balance sheet ten-year put option agreement with a Delaware trust formed by the Company, in connection with the sale by the trust of \$500 aggregate amount of pre-capitalized trust securities redeemable February 15, 2025 ("P-Caps") in a Rule 144A private placement. The trust invested the proceeds from the sale of the P-Caps in a portfolio of principal and interest strips of U.S. Treasury securities. The put option agreement provides Voya Financial, Inc. the right to sell to the trust at any time up to \$500 of its 3.976% Senior Notes due 2025 ("3.976% Senior Notes") and receive in exchange a corresponding amount of the principal and interest strips of U.S. Treasury securities held by the trust. The 3.976% Senior Notes will not be issued unless and until the put option is exercised. In return, the Company agreed to pay a semi-annual put premium to the trust at a rate of 1.875% per annum applied to the unexercised portion of the put option, and to reimburse the trust for its expenses. The put premium is recorded in Operating expenses in the Consolidated Statements of Operations. The 3.976% Senior Notes will be fully, irrevocably and unconditionally guaranteed by Voya Holdings. The Company's obligations under the put option agreement and the expense reimbursement agreement with the trust are also guaranteed by Voya Holdings.

The put option described above will be exercised automatically in full upon the Company's failure to make certain payments to the trust, including any failure to pay the put option premium or expense reimbursements when due, if the failure to pay is not cured within 30 days, and upon certain bankruptcy events involving the Company or Voya Holdings. The Company is also required to exercise the put option in full: (i) if the Company reasonably believes that its consolidated shareholders' equity, calculated in accordance with U.S. GAAP but excluding AOCI and Noncontrolling interest, has fallen below \$3.0 billion, subject to adjustment in certain cases; (ii) upon the occurrence of an event of default under the 3.976% Senior Notes; and (iii) if certain events occur relating to the trust's status as an "investment company" under the Investment Company Act of 1940.

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

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The Company has a one-time right to unwind a prior voluntary exercise of the put option by repurchasing all of the 3.976% Senior Notes then held by the trust in exchange for a corresponding amount of U.S. Treasury securities. If the put option has been fully exercised, the 3.976% Senior Notes issued may be redeemed by the Company prior to their maturity at par or, if greater, at a make-whole redemption price, in each case plus accrued and unpaid interest to the date of redemption. The P-Caps are to be redeemed by the trust on February 15, 2025 or upon any early redemption of the 3.976% Senior Notes.

*Junior Subordinated Notes*

On May 16, 2013, Voya Financial, Inc. issued \$750 of 5.65% Fixed-to-Floating Rate Junior Subordinated Notes due 2053 (the "2053 Notes") in a private placement with registration rights. The 2053 Notes are guaranteed on a junior subordinated basis by Voya Holdings. Interest is paid semi-annually, in arrears, on each May 15 and November 15, at a fixed rate of 5.65% until May 15, 2023. From May 15, 2023, the 2053 Notes will bear interest at an annual rate equal to three-month LIBOR plus 3.58% payable quarterly, in arrears, on February 15, May 15, August 15 and November 15. So long as no event of default with respect to the 2053 Notes has occurred and is continuing, the Company has the right on one or more occasions, to defer the payment of interest on the 2053 Notes for one or more consecutive interest periods for up to five years. During the deferral period, interest will continue to accrue at the then-applicable rate and deferred interest will bear additional interest at the then-applicable rate.

At any time following notice of the Company's plan to defer interest and during the period interest is deferred, the Company and its subsidiaries generally, with certain exceptions, may not make payments on or redeem or purchase any shares of the Company's common stock or any of the debt securities or guarantees that rank in liquidation on a parity with or are junior to the 2053 Notes.

The Company may elect to redeem the 2053 Notes (i) in whole at any time or in part on or after May 15, 2023 at a redemption price equal to the principal amount plus accrued and unpaid interest. If the notes are not redeemed in whole, \$25 of aggregate principal (excluding the principal amount of 2053 Notes held by the Company, or its affiliates) must remain outstanding after giving effect to the redemption; or (ii) in whole, but not in part, at any time prior to May 15, 2023 within 90 days after the occurrence of a "tax event" or "rating agency event", as defined in the 2053 Notes Offering Memorandum, at a redemption price equal to the principal amount, or, if greater, a "make-whole redemption price," as defined in the 2053 Notes Offering Memorandum, plus, in each case accrued and unpaid interest.

The 2053 Notes were the subject of an SEC-registered exchange offer during 2013, pursuant to which the Company's registration obligations with respect to the 2053 Notes were satisfied.

On January 23, 2018, Voya Financial, Inc. completed an offering, through a private placement, of \$350 aggregate principal amount of 4.7% Fixed-to-Floating Rate Junior Subordinated Notes due 2048 (the "2048 Notes"). The 2048 Notes are guaranteed on an unsecured, junior subordinated basis by Voya Holdings. The Company used the net proceeds from the offering to repay at maturity its 2018 Notes and to pay accrued interest thereon. The remaining proceeds after the repayment of the 2018 Notes were used for general corporate purposes.

Interest is paid on the 2048 Notes semi-annually, in arrears, on each January 23 and July 23, at a fixed rate of 4.7% until January 23, 2028. From January 23, 2028, the 2048 Notes bear interest at an annual rate equal to three-month LIBOR plus 2.084% payable quarterly, in arrears, on January 23, April 23, July 23 and October 23. So long as no event of default with respect to the 2048 Notes has occurred and is continuing, the Company has the right on one or more occasions, to defer the payment of interest on the 2048 Notes for one or more consecutive interest periods for up to five years. During the deferral period, interest will continue to accrue at the then-applicable rate and deferred interest will bear additional interest at the then-applicable rate.

At any time following notice of the Company's plan to defer interest and during the period interest is deferred, the Company and its subsidiaries generally, with certain exceptions, may not make payments on or redeem or purchase any shares of the Company's common stock or any of the debt securities or guarantees that rank in liquidation on a parity with or are junior to the 2048 Notes.

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The Company may elect to redeem the 2048 Notes (i) in whole at any time or in part on or after January 23, 2028 at a redemption price equal to the principal amount plus accrued and unpaid interest. If the notes are not redeemed in whole, \$25 of aggregate principal (excluding the principal amount of the 2048 Notes held by the Company, or its affiliates) must remain outstanding after giving effect to the redemption; or (ii) in whole, but not in part, at any time prior to January 23, 2028 within 90 days after the occurrence of a "tax event", a "rating agency event" or a "regulatory capital event", as defined in the 2048 Notes offering memorandum, at a redemption price equal to (a) with respect to a "rating agency event" 102% of their principal amount and (ii) with respect to a "tax event" or a "regulatory capital event", their principal amount, in each case plus accrued and unpaid interest.

Pursuant to a registration rights agreement that the Company has entered into with respect to the 2048 Notes, the Company has agreed to use commercially reasonable efforts to file a registration statement with respect to the 2048 Notes within 320 days from the closing date.

#### *Aetna Notes*

ING Group guarantees various debentures of Voya Holdings that were assumed by Voya Holdings in connection with the Company's acquisition of Aetna's life insurance and related businesses in 2000 (the "Aetna Notes"). Concurrent with the completion of the Company's IPO, the Company entered into a shareholder agreement with ING Group that governs certain aspects of the Company's continuing relationship. The Company agreed in the shareholder agreement to reduce the aggregate outstanding principal amount of Aetna Notes to:

- no more than \$200 as of December 31, 2017;
- no more than \$100 as of December 31, 2018;
- and zero as of December 31, 2019.

The reduction in principal amount of Aetna Notes can 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 posts 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 LOC 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 the Company fails to reduce the outstanding principal amount of the Aetna Notes by the means noted above, the Company agreed to pay a quarterly fee (ranging from 0.75% per quarter for 2017 to 1.25% per quarter for 2019) to ING Group based on the outstanding principal amount of Aetna Notes which exceed the limits set forth above.

During the year ended December 31, 2016, Voya Holdings repurchased \$15, \$16, and \$17 of the outstanding principal amount of 6.97% Debentures due August 15, 2036, 7.63% Debentures due August 15, 2026, and 7.25% Debentures due August 15, 2023, respectively. In connection with these transactions, the Company incurred a loss on debt extinguishment of \$17 for the year ended December 31, 2016, which was recorded in Interest expense in the Consolidated Statements of Operations.

As of December 31, 2017 and 2016, the outstanding principal amounts of the Aetna Notes were \$426. For the years ended December 31, 2017 and 2016, the amounts of collateral required to avoid the payment of a fee to ING Group were \$226 and \$127, respectively. On December 30, 2015, the Company exercised its option to establish a control account benefiting ING Group with a third-party collateral agent. During the years ended December 31, 2017 and 2016, the Company deposited \$104 and \$50 of collateral, respectively, increasing the remaining collateral balance to \$231 and \$127, respectively. The cash collateral may be exchanged at any time upon the posting of any other form of acceptable collateral to the account.

On January 16, 2018, Voya Holdings repurchased \$10 of the outstanding principal amount of 7.63% Debentures due August 15, 2026. In connection with this transaction, the Company incurred a loss on debt extinguishment of \$3 which will be recorded in Interest expense in the Consolidated Statements of Operations in the first quarter of 2018.

#### *Windsor Property Loan*

On June 16, 2007, the State of Connecticut acting on behalf of the Department of Economic and Community Development ("DECD") loaned VRIAC \$10 (the "DECD Loan") in connection with the development of a corporate office facility located at One Orange Way, Windsor, Connecticut that serves as the principal executive offices of the Company (the "Windsor Property").

**Voya Financial, Inc.**

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In November 2012, VRIAC provided a letter of credit to the DECD in the amount of \$11 as security for its repayment obligations with respect to the loan. The letter of credit was cancelled in August 2017. As of December 31, 2017 and 2016, the amount of the loan outstanding was \$5, which is reflected in Long-term debt on the Consolidated Balance Sheets.

In August 2017 the loan agreement between VRIAC and the DECD was amended to allow for the substitution of cash as collateral in place of the letter of credit along with a Pledge and Security Agreement between VRIAC and the DECD pursuant to which VRIAC grants the DECD a lien on and security interest in a cash deposit account in the name of VRIAC held at The Bank of New York Mellon ("BNY Mellon"), and a Collateral Account Control Agreement by and among VRIAC, the DECD and BNY Mellon to accommodate the cash deposit account. Upon completion of the amendment documents, on August 1, 2017, \$5 in cash was transferred into the cash deposit account. The pledged cash collateral amount is the current outstanding principal amount of \$5, reflecting a recent immaterial amount of credit for loan forgiveness, plus an amount to cover a default penalty of 2.5% of the original \$10 funding. VRIAC's monthly payments of principal and interest are processed out of the cash deposit account.

*Credit Facilities*

The Company maintains credit facilities used primarily for collateral required under affiliated reinsurance transactions and also for general corporate purposes. As of December 31, 2017, unsecured and uncommitted credit facilities totaled \$496, unsecured and committed credit facilities totaled \$6.2 billion and secured facilities totaled \$205. Of the aggregate \$6.9 billion capacity available, the Company utilized \$3.2 billion in credit facilities as of December 31, 2017. Total fees associated with credit facilities for the years ended 2017, 2016 and 2015 were \$50, \$46 and \$89, respectively.

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The following table outlines the Company's credit facilities as of December 31, 2017:

<b>Obligor / Applicant</b>	<b>Secured/ Unsecured</b>	<b>Committed/ Uncommitted</b>	<b>Expiration</b>	<b>Capacity</b>	<b>Utilization</b>	<b>Unused Commitment</b>
Voya Financial, Inc. . . . .	Unsecured	Committed	05/06/2021	\$ 2,250	\$ —	\$ 2,250
Security Life of Denver International Limited . . . . .	Unsecured	Committed	01/24/2018	175	175	—
Voya Financial, Inc. / Langhorne I, LLC. . . . .	Unsecured	Committed	01/15/2019	500	—	500
Security Life of Denver International Limited . . . . .	Unsecured	Committed	10/29/2023	61	61	—
Voya Financial, Inc. / Security Life of Denver International Limited . .	Unsecured	Committed	12/31/2025	475	475	—
Voya Financial, Inc. / Security Life of Denver International Limited . .	Unsecured	Committed	07/01/2037	1,525	1,292	233
Voya Financial, Inc. . . . .	Secured	Committed	02/11/2021	195	195	—
Voya Financial, Inc. . . . .	Unsecured	Uncommitted	Various	1	1	—
Voya Financial, Inc. . . . .	Secured	Uncommitted	Various	10	1	—
Voya Financial, Inc. / Roaring River LLC. . . . .	Unsecured	Committed	10/01/2025	425	328	97
Voya Financial, Inc. / Roaring River IV, LLC. . . . .	Unsecured	Committed	12/31/2028	565	295	270
Voya Financial, Inc. / Security Life of Denver International Limited . .	Unsecured	Uncommitted	04/20/2018	300	45	—
Voya Financial, Inc. . . . .	Unsecured	Committed	12/09/2021	195	161	34
Voya Financial, Inc. . . . .	Unsecured	Uncommitted	01/20/2022	195	168	—
<b>Total . . . . .</b>				<b>\$ 6,872</b>	<b>\$ 3,197</b>	<b>\$ 3,384</b>
<b>Secured facilities. . . . .</b>				<b>\$ 205</b>	<b>\$ 196</b>	<b>\$ —</b>
<b>Unsecured and uncommitted . . . . .</b>				<b>496</b>	<b>214</b>	<b>—</b>
<b>Unsecured and committed . . . . .</b>				<b>6,171</b>	<b>2,787</b>	<b>3,384</b>
<b>Total . . . . .</b>				<b>\$ 6,872</b>	<b>\$ 3,197</b>	<b>\$ 3,384</b>

*Senior Unsecured Credit Facility*

Effective May 6, 2016, the Company revised the terms of its Amended and Restated Revolving Credit Agreement ("Amended Credit Agreement"), dated February 14, 2014, by entering into a Second Amended and Restated Revolving Credit Agreement ("Second Amended and Restated Credit Agreement") with a syndicate of banks, a large majority of which participated in the Amended Credit Agreement. The Second Amended and Restated Credit Agreement modifies the Amended Credit Agreement by extending the term of the agreement to May 6, 2021 and reducing the total amount of LOCs that may be issued from \$3.0 billion to \$2.25 billion. The revolving credit sublimit of \$750 present in the Amended Credit Agreement remained unchanged.

As of December 31, 2017, there were no amounts outstanding as revolving credit borrowings and an immaterial amount of LOCs outstanding under the senior unsecured credit facility.

On January 24, 2018, the Company further amended the Second Amended and Restated Credit Agreement, dated as of May 6, 2016, by entering into a Second Amendment to the Second Amended and Restated Revolving Credit Agreement ("Second Amendment") with the lenders thereunder. The Second Amendment modifies the Second Amended and Restated Credit Agreement by requiring the Company to maintain a minimum net worth in light of the classification of substantially all of its CBVA and

**Voya Financial, Inc.**

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Annuities businesses to businesses held for sale. Upon entering into the MTA for the Transaction, the Company recorded an estimated loss on sale in the fourth quarter of 2017. Consequently, Voya Financial, Inc. is now required to maintain a minimum net worth equal to the greater of (i) \$6 billion or (ii) 75% of the Company's actual net worth as of December 31, 2017 (as calculated in the manner set forth in the Second Amended Credit Agreement). The minimum net worth amount may increase upon any future equity issuances by the Company or if the Transaction does not close. The Second Amendment also provides that, upon the closing of the MTA, the total amount of LOCs that may be issued shall be reduced from \$2.25 billion to \$1.25 billion. The \$750 sublimit available for direct borrowings remains unchanged.

**19. Commitments and Contingencies**

*Leases*

The Company leases its office space and certain equipment under operating leases, the longest term of which expires in 2027.

For the years ended December 31, 2017 and 2016, rent expense for leases was \$34. For the year ended December 31, 2015 rent expense for leases was \$40. The future net minimum payments under non-cancelable leases are as follows as of December 31, 2017:

2018 .....	\$	29
2019 .....		27
2020 .....		24
2021 .....		23
2022 .....		23
Thereafter .....		39
Total minimum lease payments .....	\$	<u>165</u>

*Commitments*

Through the normal course of investment operations, the Company commits to either purchase or sell securities, 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.

For the continuing business, as of December 31, 2017, the Company had off-balance sheet commitments to acquire mortgage loans of \$369 and purchase limited partnerships and private placement investments of \$1,212, of which \$325 related to consolidated investment entities. For the businesses held for sale, as of December 31, 2017, the Company had off-balance sheet commitments to acquire mortgage loans of \$202 and purchase limited partnerships and private placement investments of \$400.

*Insurance Company Guaranty Fund Assessments*

Insurance companies are assessed on the costs of funding the insolvencies of other insurance companies by the various state guaranty associations, generally based on the amount of premiums companies collect in that state.

The Company accrues the cost of future guaranty fund assessments based on estimates of insurance company insolvencies provided by the National Organization of Life and Health Insurance Guaranty Associations and the amount of premiums written in each state. The Company has estimated this undiscounted liability, which is included in Other liabilities on the Consolidated Balance Sheets, to be \$6 and \$12 as of December 31, 2017 and 2016, respectively. The Company has also recorded an asset, in Other assets on the Consolidated Balance Sheets of \$19 and \$21 as of December 31, 2017 and 2016, respectively, for future credits to premium taxes. The Company estimates its liabilities for future assessments under state insurance guaranty association laws. The Company believes the reserves established are adequate for future assessments relating to insurance companies that are currently subject to insolvency proceedings.

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**Restricted Assets**

The Company is required to maintain assets on deposit with various regulatory authorities to support its insurance operations. The Company may also post collateral in connection with certain securities lending, repurchase agreements, funding agreements, credit facilities and derivative transactions. The components of the fair value of the restricted assets were as follows as of December 31, 2017 and 2016:

	2017	2016
Fixed maturity collateral pledged to FHLB <sup>(1)</sup> .....	\$ 602	\$ 405
FHLB restricted stock <sup>(2)</sup> .....	67	33
Other fixed maturities-state deposits .....	175	197
Securities pledged <sup>(3)</sup> .....	2,087	1,409
Total restricted assets .....	<u>\$ 2,931</u>	<u>\$ 2,044</u>

<sup>(1)</sup>Included in Fixed maturities, available-for-sale, at fair value on the Consolidated Balance Sheets. Excludes \$691 of collateral pledged related to the businesses held for sale as of December 31, 2017.

<sup>(2)</sup>Included in Other investments on the Consolidated Balance Sheets.

<sup>(3)</sup>Includes the fair value of loaned securities of \$1,854 and \$1,133 as of December 31, 2017 and 2016, respectively. In addition, as of December 31, 2017 and 2016, the Company delivered securities as collateral of \$233 and \$276, respectively. Loaned securities and securities delivered as collateral are included in Securities pledged on the Consolidated Balance Sheets.

**Federal Home Loan Bank Funding Agreements**

The Company is a member of the FHLB of Des Moines and the FHLB of Topeka and is required to pledge collateral to back funding agreements issued to the FHLB. As of December 31, 2017 and 2016, the Company had \$501 and \$300, respectively, in non-putable funding agreements, which are included in Contract owner account balances on the Consolidated Balance Sheets. As of December 31, 2017 and 2016, assets with a market value of approximately \$602 and \$405, respectively, collateralized the FHLB funding agreements. Assets pledged to the FHLB are included in Fixed maturities, available-for-sale, at fair value on the Consolidated Balance Sheets.

**Litigation, Regulatory Matters and Loss Contingencies**

Litigation, regulatory and other loss contingencies arise in connection with the Company's activities as a diversified financial services firm. The Company is a defendant in a number of litigation matters arising from the conduct of its business, both in the ordinary course and otherwise. In some of these matters, claimants seek to recover very large or indeterminate amounts, including compensatory, punitive, treble and exemplary damages. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages and other relief. Claimants are not always required to specify the monetary damages they seek or they may be required only to state an amount sufficient to meet a court's jurisdictional requirements. Moreover, some jurisdictions allow claimants to allege monetary damages that far exceed any reasonably possible verdict. The variability in pleading requirements and past experience demonstrates that the monetary and other relief that may be requested in a lawsuit or claim often bears little relevance to the merits or potential value of a claim. Litigation against the Company includes a variety of claims including negligence, breach of contract, fraud, violation of regulation or statute, breach of fiduciary duty, negligent misrepresentation, failure to supervise, elder abuse and other torts.

As with other financial services companies, the Company periodically receives informal and formal requests for information from various state and federal governmental agencies and self-regulatory organizations in connection with inquiries and investigations of the products and practices of the Company or the financial services industry. It is the practice of the Company to cooperate fully in these matters.

The outcome of a litigation or regulatory matter is difficult to predict and the amount or range of potential losses associated with these or other loss contingencies requires significant management judgment. It is not possible to predict the ultimate outcome or to provide reasonably possible losses or ranges of losses for all pending regulatory matters, litigation and other loss contingencies. While it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company's financial position, based on information currently known, management believes that neither the outcome of pending litigation and regulatory matters, nor potential liabilities associated with other loss contingencies, are likely to have such an effect. However, given the

large and indeterminate amounts sought in certain litigation and the inherent unpredictability of all such matters, it is possible that an adverse outcome in certain of the Company's litigation or regulatory matters, or liabilities arising from other loss contingencies, could, from time to time, have a material adverse effect upon the Company's results of operations or cash flows in a particular quarterly or annual period.

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual has been made. For matters where the Company, however, believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual has been made, but there remains a reasonably possible range of loss in excess of the amounts accrued or for matters where no accrual is required, the Company develops an estimate of the unaccrued amounts of the reasonably possible range of losses. As of December 31, 2017, the Company estimates the aggregate range of reasonably possible losses, in excess of any amounts accrued for these matters as of such date, to be up to approximately \$75.

For other matters, the Company is currently not able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from plaintiffs and other parties, investigation of factual allegations, rulings by a court on motions or appeals, analysis by experts and the progress of settlement discussions. On a quarterly and annual basis, the Company reviews relevant information with respect to litigation and regulatory contingencies and updates the Company's accruals, disclosures and reasonably possible losses or ranges of loss based on such reviews.

Litigation includes *Beeson, et al. v SMMS, Lion Connecticut Holdings, Inc. and ING NAIC* (Marin County CA Superior Court, CIV-092545). Thirty-four Plaintiff households (husband/wife/trust) assert that SMMS, which was purchased in 2000 and sold in 2003, breached a duty to monitor the performance of investments that Plaintiffs made with independent financial advisors they met in conjunction with retirement planning seminars presented at Fireman's Fund Insurance Company. SMMS recommended the advisors to Fireman's Fund as seminar presenters. Some of the seminars were arranged by SMMS. As a result of the performance of their investments, Plaintiffs claim they incurred damages. Fireman's Fund has asserted breach of contract and concealment claims against SMMS alleging that SMMS failed to fulfill its ongoing obligation to monitor the financial advisors and the investments they recommended to Plaintiffs and by failing to disclose that a primary purpose of the seminars was to develop business for the financial advisors. The Company denied all claims and vigorously defended this case at trial. During trial, the Court ruled that SMMS had duties to Plaintiffs and Fireman's Fund that it has breached. On December 12, 2014, the Court issued a Statement of Decision in which it awarded damages in the aggregate of \$37 to Plaintiffs. On January 7, 2015, the Court made final the award in favor of the Plaintiffs. The Company appealed that judgment. On February 9, 2016, final judgment in favor of Fireman's Fund was entered in the amount of \$13. The company has appealed that judgment.

Litigation also includes *Dezelan v. Voya Retirement Insurance and Annuity Company* (USDC District of Connecticut, No. 3:16-cv-1251) (filed July 26, 2016), a putative class action in which plaintiff, a participant in a 403(b) Plan, seeks to represent a class of plans whose assets are invested in Voya Retirement Insurance and Annuity Company ("VRIAC") "Group Annuity Contract Stable Value Funds." Plaintiff alleges that VRIAC has violated the Employee Retirement Income Security Act of 1974 ("ERISA") by charging unreasonable fees and setting its own compensation in connection with stable value products. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney's fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. On July 19, 2017 the district court granted the Company's motion to dismiss, but permitted the plaintiff to file an amended complaint. The plaintiff has filed a first amended complaint, and the Company has moved to dismiss that complaint.

Litigation also includes *Patrico v. Voya Financial, Inc., et al* (USDC SDNY, No. 1:16-cv-07070) (filed September 9, 2016), a putative class action in which plaintiff, a participant in a 401(k) Plan, seeks to represent a class of plans "for which Voya or its subsidiaries provide recordkeeping, investment management or investment advisory services and for which Financial Engines provides investment advice to plan participants." Plaintiff alleges that the Company and its affiliates have violated ERISA by charging unreasonable fees in connection with in-plan investment advice provided in conjunction with Financial Engines, a third-party investment adviser. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney's fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. On June 20, 2017, the district court granted the Company's motion to dismiss, but permitted the plaintiff to file an amended complaint. The plaintiff has filed a motion for leave to file a first amended complaint, and the Company opposed that motion.

Litigation also includes *Goetz v. Voya Financial and Voya Retirement Insurance and Annuity Company* (USDC District of Delaware, No. 1:17-cv-1289) (filed September 8, 2017), a putative class action in which plaintiff, a participant in a 401(k) plan, seeks to represent other participants in the plan as well as a class of similarly situated plans that "contract with [Voya] for recordkeeping and other services." Plaintiff alleges that "Voya" breached its fiduciary duty to the plan and other plan participants by charging unreasonable and excessive recordkeeping fees, and that "Voya" distributed materially false and misleading 404a-5 administrative and fund fee disclosures to conceal its excessive fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously.

#### ***Contingencies related to Performance-based Capital Allocations on Private Equity Funds***

Certain performance-based capital allocations related to sponsored private equity funds ("carried interest") are not final until the conclusion of an investment term specified in the relevant asset management contract. As a result, such carried interest, if accrued or paid to the Company during such term, is subject to later adjustment based on subsequent fund performance. If the fund's cumulative investment return falls below specified investment return hurdles, some or all of the previously accrued carried interest is reversed to the extent that the Company is no longer entitled to the performance-based capital allocation. Should the fund's cumulative investment return subsequently increase above specified investment return hurdles in future periods, previous reversals could be fully or partially recovered.

As of December 31, 2017, approximately \$66 of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds. For the year ended December 31, 2017, approximately \$25 in previously reversed accrued carried interest, associated with one private equity fund, was recovered as a result of an increase in fund performance.

As of December 31, 2016, approximately \$31 of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds. For the year ended December 31, 2016, approximately \$30 in previously accrued carried interest, associated with one private equity fund, was reversed as a result of a decline in fund performance.

#### **20. Consolidated Investment Entities**

In the normal course of business, the Company provides investment management services to, invests in and has transactions with, various types of investment entities which may be considered VIEs or VOEs. The Company evaluates its involvement with each entity to determine whether consolidation is required.

The Company holds variable interests in certain investment entities in the form of debt or equity investments, as well as the right to receive management fees, performance fees, and carried interest. The Company consolidates certain entities under the VIE guidance when it is determined that the Company is the primary beneficiary. Alternatively, certain entities are consolidated under the VOE guidance when control is obtained through voting rights.

The Company has no right to the benefits from, nor does it bear the risks associated with consolidated investment entities beyond the Company's direct equity and debt investments in and management fees generated from these entities. Such direct investments amounted to approximately \$442 and \$587 as of December 31, 2017 and 2016, respectively. If the Company were to liquidate, the assets held by consolidated investment entities would not be available to the general creditors of the Company as a result of the liquidation.

#### ***Consolidated VIEs and VOEs***

##### ***Collateral Loan Obligation Entities ("CLOs")***

The Company is involved in the design, creation, and the ongoing management of CLOs. These entities are created for the purpose of acquiring diversified portfolios of senior secured floating rate leveraged loans, which are securitized by issuing multiple tranches of collateralized debt; thereby providing investors with a broad array of risk and return profiles. Also known as collateralized financing entities under Topic 810, CLOs are variable interest entities by definition.

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In return for providing collateral management services, the Company earns investment management fees and contingent performance fees. In addition to earning fee income, the Company often holds an investment in certain of the CLOs it manages, generally within the unrated and most subordinated tranche of each CLO. The fee income earned and investments held are included in the Company's ongoing consolidation assessment for each CLO. The Company was the primary beneficiary of 4 and 6 CLOs as of December 31, 2017 and 2016, respectively.

*Limited Partnerships ("LPs")*

The Company invests in and manages various limited partnerships, including private equity funds and hedge funds. These entities have been evaluated by the Company and are determined to be VIEs due to the equity holders, as a group, lacking the characteristics of a controlling financial interest.

In return for serving as the general partner of and providing investment management services to these entities, the Company earns management fees and carried interest in the normal course of business. Additionally, the Company often holds an investment in each limited partnership it manages, generally in the form of general partner and limited partner interests. The fee income, carried interest, and investments held are included in the Company's ongoing consolidation analysis for each limited partnership. The Company consolidated 14 and 13 funds, which were structured as partnerships, as of December 31, 2017 and 2016, respectively.

*Registered Investment Companies*

The Company consolidated one and two sponsored investment funds accounted for as VOEs as of December 31, 2017 and 2016, respectively, because it is the majority investor in the funds, and as such, has a controlling financial interest in the funds.

The following table summarizes the components of the consolidated investment entities as of the dates indicated:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>Assets of Consolidated Investment Entities</b>		
VIEs		
Cash and cash equivalents . . . . .	\$ 216	\$ 133
Corporate loans, at fair value using the fair value option . . . . .	1,089	1,921
Limited partnerships/corporations, at fair value . . . . .	1,714	1,770
Other assets . . . . .	75	32
Total VIE assets . . . . .	<u>3,094</u>	<u>3,856</u>
VOEs		
Cash and cash equivalents . . . . .	1	—
Corporate loans, at fair value using the fair value option . . . . .	—	32
Limited partnerships/corporations, at fair value . . . . .	81	166
Other assets . . . . .	—	2
Total VOE assets . . . . .	<u>82</u>	<u>200</u>
Total assets of consolidated investment entities . . . . .	<u>\$ 3,176</u>	<u>\$ 4,056</u>
<b>Liabilities of Consolidated Investment Entities</b>		
VIEs		
CLO notes, at fair value using the fair value option . . . . .	\$ 1,047	\$ 1,967
Other liabilities . . . . .	649	521
Total VIE liabilities . . . . .	<u>1,696</u>	<u>2,488</u>
VOEs		
Other liabilities . . . . .	9	7
Total VOE liabilities . . . . .	<u>9</u>	<u>7</u>
Total liabilities of consolidated investment entities . . . . .	<u>\$ 1,705</u>	<u>\$ 2,495</u>

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The following tables summarize the impact of consolidation of investment entities into the Consolidated Balance Sheets as of the dates indicated:

	<b>Before Consolidation<sup>(1)</sup></b>	<b>CLOs</b>	<b>LPs and VOEs</b>	<b>CLOs Adjustments<sup>(2)</sup></b>	<b>LPs and VOEs Adjustments<sup>(2)</sup></b>	<b>Total</b>
<b>December 31, 2017</b>						
Total investments and cash . . . . .	\$ 67,709	\$ —	\$ —	\$ (8)	\$ (396)	\$ 67,305
Other assets . . . . .	15,431	—	—	(36)	(1)	15,394
Assets held in consolidated investment entities . . . . .	—	1,163	2,013	—	—	3,176
Assets held in separate accounts . . . . .	77,605	—	—	—	—	77,605
Assets held for sale . . . . .	59,052	—	—	—	—	59,052
<b>Total assets . . . . .</b>	<b>\$ 219,797</b>	<b>\$ 1,163</b>	<b>\$ 2,013</b>	<b>\$ (44)</b>	<b>\$ (397)</b>	<b>\$ 222,532</b>
Future policy benefits and contract owner account balances . . . . .	\$ 65,805	\$ —	\$ —	\$ —	\$ —	\$ 65,805
Other liabilities . . . . .	8,101	—	—	—	—	8,101
Liabilities held in consolidated investment entities . . . . .	—	1,163	587	(44)	(1)	1,705
Liabilities related to separate accounts . . . . .	77,605	—	—	—	—	77,605
Liabilities held for sale . . . . .	58,277	—	—	—	—	58,277
<b>Total liabilities . . . . .</b>	<b>209,788</b>	<b>1,163</b>	<b>587</b>	<b>(44)</b>	<b>(1)</b>	<b>211,493</b>
Equity attributable to common shareholders . . . . .	10,009	—	1,426	—	(1,426)	10,009
Equity attributable to noncontrolling interest in consolidated investment entities . . . . .	—	—	—	—	1,030	1,030
<b>Total liabilities and equity . . . . .</b>	<b>\$ 219,797</b>	<b>\$ 1,163</b>	<b>\$ 2,013</b>	<b>\$ (44)</b>	<b>\$ (397)</b>	<b>\$ 222,532</b>

<sup>(1)</sup> The Before Consolidation column includes the Company's direct investments in CIEs prior to consolidation, which are accounted for using the equity method or fair value option.

<sup>(2)</sup> Adjustments include the elimination of intercompany transactions between the Company and CIEs. This consists primarily of the Company's direct investments in CIEs, but may also contain intercompany receivables or payables. The Company's direct investments are eliminated against CIE liabilities in the case of CLOs, or the net assets of consolidated private equity and other funds.

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	<u>Before Consolidation<sup>(1)</sup></u>	<u>CLOs</u>	<u>LPs and VOEs</u>	<u>CLOs Adjustments<sup>(2)</sup></u>	<u>LPs and VOEs Adjustments<sup>(2)</sup></u>	<u>Total</u>
<b>December 31, 2016</b>						
Total investments and cash . . . . .	\$ 66,466	\$ —	\$ —	\$ (17)	\$ (570)	\$ 65,879
Other assets . . . . .	15,757	—	—	—	(1)	15,756
Assets held in consolidated investment entities . . . . .	—	2,054	2,002	—	—	4,056
Assets held in separate accounts . . . . .	66,185	—	—	—	—	66,185
Assets held for sale . . . . .	62,709	—	—	—	—	62,709
<b>Total assets . . . . .</b>	<b>\$ 211,117</b>	<b>\$ 2,054</b>	<b>\$ 2,002</b>	<b>\$ (17)</b>	<b>\$ (571)</b>	<b>\$ 214,585</b>
Future policy benefits and contract owner account balances . . . . .	\$ 64,848	\$ —	\$ —	\$ —	\$ —	\$ 64,848
Other liabilities . . . . .	7,513	—	—	—	—	7,513
Liabilities held in consolidated investment entities . . . . .	—	2,054	459	(17)	(1)	2,495
Liabilities related to separate accounts . . . . .	66,185	—	—	—	—	66,185
Liabilities held for sale . . . . .	59,576	—	—	—	—	59,576
<b>Total liabilities . . . . .</b>	<b>198,122</b>	<b>2,054</b>	<b>459</b>	<b>(17)</b>	<b>(1)</b>	<b>200,617</b>
Equity attributable to common shareholders . . . . .	12,995	—	1,543	—	(1,543)	12,995
Equity attributable to noncontrolling interest in consolidated investment entities . . . . .	—	—	—	—	973	973
<b>Total liabilities and equity . . . . .</b>	<b>\$ 211,117</b>	<b>\$ 2,054</b>	<b>\$ 2,002</b>	<b>\$ (17)</b>	<b>\$ (571)</b>	<b>\$ 214,585</b>

<sup>(1)</sup> The Before Consolidation column includes the Company's direct investments in CIEs prior to consolidation, which are accounted for using the equity method or fair value option.

<sup>(2)</sup> Adjustments include the elimination of intercompany transactions between the Company and CIEs. This consists primarily of the Company's direct investments in CIEs, but may also contain intercompany receivables or payables. The Company's direct investments are eliminated against CIE liabilities in the case of CLOs, or the net assets of consolidated private equity and other funds.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

The following tables summarize the impact of consolidation of investment entities into the Consolidated Statements of Operations for the periods indicated:

	Before Consolidation <sup>(1)</sup>	CLOs	LPs and VOEs	CLOs Adjustments <sup>(2)</sup>	LPs and VOEs Adjustments <sup>(2)</sup>	Total
<b>December 31, 2017</b>						
<b>Revenues:</b>						
Net investment income . . . . .	\$ 3,391	\$ —	\$ —	\$ (2)	\$ (95)	\$ 3,294
Fee income . . . . .	2,675	—	—	(9)	(39)	2,627
Premiums . . . . .	2,121	—	—	—	—	2,121
Net realized capital losses . . . . .	(227)	—	—	—	—	(227)
Other income . . . . .	371	—	—	—	—	371
Income related to consolidated investment entities . . . . .	—	82	350	—	—	432
<b>Total revenues . . . . .</b>	<b>8,331</b>	<b>82</b>	<b>350</b>	<b>(11)</b>	<b>(134)</b>	<b>8,618</b>
<b>Benefits and expenses:</b>						
Policyholder benefits and Interest credited and other benefits to contract owners . . . . .	4,636	—	—	—	—	4,636
Other expense . . . . .	3,367	—	—	—	—	3,367
Operating expenses related to consolidated investment entities . . . . .	—	82	55	(11)	(39)	87
<b>Total benefits and expenses . . . . .</b>	<b>8,003</b>	<b>82</b>	<b>55</b>	<b>(11)</b>	<b>(39)</b>	<b>8,090</b>
Income (loss) before income taxes . . . . .	328	—	295	—	(95)	528
Income tax expense (benefit) . . . . .	740	—	—	—	—	740
Income (loss) from continuing operations . . . . .	(412)	—	295	—	(95)	(212)
Income (loss) from discontinued operations, net of tax . . . . .	(2,580)	—	—	—	—	(2,580)
<b>Net income (loss) . . . . .</b>	<b>(2,992)</b>	<b>—</b>	<b>295</b>	<b>—</b>	<b>(95)</b>	<b>(2,792)</b>
Less: Net income (loss) attributable to noncontrolling interest . . . . .	—	—	—	—	200	200
<b>Net income (loss) available to Voya Financial, Inc.'s common shareholders . . . . .</b>	<b>\$ (2,992)</b>	<b>\$ —</b>	<b>\$ 295</b>	<b>\$ —</b>	<b>\$ (295)</b>	<b>\$ (2,992)</b>

<sup>(1)</sup>The Before Consolidation column includes the net investment income and fee income earned from CIEs prior to consolidation.

<sup>(2)</sup>Adjustments include the elimination of intercompany transactions between the Company and CIE's, primarily the elimination of management fees expensed by the funds and recorded as fee income by the Company prior to consolidation.

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

	Before Consolidation <sup>(1)</sup>	CLOs	LPs and VOEs	CLOs Adjustments <sup>(2)</sup>	LPs and VOEs Adjustments <sup>(2)</sup>	Total
<b>December 31, 2016</b>						
<b>Revenues:</b>						
Net investment income .....	\$ 3,359	\$ —	\$ —	\$ (7)	\$ 2	\$ 3,354
Fee income .....	2,520	—	—	(17)	(32)	2,471
Premiums .....	2,795	—	—	—	—	2,795
Net realized capital losses .....	(363)	—	—	—	—	(363)
Other income .....	342	—	—	—	—	342
Income related to consolidated investment entities .....	—	118	71	—	—	189
<b>Total revenues .....</b>	<b>8,653</b>	<b>118</b>	<b>71</b>	<b>(24)</b>	<b>(30)</b>	<b>8,788</b>
<b>Benefits and expenses:</b>						
Policyholder benefits and Interest credited and other benefits to contract owners .....	5,314	—	—	—	—	5,314
Other expense .....	3,358	—	—	—	—	3,358
Operating expenses related to consolidated investment entities .....	—	118	44	(24)	(32)	106
<b>Total benefits and expenses .....</b>	<b>8,672</b>	<b>118</b>	<b>44</b>	<b>(24)</b>	<b>(32)</b>	<b>8,778</b>
Income (loss) before income taxes .....	(19)	—	27	—	2	10
Income tax expense (benefit) .....	(29)	—	—	—	—	(29)
Income (loss) from continuing operations .....	10	—	27	—	2	39
Income (loss) from discontinued operations, net of tax .....	(337)	—	—	—	—	(337)
<b>Net income (loss) .....</b>	<b>(327)</b>	<b>—</b>	<b>27</b>	<b>—</b>	<b>2</b>	<b>(298)</b>
Less: Net income (loss) attributable to noncontrolling interest .....	—	—	—	—	29	29
<b>Net income (loss) available to Voya Financial, Inc.'s common shareholders .....</b>	<b>\$ (327)</b>	<b>\$ —</b>	<b>\$ 27</b>	<b>\$ —</b>	<b>\$ (27)</b>	<b>\$ (327)</b>

<sup>(1)</sup>The Before Consolidation column includes the net investment income and fee income earned from CIEs prior to consolidation.

<sup>(2)</sup>Adjustments include the elimination of intercompany transactions between the Company and CIEs, primarily the elimination of management fees expensed by the funds and recorded as fee income by the Company prior to consolidation.

Voya Financial, Inc.

Notes to the Consolidated Financial Statements

(Dollar amounts in millions, unless otherwise stated)

	Before Consolidation <sup>(1)</sup>	CLOs	LPs and VOEs	CLOs Adjustments <sup>(2)</sup>	LPs and VOEs Adjustments <sup>(2)</sup>	Total
<b>December 31, 2015</b>						
<b>Revenues:</b>						
Net investment income . . . . .	\$ 3,373	\$ —	\$ —	\$ 2	\$ (32)	\$ 3,343
Fee income . . . . .	2,544	—	—	(36)	(38)	2,470
Premiums . . . . .	2,554	—	—	—	—	2,554
Net realized capital losses . . . . .	(560)	—	—	—	—	(560)
Other income . . . . .	391	—	—	(5)	(1)	385
Income related to consolidated investment entities . . . . .	—	312	228	(16)	—	524
<b>Total revenues . . . . .</b>	<b>8,302</b>	<b>312</b>	<b>228</b>	<b>(55)</b>	<b>(71)</b>	<b>8,716</b>
<b>Benefits and expenses:</b>						
Policyholder benefits and Interest credited and other benefits to contract owners . . . . .	4,698	—	—	—	—	4,698
Other expense . . . . .	3,258	—	—	—	—	3,258
Operating expenses related to consolidated investment entities . . . . .	—	324	54	(55)	(39)	284
<b>Total benefits and expenses . . . . .</b>	<b>7,956</b>	<b>324</b>	<b>54</b>	<b>(55)</b>	<b>(39)</b>	<b>8,240</b>
Income (loss) before income taxes . . . . .	346	(12)	174	—	(32)	476
Income tax expense (benefit) . . . . .	84	—	—	—	—	84
Income (loss) from continuing operations . . . . .	262	(12)	174	—	(32)	392
Income (loss) from discontinued operations, net of tax . . . . .	146	—	—	—	—	146
<b>Net income (loss) . . . . .</b>	<b>408</b>	<b>(12)</b>	<b>174</b>	<b>—</b>	<b>(32)</b>	<b>538</b>
Less: Net income (loss) attributable to noncontrolling interest . . . . .	—	(12)	—	—	142	130
<b>Net income (loss) available to Voya Financial, Inc.'s common shareholders . . . . .</b>	<b>\$ 408</b>	<b>\$ —</b>	<b>\$ 174</b>	<b>\$ —</b>	<b>\$ (174)</b>	<b>\$ 408</b>

<sup>(1)</sup>The Before Consolidation column includes the net investment income and fee income earned from CIEs prior to consolidation.

<sup>(2)</sup>Adjustments include the elimination of intercompany transactions between the Company and CIE's, primarily the elimination of management fees expensed by the funds and recorded as fee income by the Company prior to consolidation.

**Fair Value Measurement**

Upon consolidation, the Company elected to apply the FVO for financial assets and financial liabilities held by CLOs and continued to measure these assets (primarily corporate loans) and liabilities (debt obligations issued by CLOs) at fair value in subsequent periods. The Company has elected the FVO to more closely align its accounting with the economics of its transactions and 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.

Investments held by consolidated private equity funds are measured and reported at fair value in the Company's Consolidated Financial Statements. Changes in the fair value of consolidated investment entities are recorded as a separate line item within Income (loss) related to consolidated investment entities in the Company's Consolidated Statements of Operations.

The methodology for measuring the fair value of financial assets and liabilities of consolidated investment entities, and the classification of these measurements in the fair value hierarchy is consistent with the methodology and classification applied by the Company to its investment portfolio.

As discussed in more detail below, the Company utilizes valuations obtained from third-party commercial pricing services, brokers and investment sponsors or third-party administrators that supply NAV (or its equivalent) per share used as a practical expedient. The valuations obtained from brokers and third-party commercial pricing services are non-binding. These valuations are reviewed on a monthly or quarterly basis depending on the entity and its underlying investments. Procedures include, but are not limited to, a review of underlying fund investor reports, review of top and worst performing funds requiring further scrutiny, review of variance from prior periods and review of variance from benchmarks, where applicable. In addition, the Company considers both macro and fund specific events that may impact the latest NAV supplied and determines if further adjustments of value should be made. Such changes, if any, are subject to senior management review.

When a price cannot be obtained from a commercial pricing service, independent broker quotes are solicited. Securities priced using independent broker quotes are classified as Level 3. Broker quotes and prices obtained from pricing services are reviewed and validated through an internal valuation committee price variance review, comparisons to internal pricing models, back testing to recent trades or monitoring of trading volumes.

#### *Cash and Cash Equivalents*

The carrying amounts for cash reflect the assets' fair values. The fair value for cash equivalents is determined based on quoted market prices. These assets are classified as Level 1.

#### *CLOs*

*Corporate loans:* Corporate loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans maturing at various dates between 2018 and 2026, paying interest at LIBOR, EURIBOR or PRIME plus a spread of up to 10.5%. As of December 31, 2017 and 2016, the unpaid principal balance exceeded the fair value of the corporate loans by approximately \$17 and \$43, respectively. Less than 1.0% of the collateral assets were in default as of December 31, 2017 and 2016.

The fair values for corporate loans are determined using independent commercial pricing services. Fair value measurement based on pricing services may be classified in Level 2 or Level 3 depending on the type, complexity, observability and liquidity of the asset being measured. The inputs used by independent commercial pricing services, such as benchmark yields and credit risk adjustments, are those that are derived principally from, or corroborated by, observable market data. Hence, the fair value measurement of corporate loans priced by independent pricing service providers is classified within Level 2 of the fair value hierarchy. In addition, there are assets held with CLO portfolios that represent senior level debt of other third party CLOs. These CLO investments are classified within Level 3 of the fair value hierarchy. See description of fair value process for CLO notes below.

*CLO notes:* The CLO notes are backed by a diversified loan portfolio consisting primarily of senior secured floating rate leveraged loans. Repayment risk is segmented into tranches with credit ratings of these tranches reflecting both the credit quality of underlying collateral as well as how much protection a given tranche is afforded by tranches that are subordinate to it. The most subordinated tranche bears the first loss and receives the residual payments, if any. The interest rates are generally variable rates based on LIBOR plus a pre-defined spread, which varies from 0.2% for the more senior tranches to 6.6% for the more subordinated tranches. CLO notes mature at various dates between 2022 and 2027 and have a weighted average maturity of 8.4 years as of December 31, 2017. The investors in this debt are not affiliated with the Company and have no recourse to the general credit of the Company for this debt.

Subsequent to adoption of ASU 2014-13, the fair values of the CLO notes are measured based on the fair value of the CLO's corporate loans, as the Company uses the measurement alternative available under the ASU and determined that the inputs for measuring financial assets are more observable. The CLO notes are classified within Level 2 of the fair value hierarchy, consistent with the classification of the majority of the CLO financial assets.

The Company reviews the detailed prices, including comparisons to prior periods, for reasonableness. The Company utilizes a formal pricing challenge process to request a review of any price during which time the vendor examines its assumptions and relevant market inputs to determine if a price change is warranted.

As of December 31, 2017 and 2016, the Level 3 assets and liabilities were immaterial.

The following narrative indicates the sensitivity of inputs:

- **Default Rate:** An increase (decrease) in the expected default rate would likely increase (decrease) the discount margin (increase risk premium) used to value the CLO investments and CLO notes and, as a result, would potentially decrease the value of the CLO investments and CLO notes.
- **Recovery Rate:** A decrease (increase) in the expected recovery of defaulted assets would potentially decrease (increase) the valuation of CLO investments and CLO notes.
- **Prepayment Rate:** A decrease (increase) in the expected rate of collateral prepayments would potentially decrease (increase) the valuation of CLO investments and CLO notes as the expected weighted average life ("WAL") would increase (decrease).
- **Discount Margin (spread over LIBOR):** An increase (decrease) in the discount margin used to value the CLO investments and CLO notes and would decrease (increase) the value of the CLO investments and CLO notes.

#### *Private Equity Funds*

As prescribed in ASC Topic 820, the unit of account for these investments is the interest in the investee fund. The Company owns an undivided interest in the fund portfolio and does not have the ability to dispose of individual assets and liabilities in the fund portfolio. Rather, the Company would be required to redeem or dispose of its entire interest in the investee fund. There is no current active market for interests in underlying private equity funds.

Valuation is generally based on the valuations provided by the fund's general partner or investment manager. The valuations typically reflect the fair value of the Company's capital account balance of each fund investment, including unrealized capital gains (losses), as reported in the financial statements of the respective investee fund as of the respective year end or the latest available date. In circumstances where fair values are not provided, the Company seeks to determine the fair value of fund investments based upon other information provided by the fund's general partner or investment manager or from other sources.

The fair value of securities received in-kind from fund investments is determined based on the restrictions around the securities.

- Unrestricted, publicly traded securities are valued at the closing public market price on the reporting date;
- Restricted, publicly traded securities may be valued at a discount from the closing public market price on the reporting date, depending on the circumstances; and
- Privately held securities are valued by the directors/general partner of the investee fund, based on a variety of factors, including the price of recent transactions in the company's securities and the company's earnings, revenue and book value.

In the case of direct investments or co-investments in private equity companies, the Company initially recognizes investments at cost and subsequently adjusts investments to fair value. On a quarterly basis, the Company reviews the general partner or lead investor's valuation of the investee company, taking into account other available information, such as indications of a market value through subsequent issues of capital or transactions between third parties, performance of the investee company during the period and public, comparable companies' analysis, where appropriate.

Investments in these funds typically may not be fully redeemed at NAV within 90 days because of inherent restriction on near term redemptions.

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As of December 31, 2017 and 2016, certain private equity funds maintained term loans and revolving lines of credit of \$688 and \$597, respectively. The term loans renew every three years and the revolving lines of credit renew annually; all loans bear interest at LIBOR/EURIBOR plus 150 - 155 bps. The lines of credit are used for funding transactions before capital is called from investors, as well as for the financing of certain purchases. As of December 31, 2017 and 2016, outstanding borrowings amount to \$505 and \$431, respectively. The borrowings are reflected in Liabilities related to consolidated investment entities - other liabilities on the Company's Consolidated Balance Sheets. The borrowings are carried at an amount equal to the unpaid principal balance.

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
<b>Assets</b>					
VIEs					
Cash and cash equivalents . . . . .	\$ 216	\$ —	\$ —	\$ —	\$ 216
Corporate loans, at fair value using the fair value option . . . . .	—	1,089	—	—	1,089
Limited partnerships/corporations, at fair value . . . . .	—	—	—	1,714	1,714
VOEs					
Cash and cash equivalents . . . . .	1	—	—	—	1
Corporate loans, at fair value using the fair value option . . . . .	—	—	—	—	—
Limited partnerships/corporations, at fair value . . . . .	—	—	—	81	81
Total assets, at fair value . . . . .	<u>\$ 217</u>	<u>\$ 1,089</u>	<u>\$ —</u>	<u>\$ 1,795</u>	<u>\$ 3,101</u>
<b>Liabilities</b>					
VIEs					
CLO notes, at fair value using the fair value option . . . . .	\$ —	\$ 1,047	\$ —	\$ —	\$ 1,047
Total liabilities, at fair value . . . . .	<u>\$ —</u>	<u>\$ 1,047</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,047</u>

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
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The following table summarizes the fair value hierarchy levels of consolidated investment entities as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
<b>Assets</b>					
<b>VIEs</b>					
Cash and cash equivalents. . . . .	\$ 133	\$ —	\$ —	\$ —	\$ 133
Corporate loans, at fair value using the fair value option. . . . .	—	1,906	15	—	1,921
Limited partnerships/corporations, at fair value . . . . .	—	—	—	1,770	1,770
<b>VOEs</b>					
Cash and cash equivalents. . . . .	—	—	—	—	—
Corporate loans, at fair value using the fair value option. . . . .	—	32	—	—	32
Limited partnerships/corporations, at fair value . . . . .	—	107	—	59	166
<b>Total assets, at fair value . . . . .</b>	<b>\$ 133</b>	<b>\$ 2,045</b>	<b>\$ 15</b>	<b>\$ 1,829</b>	<b>\$ 4,022</b>
<b>Liabilities</b>					
<b>VIEs</b>					
CLO notes, at fair value using the fair value option . . . . .	\$ —	\$ 1,967	\$ —	\$ —	\$ 1,967
<b>Total liabilities, at fair value . . . . .</b>	<b>\$ —</b>	<b>\$ 1,967</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,967</b>

Transfers of investments out of Level 3 and into Level 2 or Level 1, if any, are recorded as of the beginning of the period in which the transfer occurred. For the years ended December 31, 2017 and 2016, there were no transfers in or out of Level 3 or transfers between Level 1 and Level 2.

***Deconsolidation of Certain Investment Entities***

As of December 31, 2017 the Company determined it was no longer the primary beneficiary of three consolidated CLOs, due to a reduction in the Company's investment in each CLO. This caused a reduction in the Company's obligation to absorb losses or right to receive benefits of the CLO that could potentially be significant to the CLO. Additionally, during the third quarter of 2017, it was determined that the Company's ownership interest in the Strategic Income Opportunities Fund was less than a majority of the fund's NAV and therefore did not represent a controlling financial interest. As a result of these determinations, the Company deconsolidated four investment entities during the year ended December 31, 2017. Other than deconsolidations due to the adoption of ASU 2015-02 on January 1, 2016, the Company deconsolidated two investment entities during the year ended December 31, 2016.

***Nonconsolidated VIEs***

***CLOs***

In addition to the consolidated CLOs, the Company also holds variable interest in certain CLOs that are not consolidated as it has been determined that the Company is not the primary beneficiary. With these CLOs, the Company serves as the investment manager and receives investment management fees and contingent performance fees. Generally, the Company does not hold any interest in the nonconsolidated CLOs but if it does, such ownership has been deemed to be insignificant. The Company has not provided, and is not obligated to provide, any financial or other support to these entities.

The Company reviews its assumptions on a periodic basis to determine if conditions have changed such that the projection of these contingent fees becomes significant enough to reconsider the Company's consolidation status as variable interest holder. As of December 31, 2017 and 2016, the Company held \$321 and \$110 ownership interests, respectively, in unconsolidated CLOs.

#### *Limited Partnerships*

The Company manages or holds investments in certain private equity funds and hedge funds. With these entities, the Company serves as the investment manager and is entitled to receive at-market investment management fees and at-market contingent performance fees. The Company does not consolidate any of these investment funds for which it is not considered to be the primary beneficiary.

In addition, the Company does not consolidate the funds in which its 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 the Company with any substantive kick-out or participating rights, nor does it provide the Company with power to direct the activities of the fund.

The following table presents the carrying amounts of the variable interests in VIEs in which the Company concluded that it holds a variable interest, but is not the primary beneficiary as of the dates indicated. The Company determines its maximum exposure to loss to be: (i) the amount invested in the debt or equity of the VIE and (ii) other commitments and guarantees to the VIE.

**Variable Interests on the Consolidated Balance Sheet**

	December 31, 2017		December 31, 2016	
	Carrying Amount	Maximum exposure to loss	Carrying Amount	Maximum exposure to loss
Fixed maturities, available for sale .....	\$ 321	\$ 321	\$ 110	\$ 110
Limited partnership/corporations .....	784	784	759	759

#### *Securizations*

The Company invests in various tranches of securitization entities, including RMBS, CMBS and ABS. Through its investments, the Company is not obligated to provide any financial or other support to these entities. Each of the RMBS, CMBS and ABS entities are thinly capitalized by design and considered VIEs. The Company's involvement with these entities is limited to that of a passive investor. The Company has no unilateral right to appoint or remove the servicer, special servicer, or investment manager, 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 does the Company function in any of these roles. The Company, through its investments or other arrangements, does 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, the Company is not the primary beneficiary and will not consolidate any of the RMBS, CMBS and ABS entities in which it holds investments. These investments are accounted for as investments available-for-sale as described in the *Fair Value Measurements (excluding Consolidated Investment Entities)* Note to these 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. The Company's maximum exposure to loss on these structured investments is limited to the amount of its investment. Refer to the *Investments (excluding Consolidated Investment Entities)* Note to these Consolidated Financial Statements for details regarding the carrying amounts and classifications of these assets.

## **21. Restructuring**

### ***2016 Restructuring***

In 2016, the Company began implementing a series of initiatives designed to make it a simpler, more agile company able to deliver an enhanced customer experience ("2016 Restructuring"). These initiatives include an increasing emphasis on less capital-intensive products and the achievement of operational synergies.

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On July 31, 2017, the Company executed a variable 5-year information technology services agreement with a third-party service provider at an expected annualized cost of \$70 - \$90 per year, with a total cumulative 5-year cost of approximately \$400, subject to potential reduction as a result of the Organizational Restructuring program discussed below. Included in these costs are approximately \$35 of transition costs, which are included in the restructuring amounts below. This initiative, which is a component of the Company's 2016 Restructuring program, improves expense efficiency and upgrades the Company's technology capabilities. Entry into this agreement resulted in severance, asset write-off, transition and other implementation costs. From inception through completion of these initiatives, the Company expects to incur total restructuring expenses for asset-write off of \$16 and transition costs of approximately \$35. All anticipated asset write-off costs were incurred in 2017.

In addition to the restructuring expenses incurred above, the reduction in employees from the execution of the contract described above caused the aggregate reduction in employees under the Company's 2016 Restructuring program to trigger an immaterial curtailment and related remeasurement of the Company's qualified defined benefit pension plan and active non-qualified defined benefit plan.

The expected completion date for all 2016 Restructuring initiatives is the end of 2018. As the Company further develops these initiatives, it will incur additional restructuring expenses in one or more periods through the end of 2018. These costs, which include severance and other costs, cannot currently be estimated but could be material.

The summary below presents restructuring expense, pre-tax, by type of costs incurred, for the periods indicated:

	<b>Year Ended December 31, 2017</b>	<b>Cumulative Amounts Incurred to Date</b>
Severance benefits .....	\$ 34	\$ 60
Asset write-off costs .....	16	16
Transition costs .....	17	17
Other costs .....	15	23
Total restructuring expense .....	<u>\$ 82</u>	<u>\$ 116</u>

Total 2016 Restructuring expense is reflected in Operating expenses in the Consolidated Statements of Operations, but are excluded from Adjusted operating earnings before income taxes. These expenses are classified as a component of Other adjustments to Income (loss) from continuing operations before income taxes and consequently are not included in the adjusted operating results of the Company's segments.

The following table presents the accrued liability associated with restructuring expenses as of December 31, 2017:

	<b>Severance Benefits</b>	<b>Transition Costs</b>	<b>Other Costs</b>	<b>Total</b>
Accrued liability as of January 1, 2017 .....	\$ 21	\$ —	\$ 2	\$ 23
Provision .....	39	17	15	71
Payments .....	(25)	—	(14)	(39)
Other adjustments <sup>(1)</sup> .....	(5)	—	—	(5)
Accrued liability as of December 31, 2017 .....	<u>\$ 30</u>	<u>\$ 17</u>	<u>\$ 3<sup>(2)</sup></u>	<u>\$ 50</u>

<sup>(1)</sup> Represents net write-downs of accruals, not associated with payments.

<sup>(2)</sup> Represents services performed but not yet paid.

**Organizational Restructuring**

As a result of the Company's entry into the Transaction, it is undertaking further restructuring efforts to reduce expenses associated with its CBVA and fixed and fixed indexed annuities businesses, as well as its corporate and shared services functions.

The Transaction resulted in recognition of severance and other restructuring expenses. For the year ended December 31, 2017, the Company incurred restructuring expenses of \$4, primarily related to severance, which are reflected in Income (loss) from

discontinued operations, net of tax, in the Consolidated Statements of Operations. There were no payments made in 2017. Through the closing of the Transaction, the Company anticipates incurring additional restructuring expenses, directly related to the disposition. These costs, which include severance, transition and other costs, cannot currently be estimated but could be material. Refer to the *Business Held for Sale and Discontinued Operations* Note to these Consolidated Financial Statements for further information.

In addition to restructuring expenses associated with discontinued operations, the Company will develop and approve additional Organizational Restructuring initiatives to simplify the organization as a result of the Transaction, and expects to incur restructuring expenses in one or more periods through the end of 2019. These costs, which include severance, transition and other costs, cannot currently be estimated but could be material. These costs will be reported in Operating expenses in the Consolidated Statement of Operations, but excluded from Adjusted operating earnings before income taxes and consequently are not included in the adjusted operating results of the Company's segments.

## **22. Segments**

Pursuant to the Transaction disclosed in the *Business Held for Sale and Discontinued Operations* note, which will result in the disposition of substantially all of the Company's CBVA and Annuities businesses, the Company evaluated its segments and determined that the retained CBVA and Annuities policies ("Retained Business") that are not components of the disposed businesses under the Transaction are insignificant. As such, the Company will no longer report its CBVA and Annuities businesses as segments and will include the results of the Retained Business in Corporate. The Company revised prior period information to conform to current period presentation.

The Company provides its principal products and services through four segments: Retirement, Investment Management, Individual Life and Employee Benefits. These segments reflect the manner by which the Company's chief operating decision maker views and manages the business. A brief description of these segments follows.

The Retirement segment provides tax-deferred, employer-sponsored retirement savings plans and administrative services to corporate, education, healthcare, other non-profit and government entities, and stable value products to institutional clients where the Company may or may not be providing defined contribution products and services, as well as individual retirement accounts ("IRAs"), other retail financial products and comprehensive financial services to individual customers.

The Investment Management segment provides investment products and retirement solutions across a broad range of geographies, market sectors, investment styles and capitalization spectrums. Products and services are offered to institutional clients, including public, corporate and union retirement plans, endowments and foundations and insurance companies, as well as individual investors and general accounts of the Company's insurance subsidiaries and are distributed through the Company's direct sales force, consultant channel and intermediary partners (such as banks, broker-dealers and independent financial advisers).

The Individual Life segment provides wealth protection and transfer opportunities through universal and variable life products, distributed through a network of independent general agents and managing directors, to meet the needs of a broad range of customers from the middle market through affluent market segments.

The Employee Benefits segment provides stop loss, group life, voluntary employee-paid and disability products to mid-sized and large businesses.

The Company includes in Corporate the following corporate and business activities:

- corporate operations, corporate level assets and financial obligations; financing and interest expenses, and other items not allocated or directly related to the Company's segments, including items such as expenses of its Strategic Investment Program described below, certain expenses and liabilities of employee benefit plans, certain adjustments to short-term and long-term incentive accruals and intercompany eliminations;
- investment income on assets backing surplus in excess of amounts held at the segment level;
- revenues and expenses related to a run-off block of guaranteed investment contracts ("GICs") and funding agreements as well as residual activity on other closed or divested businesses;
- certain revenues and expenses of the Retained Business; and
- certain expenses previously allocated to the CBVA and Annuities businesses held for sale.

### ***Measurement***

*Adjusted operating earnings before income taxes* is a measure used by management to evaluate segment performance. The Company believes that Adjusted operating earnings before income taxes provides a meaningful measure of its business and segment performances and enhances the understanding of the Company's financial results by focusing on the operating performance and trends of the underlying business segments and excluding items that tend to be highly variable from period to period based on capital market conditions and/or other factors. The Company uses the same accounting policies and procedures to measure segment Adjusted operating earnings before income taxes as it does for the directly comparable U.S. GAAP measure Income (loss) from continuing operations before income taxes. Adjusted operating earnings before income taxes does not replace Income (loss) from continuing operations before income taxes as the U.S. GAAP measure of the Company's consolidated results of operations. Therefore, the Company believes that it is useful to evaluate both Income (loss) from continuing operations before income taxes and Adjusted operating earnings before income taxes when reviewing the Company's financial and operating performance. Each segment's Adjusted operating earnings before income taxes is calculated by adjusting Income (loss) from continuing operations before income taxes for the following items:

- Net investment gains (losses), net of related amortization of DAC, VOBA, sales inducements and unearned revenue, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. Net investment gains (losses) 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;
- Net guaranteed benefit hedging gains (losses), which are significantly influenced by economic and market conditions and are not indicative of normal operations, 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 estimated cost, which is reflected in adjusted operating earnings, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from adjusted operating earnings, including the impacts related to changes in the Company's nonperformance spread;
- Income (loss) related to businesses exited through reinsurance or divestment that do not qualify as discontinued operations, which includes gains and (losses) associated with transactions to exit blocks of business (including net investment gains (losses) on securities sold and expenses directly related to these transactions) and residual run-off activity; these gains and (losses) are often related to infrequent events and do not reflect performance of operating segments. Excluding this activity better reveals trends in the Company's core business, which would be obscured by including the effects of business exited, and more closely aligns Adjusted operating earnings before income taxes with how the Company manages its segments;

- Income (loss) attributable to noncontrolling interest, which represents the interest of shareholders, other than the Company, in consolidated entities. Income (loss) attributable to noncontrolling interest represents such shareholders' interests in the gains and (losses) of those entities, or the attribution of results from consolidated VIEs or VOEs to which the Company is not economically entitled;
- Income (loss) related to early extinguishment of debt, which includes losses incurred as a result of transactions where the Company repurchases outstanding principal amounts of debt; these losses are excluded from Adjusted operating earnings before income taxes since the outcome of decisions to restructure debt are not indicative of normal operations;
- Impairment of goodwill, value of management contract rights and value of customer relationships acquired, which includes losses as a result of impairment analysis; these represent losses related to infrequent events and do not reflect normal, cash-settled expenses;
- Immediate recognition of net actuarial gains (losses) related to the Company's pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments, which includes actuarial gains and losses as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during a given period. The Company immediately recognizes actuarial gains and (losses) related to pension and other postretirement benefit obligations and gains and losses from plan adjustments and curtailments. These amounts do not reflect normal, cash-settled expenses and are not indicative of current Operating expense fundamentals; and
- Other items not indicative of normal operations or performance of the Company's segments or may be related to infrequent events including capital or organizational restructurings including certain costs related to debt and equity offerings as well as stock and/or cash based deal contingent awards; expenses associated with the rebranding of Voya Financial, Inc.; severance and other third-party expenses associated with the 2016 Restructuring. These items vary widely in timing, scope and frequency between periods as well as between companies to which the Company is compared. Accordingly, the Company adjusts for these items as management believes that these items distort the ability to make a meaningful evaluation of the current and future performance of the Company's segments. Additionally, with respect to restructuring, these costs represent changes in operations rather than investments in the future capabilities of the Company's operating businesses.

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The summary below reconciles Adjusted operating earnings before income taxes for the segments to Income (loss) from continuing operations before income taxes for the periods indicated:

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Income (loss) from continuing operations before income taxes . . . . .	\$ 528	\$ 10	\$ 476
Less Adjustments:			
Net investment gains (losses) and related charges and adjustments. . . . .	(84)	(108)	(55)
Net guaranteed benefit hedging gains (losses) and related charges and adjustments. . . . .	46	4	(69)
Income (loss) related to businesses exited through reinsurance or divestment . . . . .	(45)	(14)	(169)
Income (loss) attributable to noncontrolling interest . . . . .	200	29	130
Loss related to early extinguishment of debt . . . . .	(4)	(104)	(10)
Immediate recognition of net actuarial gains (losses) related to pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments. . . . .	(16)	(55)	63
Other adjustments . . . . .	(97)	(71)	(58)
Total adjustments to income (loss) from continuing operations . . . . .	—	(319)	(168)
Adjusted operating earnings before income taxes by segment:			
Retirement . . . . .	\$ 456	\$ 450	\$ 471
Investment Management . . . . .	248	171	182
Individual Life . . . . .	92	59	173
Employee Benefits . . . . .	127	126	146
Corporate <sup>(1)</sup> . . . . .	(395)	(477)	(328)
Total . . . . .	\$ 528	\$ 329	\$ 644

<sup>(1)</sup> Adjusted operating earnings before income taxes for Corporate includes Net investment gains (losses) and Net guaranteed benefit hedging gains (losses) associated with the Retained Business. These amounts are insignificant and do not distort the ability to make a meaningful evaluation of the trends of Corporate activities.

*Adjusted operating revenues* is a measure of the Company's segment revenues. Each segment's Adjusted operating revenues are calculated by adjusting Total revenues to exclude the following items:

- Net investment gains (losses) and related charges and adjustments, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. Net investment gains (losses) 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 are net of related amortization of unearned revenue;
- Gain (loss) on change in fair value of derivatives related to guaranteed benefits, which is significantly influenced by economic and market conditions and not indicative of normal operations, includes 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 Adjusted operating revenues, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from Adjusted operating revenues, including the impacts related to changes in the Company's nonperformance spread;

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- Revenues related to businesses exited through reinsurance or divestment that do not qualify as discontinued operations, which includes revenues associated with transactions to exit blocks of business (including net investment gains (losses) on securities sold related to these transactions) and residual run-off activity; these gains and (losses) are often related to infrequent events and do not reflect performance of operating segments. Excluding this activity better reveals trends in the Company's core business, which would be obscured by including the effects of business exited, and more closely aligns Operating revenues with how the Company manages its segments;
- Revenues attributable to noncontrolling interest, which represents the interests of shareholders, other than the Company, in consolidated entities. Revenues attributable to noncontrolling interest represents such shareholders' interests in the gains and losses of those entities, or the attribution of results from consolidated VIEs or VEOs to which the Company is not economically entitled; and
- Other adjustments to Total revenues primarily reflect fee income earned by the Company's broker-dealers for sales of non-proprietary products, which are reflected net of commission expense in the Company's segments' operating revenues, other items where the income is passed on to third parties and the elimination of intercompany investment expenses included in operating revenues.

The summary below reconciles Adjusted operating revenues for the segments to Total revenues for the periods indicated:

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total revenues .....	\$ 8,618	\$ 8,788	\$ 8,716
Adjustments:			
Net realized investment gains (losses) and related charges and adjustments .....	(100)	(112)	(121)
Gain (loss) on change in fair value of derivatives related to guaranteed benefits .....	52	9	(63)
Revenues related to businesses exited through reinsurance or divestment .....	122	96	26
Revenues attributable to noncontrolling interest .....	286	133	414
Other adjustments .....	212	183	223
Total adjustments to revenues .....	572	309	479
Adjusted operating revenues by segment:			
Retirement .....	\$ 2,538	\$ 3,257	\$ 2,994
Investment Management .....	731	627	622
Individual Life .....	2,563	2,528	2,617
Employee Benefits .....	1,767	1,616	1,507
Corporate <sup>(1)</sup> .....	447	451	497
Total .....	<u>\$ 8,046</u>	<u>\$ 8,479</u>	<u>\$ 8,237</u>

<sup>(1)</sup> Adjusted operating revenues for Corporate includes Net investment gains (losses) and Gains (losses) on change in fair value of derivatives related to guaranteed benefits associated with the Retained Business. These amounts are insignificant and do not distort the ability to make a meaningful evaluation of the trends of Corporate activities.

**Other Segment Information**

The Investment Management segment revenues include the following intersegment revenues, primarily consisting of asset-based management and administration fees for the periods indicated:

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Investment management intersegment revenues .....	\$ 118	\$ 114	\$ 110

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The summary below presents Total assets for the Company's segments as of the dates indicated:

	December 31, 2017	December 31, 2016
Retirement . . . . .	\$ 111,476	\$ 100,104
Investment Management . . . . .	626	513
Individual Life . . . . .	27,301	26,851
Employee Benefits . . . . .	2,657	2,549
Corporate . . . . .	18,685	18,391
Total assets, before consolidation <sup>(1)</sup> . . . . .	<u>160,745</u>	<u>148,408</u>
Consolidation of investment entities . . . . .	<u>2,735</u>	<u>3,468</u>
Total assets, excluding assets held for sale . . . . .	<u>163,480</u>	<u>151,876</u>
Assets held for sale . . . . .	<u>59,052</u>	<u>62,709</u>
Total assets . . . . .	<u>\$ 222,532</u>	<u>\$ 214,585</u>

<sup>(1)</sup>Total assets, before consolidation includes the Company's direct investments in CIEs prior to consolidation, which are accounted for using the equity method or fair value option.

**23. Condensed Consolidating Financial Information**

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered" ("Rule 3-10"). The condensed consolidating financial information presents the financial position of Voya Financial, Inc. ("Parent Issuer"), Voya Holdings ("Subsidiary Guarantor") and all other subsidiaries ("Non-Guarantor Subsidiaries") of the Company as of December 31, 2017 and 2016, and their results of operations, comprehensive income and cash flows for the years ended December 31, 2017, 2016 and 2015.

The 5.5% senior notes due 2022, the 2.9% senior notes due 2018, the 5.7% senior notes due 2043, the 3.65% senior notes due 2026, the 4.8% senior notes due 2046, the 3.125% senior notes due 2024 (collectively, the "Senior Notes") and the 5.65% fixed-to-floating rate junior subordinated notes due 2053 (the "Junior Subordinated Notes"), each issued by Parent Issuer, are fully and unconditionally guaranteed by Subsidiary Guarantor, a 100% owned subsidiary of Parent Issuer. No other subsidiary of Parent Issuer guarantees the Senior Notes or the Junior Subordinated Notes. Rule 3-10(h) provides that a guarantee is full and unconditional if, when the issuer of a guaranteed security has failed to make a scheduled payment, the guarantor is obligated to make the scheduled payment immediately and, if it does not, any holder of the guaranteed security may immediately bring suit directly against the guarantor for payment of amounts due and payable. In the event that Parent Issuer does not fulfill the guaranteed obligations, any holder of the Senior Notes or the Junior Subordinated Notes may immediately bring a claim against Subsidiary Guarantor for amounts due and payable.

The following condensed consolidating financial information is presented in conformance with the components of the Consolidated Financial Statements. Investments in subsidiaries are accounted for using the equity method for purposes of illustrating the consolidating presentation. Equity in the subsidiaries is therefore reflected in the Parent Issuer's and Subsidiary Guarantor's Investment in subsidiaries and Equity in earnings of subsidiaries. Non-Guarantor Subsidiaries represent all other subsidiaries on a combined basis. The consolidating adjustments presented herein eliminate investments in subsidiaries and intercompany balances and transactions.

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**Condensed Consolidating Balance Sheet**  
**December 31, 2017**

	<u>Parent Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated</u>
<b>Assets:</b>					
<b>Investments:</b>					
Fixed maturities, available-for-sale, at fair value. . . . .	\$ —	\$ —	\$ 48,344	\$ (15)	\$ 48,329
Fixed maturities, at fair value using the fair value option . . . . .	—	—	3,018	—	3,018
Equity securities, available-for-sale, at fair value. . . . .	115	—	265	—	380
Short-term investments. . . . .	212	—	259	—	471
Mortgage loans on real estate, net of valuation allowance . . . . .	—	—	8,686	—	8,686
Policy loans . . . . .	—	—	1,888	—	1,888
Limited partnerships/corporations . . . . .	—	—	784	—	784
Derivatives . . . . .	49	—	445	(97)	397
Investments in subsidiaries. . . . .	12,293	7,618	—	(19,911)	—
Other investments. . . . .	—	1	46	—	47
Securities pledged. . . . .	—	—	2,087	—	2,087
<b>Total investments . . . . .</b>	<b>12,669</b>	<b>7,619</b>	<b>65,822</b>	<b>(20,023)</b>	<b>66,087</b>
Cash and cash equivalents. . . . .	244	1	973	—	1,218
Short-term investments under securities loan agreements, including collateral delivered . . . . .	11	—	1,615	—	1,626
Accrued investment income . . . . .	—	—	667	—	667
Premium receivable and reinsurance recoverable . . . . .	—	—	7,632	—	7,632
Deferred policy acquisition costs and Value of business acquired . . . . .	—	—	3,374	—	3,374
Current income taxes . . . . .	—	6	(2)	—	4
Deferred income taxes . . . . .	406	22	353	—	781
Loans to subsidiaries and affiliates. . . . .	191	—	418	(609)	—
Due from subsidiaries and affiliates . . . . .	2	—	3	(5)	—
Other assets . . . . .	16	—	1,294	—	1,310
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value. . . . .	—	—	1,795	—	1,795
Cash and cash equivalents . . . . .	—	—	217	—	217
Corporate loans, at fair value using the fair value option. . . . .	—	—	1,089	—	1,089
Other assets. . . . .	—	—	75	—	75
Assets held in separate accounts. . . . .	—	—	77,605	—	77,605
Assets held for sale . . . . .	—	—	59,052	—	59,052
<b>Total assets . . . . .</b>	<b>\$ 13,539</b>	<b>\$ 7,648</b>	<b>\$ 221,982</b>	<b>\$ (20,637)</b>	<b>\$ 222,532</b>

Voya Financial, Inc.

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(Dollar amounts in millions, unless otherwise stated)

**Condensed Consolidating Balance Sheet (Continued)**  
December 31, 2017

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Liabilities and Shareholders' Equity:</b>					
Future policy benefits . . . . .	\$ —	\$ —	\$ 15,647	\$ —	\$ 15,647
Contract owner account balances . . . . .	—	—	50,158	—	50,158
Payables under securities loan agreement, including collateral held . . . . .	—	—	1,866	—	1,866
Short-term debt . . . . .	755	68	123	(609)	337
Long-term debt . . . . .	2,681	438	19	(15)	3,123
Derivatives . . . . .	49	—	197	(97)	149
Pension and other postretirement provisions . . . . .	—	—	550	—	550
Due to subsidiaries and affiliates . . . . .	1	—	2	(3)	—
Other liabilities . . . . .	44	12	2,022	(2)	2,076
Liabilities related to consolidated investment entities:					
Collateralized loan obligations notes, at fair value using the fair value option . . . . .	—	—	1,047	—	1,047
Other liabilities . . . . .	—	—	658	—	658
Liabilities related to separate accounts . . . . .	—	—	77,605	—	77,605
Liabilities held for sale . . . . .	—	—	58,277	—	58,277
<b>Total liabilities . . . . .</b>	<b>3,530</b>	<b>518</b>	<b>208,171</b>	<b>(726)</b>	<b>211,493</b>
<b>Shareholders' equity:</b>					
Total Voya Financial, Inc. shareholders' equity . . . . .	10,009	7,130	12,781	(19,911)	10,009
Noncontrolling interest . . . . .	—	—	1,030	—	1,030
<b>Total shareholders' equity . . . . .</b>	<b>10,009</b>	<b>7,130</b>	<b>13,811</b>	<b>(19,911)</b>	<b>11,039</b>
<b>Total liabilities and shareholders' equity . . . . .</b>	<b>\$ 13,539</b>	<b>\$ 7,648</b>	<b>\$ 221,982</b>	<b>\$ (20,637)</b>	<b>\$ 222,532</b>

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**Condensed Consolidating Balance Sheet**  
**December 31, 2016**

	<u>Parent Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated</u>
<b>Assets:</b>					
<b>Investments:</b>					
Fixed maturities, available-for-sale, at fair value. . . . .	\$ —	\$ —	\$ 47,409	\$ (15)	\$ 47,394
Fixed maturities, at fair value using the fair value option . . . . .	—	—	3,065	—	3,065
Equity securities, available-for-sale, at fair value. . . . .	93	—	165	—	258
Short-term investments. . . . .	212	—	179	—	391
Mortgage loans on real estate, net of valuation allowance . . . . .	—	—	8,003	—	8,003
Policy loans . . . . .	—	—	1,943	—	1,943
Limited partnerships/corporations . . . . .	—	—	536	—	536
Derivatives . . . . .	56	—	793	(112)	737
Investments in subsidiaries. . . . .	14,743	10,798	—	(25,541)	—
Other investments. . . . .	—	1	46	—	47
Securities pledged. . . . .	—	—	1,409	—	1,409
<b>Total investments . . . . .</b>	<b>15,104</b>	<b>10,799</b>	<b>63,548</b>	<b>(25,668)</b>	<b>63,783</b>
Cash and cash equivalents. . . . .	257	2	1,837	—	2,096
Short-term investments under securities loan agreements, including collateral delivered . . . . .	11	—	575	—	586
Accrued investment income . . . . .	—	—	666	—	666
Premium receivable and reinsurance recoverable . . . . .	—	—	7,287	—	7,287
Deferred policy acquisition costs and Value of business acquired . . . . .	—	—	3,997	—	3,997
Current income taxes . . . . .	31	9	124	—	164
Deferred income taxes . . . . .	527	37	1,006	—	1,570
Loans to subsidiaries and affiliates. . . . .	278	—	11	(289)	—
Due from subsidiaries and affiliates. . . . .	3	—	2	(5)	—
Other assets . . . . .	21	—	1,465	—	1,486
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value. . . . .	—	—	1,936	—	1,936
Cash and cash equivalents . . . . .	—	—	133	—	133
Corporate loans, at fair value using the fair value option . . . . .	—	—	1,953	—	1,953
Other assets. . . . .	—	—	34	—	34
Assets held in separate accounts. . . . .	—	—	66,185	—	66,185
Assets held for sale . . . . .	—	—	62,709	—	62,709
<b>Total assets . . . . .</b>	<b>\$ 16,232</b>	<b>\$ 10,847</b>	<b>\$ 213,468</b>	<b>\$ (25,962)</b>	<b>\$ 214,585</b>

**Voya Financial, Inc.**

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**Condensed Consolidating Balance Sheet (Continued)**  
**December 31, 2016**

	<u>Parent Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated</u>
<b>Liabilities and Shareholders' Equity:</b>					
Future policy benefits . . . . .	\$ —	\$ —	\$ 14,575	\$ —	\$ 14,575
Contract owner account balances . . . . .	—	—	50,273	—	50,273
Payables under securities loan agreement, including collateral held . . . . .	—	—	969	—	969
Short-term debt . . . . .	11	211	67	(289)	—
Long-term debt . . . . .	3,108	437	20	(15)	3,550
Derivatives . . . . .	56	—	353	(112)	297
Pension and other postretirement provisions . . . . .	—	—	674	—	674
Due to subsidiaries and affiliates . . . . .	—	—	3	(3)	—
Other liabilities . . . . .	62	13	1,950	(2)	2,023
Liabilities related to consolidated investment entities:					
Collateralized loan obligations notes, at fair value using the fair value option . . . . .	—	—	1,967	—	1,967
Other liabilities . . . . .	—	—	528	—	528
Liabilities related to separate accounts . . . . .	—	—	66,185	—	66,185
Liabilities held for sale . . . . .	—	—	59,576	—	59,576
<b>Total liabilities . . . . .</b>	<b>3,237</b>	<b>661</b>	<b>197,140</b>	<b>(421)</b>	<b>200,617</b>
Shareholders' equity:					
Total Voya Financial, Inc. shareholders' equity . . . . .	12,995	10,186	15,355	(25,541)	12,995
Noncontrolling interest . . . . .	—	—	973	—	973
<b>Total shareholders' equity . . . . .</b>	<b>12,995</b>	<b>10,186</b>	<b>16,328</b>	<b>(25,541)</b>	<b>13,968</b>
<b>Total liabilities and shareholders' equity . . . . .</b>	<b>\$ 16,232</b>	<b>\$ 10,847</b>	<b>\$ 213,468</b>	<b>\$ (25,962)</b>	<b>\$ 214,585</b>

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

**Condensed Consolidating Statement of Operations**  
**For the Year Ended December 31, 2017**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Revenues:</b>					
Net investment income . . . . .	\$ 33	\$ —	\$ 3,274	\$ (13)	\$ 3,294
Fee income . . . . .	—	—	2,627	—	2,627
Premiums . . . . .	—	—	2,121	—	2,121
Net realized capital gains (losses):					
Total other-than-temporary impairments . . . . .	—	—	(30)	—	(30)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss) . . . . .	—	—	(9)	—	(9)
Net other-than-temporary impairments recognized in earnings . . . . .	—	—	(21)	—	(21)
Other net realized capital gains (losses) . . . . .	—	—	(206)	—	(206)
Total net realized capital gains (losses) . . . . .	—	—	(227)	—	(227)
Other revenue . . . . .	8	1	362	—	371
Income (loss) related to consolidated investment entities:					
Net investment income . . . . .	—	—	432	—	432
Total revenues . . . . .	<u>41</u>	<u>1</u>	<u>8,589</u>	<u>(13)</u>	<u>8,618</u>
<b>Benefits and expenses:</b>					
Policyholder benefits . . . . .	—	—	3,030	—	3,030
Interest credited to contract owner account balances . . . . .	—	—	1,606	—	1,606
Operating expenses . . . . .	9	—	2,645	—	2,654
Net amortization of Deferred policy acquisition costs and Value of business acquired . . . . .	—	—	529	—	529
Interest expense . . . . .	155	37	5	(13)	184
Operating expenses related to consolidated investment entities:					
Interest expense . . . . .	—	—	80	—	80
Other expense . . . . .	—	—	7	—	7
Total benefits and expenses . . . . .	<u>164</u>	<u>37</u>	<u>7,902</u>	<u>(13)</u>	<u>8,090</u>
Income (loss) from continuing operations before income taxes . . . . .	(123)	(36)	687	—	528
Income tax expense (benefit) . . . . .	113	3	624	—	740
Income (loss) from continuing operations . . . . .	<u>(236)</u>	<u>(39)</u>	<u>63</u>	<u>—</u>	<u>(212)</u>
Income (loss) from discontinued operations, net of tax . . . . .	—	—	(2,580)	—	(2,580)
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates . . . . .	(236)	(39)	(2,517)	—	(2,792)
Equity in earnings (losses) of subsidiaries, net of tax . . . . .	<u>(2,756)</u>	<u>(2,623)</u>	<u>—</u>	<u>5,379</u>	<u>—</u>
Net income (loss) including noncontrolling interest . . . . .	<u>(2,992)</u>	<u>(2,662)</u>	<u>(2,517)</u>	<u>5,379</u>	<u>(2,792)</u>
Less: Net income (loss) attributable to noncontrolling interest . . . . .	—	—	200	—	200
Net income (loss) available to Voya Financial, Inc.'s common shareholders . . . . .	<u>\$ (2,992)</u>	<u>\$ (2,662)</u>	<u>\$ (2,717)</u>	<u>\$ 5,379</u>	<u>\$ (2,992)</u>

**Voya Financial, Inc.**
**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

**Condensed Consolidating Statement of Operations  
For the Year Ended December 31, 2016**

	<u>Parent Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated</u>
<b>Revenues:</b>					
Net investment income	\$ 19	\$ —	\$ 3,347	\$ (12)	\$ 3,354
Fee income	—	—	2,471	—	2,471
Premiums	—	—	2,795	—	2,795
Net realized capital gains (losses):					
Total other-than-temporary impairments	—	—	(32)	—	(32)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	—	2	—	2
Net other-than-temporary impairments recognized in earnings	—	—	(34)	—	(34)
Other net realized capital gains (losses)	1	—	(330)	—	(329)
Total net realized capital gains (losses)	1	—	(364)	—	(363)
Other revenue	1	—	341	—	342
Income (loss) related to consolidated investment entities:					
Net investment income	—	—	189	—	189
Total revenues	21	—	8,779	(12)	8,788
<b>Benefits and expenses:</b>					
Policyholder benefits	—	—	3,710	—	3,710
Interest credited to contract owner account balances	—	—	1,604	—	1,604
Operating expenses	9	—	2,646	—	2,655
Net amortization of Deferred policy acquisition costs and Value of business acquired	—	—	415	—	415
Interest expense	238	57	5	(12)	288
Operating expenses related to consolidated investment entities:					
Interest expense	—	—	102	—	102
Other expense	—	—	4	—	4
Total benefits and expenses	247	57	8,486	(12)	8,778
Income (loss) from continuing operations before income taxes	(226)	(57)	293	—	10
Income tax expense (benefit)	(90)	(26)	70	17	(29)
Income (loss) from continuing operations	(136)	(31)	223	(17)	39
Income (loss) from discontinued operations, net of tax	—	—	(337)	—	(337)
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates	(136)	(31)	(114)	(17)	(298)
Equity in earnings (losses) of subsidiaries, net of tax	(191)	317	—	(126)	—
Net income (loss) including noncontrolling interest	(327)	286	(114)	(143)	(298)
Less: Net income (loss) attributable to noncontrolling interest	—	—	29	—	29
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$ (327)	\$ 286	\$ (143)	\$ (143)	\$ (327)

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

**Condensed Consolidating Statement of Operations**  
**For the Year Ended December 31, 2015**

	<u>Parent Issuer</u>	<u>Subsidiary Guarantor</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Consolidating Adjustments</u>	<u>Consolidated</u>
<b>Revenues:</b>					
Net investment income . . . . .	\$ 4	\$ —	\$ 3,348	\$ (9)	\$ 3,343
Fee income . . . . .	—	—	2,470	—	2,470
Premiums . . . . .	—	—	2,554	—	2,554
Net realized capital gains (losses):					
Total other-than-temporary impairments . . . . .	—	—	(78)	—	(78)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss) . . . . .	—	—	5	—	5
Net other-than-temporary impairments recognized in earnings . . . . .	—	—	(83)	—	(83)
Other net realized capital gains (losses) . . . . .	(2)	—	(475)	—	(477)
Total net realized capital gains (losses) . . . . .	(2)	—	(558)	—	(560)
Other revenue . . . . .	3	—	385	(3)	385
Income (loss) related to consolidated investment entities:					
Net investment income . . . . .	—	—	551	—	551
Changes in fair value related to collateralized loan obligations . . . . .	—	—	(27)	—	(27)
Total revenues . . . . .	<u>5</u>	<u>—</u>	<u>8,723</u>	<u>(12)</u>	<u>8,716</u>
<b>Benefits and expenses:</b>					
Policyholder benefits . . . . .	—	—	3,161	—	3,161
Interest credited to contract owner account balances . . . . .	—	—	1,537	—	1,537
Operating expenses . . . . .	10	(1)	2,678	(3)	2,684
Net amortization of Deferred policy acquisition costs and Value of business acquired . . . . .	—	—	377	—	377
Interest expense . . . . .	150	51	5	(9)	197
Operating expenses related to consolidated investment entities:					
Interest expense . . . . .	—	—	272	—	272
Other expense . . . . .	—	—	12	—	12
Total benefits and expenses . . . . .	<u>160</u>	<u>50</u>	<u>8,042</u>	<u>(12)</u>	<u>8,240</u>
Income (loss) from continuing operations before income taxes . . . . .	(155)	(50)	681	—	476
Income tax expense (benefit) . . . . .	(52)	—	157	(21)	84
Income (loss) from continuing operations . . . . .	(103)	(50)	524	21	392
Income (loss) from discontinued operations, net of tax . . . . .	—	—	146	—	146
Net income (loss) before equity in earnings (losses) of unconsolidated affiliates . . . . .	(103)	(50)	670	21	538
Equity in earnings (losses) of subsidiaries, net of tax . . . . .	511	257	—	(768)	—
Net income (loss) including noncontrolling interest . . . . .	408	207	670	(747)	538
Less: Net income (loss) attributable to noncontrolling interest . . . . .	—	—	130	—	130
Net income (loss) available to Voya Financial, Inc.'s common shareholders . . . . .	<u>\$ 408</u>	<u>\$ 207</u>	<u>\$ 540</u>	<u>\$ (747)</u>	<u>\$ 408</u>

**Voya Financial, Inc.**
**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

**Condensed Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2017**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest . . . . .	\$ (2,992)	\$ (2,662)	\$ (2,517)	\$ 5,379	\$ (2,792)
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities . . . . .	1,191	813	1,191	(2,004)	1,191
Other-than-temporary impairments . . . . .	(2)	(5)	(2)	7	(2)
Pension and other postretirement benefits liability . . . . .	(15)	(3)	(15)	18	(15)
Other comprehensive income (loss), before tax . . . . .	1,174	805	1,174	(1,979)	1,174
Income tax expense (benefit) related to items of other comprehensive income (loss) . . . . .	364	258	364	(622)	364
Other comprehensive income (loss), after tax . . . . .	810	547	810	(1,357)	810
Comprehensive income (loss) . . . . .	(2,182)	(2,115)	(1,707)	4,022	(1,982)
Less: Comprehensive income (loss) attributable to noncontrolling interest . . . . .	—	—	200	—	200
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders . . . . .	\$ (2,182)	\$ (2,115)	\$ (1,907)	\$ 4,022	\$ (2,182)

**Condensed Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2016**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Net income (loss) including noncontrolling interest . . . . .	\$ (327)	\$ 286	\$ (114)	\$ (143)	\$ (298)
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities . . . . .	749	593	749	(1,342)	749
Other-than-temporary impairments . . . . .	24	20	24	(44)	24
Pension and other postretirement benefits liability . . . . .	(10)	(2)	(10)	12	(10)
Other comprehensive income (loss), before tax . . . . .	763	611	763	(1,374)	763
Income tax expense (benefit) related to items of other comprehensive income (loss) . . . . .	267	214	284	(498)	267
Other comprehensive income (loss), after tax . . . . .	496	397	479	(876)	496
Comprehensive income (loss) . . . . .	169	683	365	(1,019)	198
Less: Comprehensive income (loss) attributable to noncontrolling interest . . . . .	—	—	29	—	29
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders . . . . .	\$ 169	\$ 683	\$ 336	\$ (1,019)	\$ 169

**Voya Financial, Inc.**

**Notes to the Consolidated Financial Statements**

(Dollar amounts in millions, unless otherwise stated)

**Condensed Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2015**

	<b>Parent Issuer</b>	<b>Subsidiary Guarantor</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Consolidated</b>
Net income (loss) including noncontrolling interest.....	\$ 408	\$ 207	\$ 670	\$ (747)	\$ 538
Other comprehensive income (loss), before tax:					
Unrealized gains (losses) on securities .....	(2,581)	(1,875)	(2,581)	4,456	(2,581)
Other-than-temporary impairments .....	19	13	19	(32)	19
Pension and other postretirement benefits liability .....	(14)	(3)	(14)	17	(14)
Other comprehensive income (loss), before tax .....	(2,576)	(1,865)	(2,576)	4,441	(2,576)
Income tax expense (benefit) related to items of other comprehensive income (loss).....	(897)	(648)	(898)	1,546	(897)
Other comprehensive income (loss), after tax .....	(1,679)	(1,217)	(1,678)	2,895	(1,679)
Comprehensive income (loss) .....	(1,271)	(1,010)	(1,008)	2,148	(1,141)
Less: Comprehensive income (loss) attributable to noncontrolling interest .....	—	—	130	—	130
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders .....	<u>\$ (1,271)</u>	<u>\$ (1,010)</u>	<u>\$ (1,138)</u>	<u>\$ 2,148</u>	<u>\$ (1,271)</u>

**Condensed Consolidating Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Net cash provided by (used in)</b>					
<b>operating activities</b> .....	\$ (22)	\$ 138	\$ 1,694	\$ (232)	\$ 1,578
<b>Cash Flows from Investing Activities:</b>					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities .....	—	—	8,325	—	8,325
Equity securities, available-for-sale ...	25	—	29	—	54
Mortgage loans on real estate .....	—	—	955	—	955
Limited partnerships/corporations. ....	—	—	236	—	236
Acquisition of:					
Fixed maturities .....	—	—	(8,719)	—	(8,719)
Equity securities, available-for-sale ...	(34)	—	(13)	—	(47)
Mortgage loans on real estate .....	—	—	(1,638)	—	(1,638)
Limited partnerships/corporations. ....	—	—	(332)	—	(332)
Short-term investments, net .....	—	—	(80)	—	(80)
Derivatives, net .....	—	—	213	—	213
Sales from consolidated investment entities .....	—	—	2,047	—	2,047
Purchases within consolidated investment entities .....	—	—	(2,036)	—	(2,036)
Issuance of intercompany loans with maturities more than three months ....	(34)	—	—	34	—
Maturity of intercompany loans with maturities more than three months ....	34	—	—	(34)	—
Maturity (issuance) of short-term intercompany loans, net .....	87	—	(408)	321	—
Return of capital contributions and dividends from subsidiaries .....	1,020	1,024	—	(2,044)	—
Capital contributions to subsidiaries ....	(467)	(47)	—	514	—
Collateral (delivered) received, net .....	—	—	(148)	—	(148)
Other, net .....	—	—	3	—	3
Net cash provided by (used in) investing activities - discontinued operations ...	—	—	(1,261)	—	(1,261)
<b>Net cash provided by (used in) investing activities</b> .....	<b>631</b>	<b>977</b>	<b>(2,827)</b>	<b>(1,209)</b>	<b>(2,428)</b>

**Condensed Consolidating Statement of Cash Flows (Continued)**  
**For the Year Ended December 31, 2017**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Cash Flows from Financing Activities:</b>					
Deposits received for investment contracts . . . . .	—	—	5,061	—	5,061
Maturities and withdrawals from investment contracts . . . . .	—	—	(5,372)	—	(5,372)
Proceeds from issuance of debt with maturities of more than three months . . . . .	399	—	—	—	399
Repayment of debt with maturities of more than three months . . . . .	(490)	—	—	—	(490)
Debt issuance costs . . . . .	(3)	—	—	—	(3)
Proceeds of intercompany loans with maturities of more than three months . . . . .	—	—	34	(34)	—
Repayments of intercompany loans with maturities of more than three months . . . . .	—	—	(34)	34	—
Net (repayments of) proceeds from short-term intercompany loans . . . . .	408	(143)	56	(321)	—
Return of capital contributions and dividends to parent . . . . .	—	(1,020)	(1,256)	2,276	—
Contributions of capital from parent . . . . .	—	47	467	(514)	—
Borrowings of consolidated investment entities . . . . .	—	—	967	—	967
Repayments of borrowings of consolidated investment entities . . . . .	—	—	(804)	—	(804)
Contributions from (distributions to) participants in consolidated investment entities . . . . .	—	—	449	—	449
Proceeds from issuance of common stock, net . . . . .	3	—	—	—	3
Share-based compensation . . . . .	(8)	—	—	—	(8)
Common stock acquired - Share repurchase . . . . .	(923)	—	—	—	(923)
Dividends paid . . . . .	(8)	—	—	—	(8)
Net cash provided by (used in) financing activities - discontinued operations . . . . .	—	—	384	—	384
<b>Net cash provided by (used in) financing activities . . . . .</b>	<b>(622)</b>	<b>(1,116)</b>	<b>(48)</b>	<b>1,441</b>	<b>(345)</b>
Net increase (decrease) in cash and cash equivalents . . . . .	(13)	(1)	(1,181)	—	(1,195)
Cash and cash equivalents, beginning of period . . . . .	257	2	2,652	—	2,911
Cash and cash equivalents, end of period . . . . .	244	1	1,471	—	1,716
Less: Cash and cash equivalents of discontinued operations, end of period . . . . .	—	—	498	—	498
Cash and cash equivalents of continuing operations, end of period . . . . .	<u>\$ 244</u>	<u>\$ 1</u>	<u>\$ 973</u>	<u>\$ —</u>	<u>\$ 1,218</u>

**Condensed Consolidating Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Net cash provided by (used in)</b>					
<b>operating activities</b> .....	\$ (308)	\$ 173	\$ 3,996	\$ (270)	\$ 3,591
<b>Cash Flows from Investing Activities:</b>					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities .....	—	—	8,112	—	8,112
Equity securities, available-for-sale . . .	18	—	86	—	104
Mortgage loans on real estate .....	—	—	747	—	747
Limited partnerships/corporations, . . . .	—	—	306	—	306
Acquisition of:					
Fixed maturities .....	—	—	(9,839)	—	(9,839)
Equity securities, available-for-sale . . .	(23)	—	(24)	—	(47)
Mortgage loans on real estate .....	—	—	(1,481)	—	(1,481)
Limited partnerships/corporations, . . . .	—	—	(367)	—	(367)
Short-term investments, net .....	—	—	31	—	31
Derivatives, net .....	1	—	(25)	—	(24)
Sales from consolidated investments entities .....	—	—	2,304	—	2,304
Purchases within consolidated investment entities .....	—	—	(1,727)	—	(1,727)
Maturity (issuance) of short-term intercompany loans, net .....	52	—	(11)	(41)	—
Return of capital contributions and dividends from subsidiaries .....	922	760	—	(1,682)	—
Capital contributions to subsidiaries . . . .	(215)	(64)	—	279	—
Collateral (delivered) received, net . . . .	—	—	(22)	—	(22)
Other, net .....	—	—	20	—	20
Net cash provided by (used in) investing activities - discontinued operations . . .	—	—	(1,800)	—	(1,800)
<b>Net cash provided by (used in) investing activities</b> .....	755	696	(3,690)	(1,444)	(3,683)

**Condensed Consolidating Statement of Cash Flows (Continued)**  
**For the Year Ended December 31, 2016**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Cash Flows from Financing Activities:</b>					
Deposits received for investment contracts . . . . .	—	—	5,891	—	5,891
Maturities and withdrawals from investment contracts . . . . .	—	—	(5,412)	—	(5,412)
Proceeds from issuance of debt with maturities of more than three months . .	798	—	—	—	798
Repayment of debt with maturities of more than three months . . . . .	(660)	(48)	—	—	(708)
Debt issuance costs . . . . .	(16)	—	—	—	(16)
Net (repayments of) proceeds from short-term intercompany loans . . . . .	11	5	(57)	41	—
Return of capital contributions and dividends to parent . . . . .	—	(892)	(1,060)	1,952	—
Contributions of capital from parent . . . . .	—	50	229	(279)	—
Borrowings of consolidated investment entities . . . . .	—	—	126	—	126
Repayments of borrowings of consolidated investment entities . . . . .	—	—	(455)	—	(455)
Contributions from (distributions to) participants in consolidated investment entities . . . . .	—	—	51	—	51
Proceeds from issuance of common stock, net . . . . .	1	—	—	—	1
Share-based compensation . . . . .	(7)	—	—	—	(7)
Common stock acquired - Share repurchase . . . . .	(687)	—	—	—	(687)
Dividends paid . . . . .	(8)	—	—	—	(8)
Net cash provided by (used in) financing activities - discontinued operations . .	—	—	916	—	916
<b>Net cash provided by (used in) financing activities . . . . .</b>	<b>(568)</b>	<b>(885)</b>	<b>229</b>	<b>1,714</b>	<b>490</b>
Net increase (decrease) in cash and cash equivalents . . . . .	(121)	(16)	535	—	398
Cash and cash equivalents, beginning of period . . . . .	378	18	2,117	—	2,513
Cash and cash equivalents, end of period . . . . .	257	2	2,652	—	2,911
Less: Cash and cash equivalents of discontinued operations, end of period . . . . .	—	—	815	—	815
Cash and cash equivalents of continuing operations, end of period . . . . .	<u>\$ 257</u>	<u>\$ 2</u>	<u>\$ 1,837</u>	<u>\$ —</u>	<u>\$ 2,096</u>

**Condensed Consolidating Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
<b>Net cash provided by (used in) operating activities</b>	\$ 130	\$ 260	\$ 3,375	\$ (517)	\$ 3,248
<b>Cash Flows from Investing Activities:</b>					
Proceeds from the sale, maturity, disposal or redemption of:					
Fixed maturities	—	—	8,327	—	8,327
Equity securities, available-for-sale	24	—	52	—	76
Mortgage loans on real estate	—	—	1,088	—	1,088
Limited partnerships/corporations	—	—	258	—	258
Acquisition of:					
Fixed maturities	—	—	(8,759)	—	(8,759)
Equity securities, available-for-sale	(31)	—	(106)	—	(137)
Mortgage loans on real estate	—	—	(1,381)	—	(1,381)
Limited partnerships/corporations	—	—	(417)	—	(417)
Short-term investments, net	(212)	—	680	—	468
Derivatives, net	(33)	—	(108)	—	(141)
Sales from consolidated investment entities	—	—	5,432	—	5,432
Purchases within consolidated investment entities	—	—	(7,521)	—	(7,521)
Maturity of intercompany loans with maturities more than three months	1	—	—	(1)	—
Maturity (issuance) of short-term intercompany loans, net	(162)	—	—	162	—
Return of capital contributions and dividends from subsidiaries	1,467	1,198	—	(2,665)	—
Capital contributions to subsidiaries	—	(15)	—	15	—
Collateral (delivered) received, net	20	—	19	—	39
Other, net	—	14	43	—	57
Net cash provided by (used in) investing activities - discontinued operations	—	—	(1,663)	—	(1,663)
<b>Net cash provided by (used in) investing activities</b>	<b>1,074</b>	<b>1,197</b>	<b>(4,056)</b>	<b>(2,489)</b>	<b>(4,274)</b>

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

**Condensed Consolidating Statement of Cash Flows (Continued)**  
**For the Year Ended December 31, 2015**

	<b>Parent Issuer</b>	<b>Subsidiary Guarantor</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Consolidating Adjustments</b>	<b>Consolidated</b>
<b>Cash Flows from Financing Activities:</b>					
Deposits received for investment contracts . . . . .	—	—	5,298	—	5,298
Maturities and withdrawals from investment contracts . . . . .	—	—	(4,587)	—	(4,587)
Repayment of debt with maturities of more than three months . . . . .	—	(31)	—	—	(31)
Debt issuance costs . . . . .	(7)	—	—	—	(7)
Intercompany loans with maturities of more than three months . . . . .	—	—	(1)	1	—
Net (repayments of) proceeds from short-term intercompany loans . . . . .	—	57	105	(162)	—
Return of capital contributions and dividends to parent . . . . .	—	(1,467)	(1,715)	3,182	—
Contributions of capital from parent . . . . .	—	—	15	(15)	—
Borrowings of consolidated investment entities . . . . .	—	—	1,373	—	1,373
Repayments of borrowings of consolidated investment entities . . . . .	—	—	(479)	—	(479)
Contributions from (distributions to) participants in consolidated investment entities . . . . .	—	—	662	—	662
Share-based compensation . . . . .	(5)	—	—	—	(5)
Common stock acquired - Share repurchase . . . . .	(1,487)	—	—	—	(1,487)
Dividends paid . . . . .	(9)	—	—	—	(9)
Net cash provided by (used in) financing activities - discontinued operations . . . . .	—	—	280	—	280
<b>Net cash provided by (used in) financing activities . . . . .</b>	<b>(1,508)</b>	<b>(1,441)</b>	<b>951</b>	<b>3,006</b>	<b>1,008</b>
Net increase (decrease) in cash and cash equivalents . . . . .	(304)	16	270	—	(18)
Cash and cash equivalents, beginning of period . . . . .	682	2	1,847	—	2,531
Cash and cash equivalents, end of period . . . . .	378	18	2,117	—	2,513
Less: Cash and cash equivalents of discontinued operations, end of period . . . . .	—	—	696	—	696
Cash and cash equivalents of continuing operations, end of period . . . . .	\$ 378	\$ 18	\$ 1,421	\$ —	\$ 1,817

Voya Financial, Inc.  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

**24. Selected Consolidated Unaudited Quarterly Financial Data**

The unaudited quarterly results of operations for 2017 and 2016 are summarized in the table below:

	<b>Three Months Ended,</b>			
	<b>March 31,</b>	<b>June 30,</b>	<b>September 30,</b>	<b>December 31,</b>
	(\$ in millions, except per share amounts)			
<b>2017</b>				
Total revenues .....	\$ 2,057	\$ 2,191	\$ 2,184	\$ 2,186
Total benefits and expenses .....	1,944	2,036	2,144	1,966
Income (loss) from continuing operations before income taxes ..	113	155	40	220
Income (loss) from discontinued operations, net of tax .....	(162)	64	134	(2,616)
<b>Net income (loss)</b> .....	<b>(142)</b>	<b>219</b>	<b>214</b>	<b>(3,083)</b>
Less: Net income (loss) attributable to noncontrolling interest. . .	1	52	65	82
<b>Net income (loss) available to Voya Financial, Inc.'s common shareholders</b> .....	<b>(143)</b>	<b>167</b>	<b>149</b>	<b>(3,165)</b>
<b>Earnings Per Share</b>				
<b>Basic</b>				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders .....	<u>\$ 0.10</u>	<u>\$ 0.56</u>	<u>\$ 0.08</u>	<u>\$ (3.06)</u>
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders .....	<u>\$ (0.85)</u>	<u>\$ 0.34</u>	<u>\$ 0.75</u>	<u>\$ (14.58)</u>
Income (loss) available to Voya Financial, Inc.'s common shareholders .....	<u>\$ (0.75)</u>	<u>\$ 0.90</u>	<u>\$ 0.83</u>	<u>\$ (17.64)</u>
<b>Diluted <sup>(1)</sup></b>				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders .....	<u>\$ 0.10</u>	<u>\$ 0.55</u>	<u>\$ 0.08</u>	<u>\$ (3.06)</u>
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders .....	<u>\$ (0.84)</u>	<u>\$ 0.34</u>	<u>\$ 0.73</u>	<u>\$ (14.58)</u>
Income (loss) available to Voya Financial, Inc.'s common shareholders .....	<u>\$ (0.74)</u>	<u>\$ 0.89</u>	<u>\$ 0.81</u>	<u>\$ (17.64)</u>
<b>Cash dividends declared per common share</b> .....	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>

<sup>(1)</sup> For the three months ended December 31, 2017, weighted average shares used for calculating basic and diluted earnings per share are the same, as the inclusion of the 3.5 shares for stock compensation plans would be antidilutive to the earnings per share calculation due to the net loss from continuing operations in the period.

**Voya Financial, Inc.**  
**Notes to the Consolidated Financial Statements**  
(Dollar amounts in millions, unless otherwise stated)

	<b>Three Months Ended,</b>			
	<b>March 31,</b>	<b>June 30,</b>	<b>September 30,</b>	<b>December 31,</b>
	(\$ in millions, except per share amounts)			
<b>2016</b>				
Total revenues .....	\$ 2,266	\$ 2,088	\$ 2,110	\$ 2,324
Total benefits and expenses .....	2,228	2,118	2,216	2,216
Income (loss) from continuing operations before income taxes ..	38	(30)	(106)	108
Income (loss) from discontinued operations, net of tax .....	149	137	(145)	(478)
<b>Net income (loss)</b> .....	<b>191</b>	<b>137</b>	<b>(251)</b>	<b>(375)</b>
Less: Net income (loss) attributable to noncontrolling interest	—	(25)	12	42
<b>Net income (loss) available to Voya Financial, Inc.'s common shareholders</b> .....	<b>191</b>	<b>162</b>	<b>(263)</b>	<b>(417)</b>
<b>Earnings Per Share</b>				
<b>Basic</b> .....				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders .....	\$ 0.21	\$ 0.12	\$ (0.59)	\$ 0.31
Income (loss) from discontinuing operations, net of taxes available to Voya Financial, Inc.'s common shareholders .....	\$ 0.72	\$ 0.68	\$ (0.73)	\$ (2.45)
Income (loss) available to Voya Financial, Inc.'s common shareholders .....	\$ 0.93	\$ 0.80	\$ (1.32)	\$ (2.14)
<b>Diluted<sup>(1)</sup></b> .....				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders .....	\$ 0.21	\$ 0.12	\$ (0.59)	\$ 0.31
Income (loss) from discontinuing operations, net of taxes available to Voya Financial, Inc.'s common shareholders .....	\$ 0.71	\$ 0.67	\$ (0.73)	\$ (2.43)
Income (loss) available to Voya Financial, Inc.'s common shareholders .....	\$ 0.92	\$ 0.79	\$ (1.32)	\$ (2.12)
<b>Cash dividends declared per common share</b> .....	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>

<sup>(1)</sup> For the three months ended September 30, 2016, weighted average shares used for calculating basic and diluted earnings per share are the same, as the inclusion of the 1.9 shares for stock compensation plans would be antidilutive to the earnings per share calculation due to the net loss from continuing operations in the period.

**Voya Financial, Inc.**  
**Schedule I**

**Summary of Investments Other than Investments in Affiliates**  
**As of December 31, 2017**  
(In millions)

Type of Investments	Cost	Fair Value	Amount Shown on Consolidated Balance Sheet
Fixed maturities:			
U.S. Treasuries . . . . .	\$ 2,047	\$ 2,522	\$ 2,522
U.S. Government agencies and authorities . . . . .	223	275	275
State, municipalities, and political subdivisions . . . . .	1,856	1,913	1,913
U.S. corporate public securities . . . . .	20,857	23,258	23,258
U.S. corporate private securities . . . . .	5,628	5,833	5,833
Foreign corporate public securities and foreign governments <sup>(1)</sup> . . . . .	5,241	5,716	5,716
Foreign corporate private securities <sup>(1)</sup> . . . . .	4,974	5,161	5,161
Residential mortgage-backed securities . . . . .	4,247	4,524	4,524
Commercial mortgage-backed securities . . . . .	2,646	2,704	2,704
Other asset-backed securities . . . . .	1,488	1,528	1,528
Total fixed maturities, including securities pledged . . . . .	49,207	53,434	53,434
Equity securities, available-for-sale . . . . .	353	380	380
Short-term investments . . . . .	471	471	471
Mortgage loans on real estate . . . . .	8,686	8,748	8,686
Policy loans . . . . .	1,888	1,888	1,888
Limited partnerships/corporations . . . . .	784	784	784
Derivatives . . . . .	147	397	397
Other investments . . . . .	47	55	47
Total investments . . . . .	<u>\$ 61,583</u>	<u>\$ 66,157</u>	<u>\$ 66,087</u>

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

**Voya Financial, Inc.**  
**Schedule II**

**Condensed Financial Information of Parent**  
**Balance Sheets**  
**December 31, 2017 and 2016**  
(In millions, except share and per share data)

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Investments:		
Equity securities, available-for-sale, at fair value (cost of \$115 as of 2017 and \$93 as of 2016) . . . . .	\$ 115	\$ 93
Short-term investments . . . . .	212	212
Derivatives . . . . .	49	56
Investments in subsidiaries . . . . .	12,293	14,743
Total investments . . . . .	12,669	15,104
Cash and cash equivalents . . . . .	244	257
Short-term investments under securities loan agreements, including collateral delivered . . . . .	11	11
Loans to subsidiaries and affiliates . . . . .	191	278
Due from subsidiaries and affiliates . . . . .	2	3
Current income taxes . . . . .	—	31
Deferred income taxes . . . . .	406	527
Other assets . . . . .	16	21
Total assets . . . . .	\$ 13,539	\$ 16,232
<b>Liabilities and Shareholders' Equity</b>		
Short-term debt . . . . .	\$ 755	\$ 11
Long-term debt . . . . .	2,681	3,108
Derivatives . . . . .	49	56
Due to subsidiaries and affiliates . . . . .	1	—
Other liabilities . . . . .	44	62
Total liabilities . . . . .	3,530	3,237
Shareholders' equity:		
Common stock (\$0.01 par value per share; 900,000,000 shares authorized; 270,078,294 and 268,079,931 shares issued as of 2017 and 2016, respectively; 171,982,673 and 194,639,273 shares outstanding as of 2017 and 2016, respectively) . . . . .	3	3
Treasury stock (at cost; 98,095,621 and 73,440,658 shares as of 2017 and 2016, respectively) . . . . .	(3,827)	(2,796)
Additional paid-in capital . . . . .	23,821	23,609
Accumulated other comprehensive income (loss) . . . . .	2,731	1,921
Retained earnings (deficit):		
Unappropriated . . . . .	(12,719)	(9,742)
Total Voya Financial, Inc. shareholders' equity . . . . .	10,009	12,995
Total liabilities and shareholders' equity . . . . .	\$ 13,539	\$ 16,232

*The accompanying notes are an integral part of this Condensed Financial Information.*

**Voya Financial, Inc.**  
Schedule II

**Condensed Financial Information of Parent**  
**Statements of Operations**  
**For the Years Ended December 31, 2017, 2016 and 2015**  
(In millions)

	Year Ended December 31,		
	2017	2016	2015
<b>Revenues:</b>			
Net investment income . . . . .	\$ 33	\$ 19	\$ 4
Net realized capital gains (losses) . . . . .	—	1	(2)
Other revenue . . . . .	8	1	3
Total revenues . . . . .	<u>41</u>	<u>21</u>	<u>5</u>
<b>Expenses:</b>			
Interest expense . . . . .	155	238	150
Other expenses . . . . .	9	9	10
Total expenses . . . . .	<u>164</u>	<u>247</u>	<u>160</u>
Income (loss) before income taxes and equity in earnings (losses) of subsidiaries . . . . .	(123)	(226)	(155)
Income tax expense (benefit) . . . . .	113	(90)	(52)
Net income (loss) before equity in earnings (losses) of subsidiaries . . . . .	<u>(236)</u>	<u>(136)</u>	<u>(103)</u>
Equity in earnings (losses) of subsidiaries, net of tax . . . . .	(2,756)	(191)	511
Net income (loss) available to Voya Financial, Inc.'s common shareholders .	<u>\$ (2,992)</u>	<u>\$ (327)</u>	<u>\$ 408</u>

*The accompanying notes are an integral part of this Condensed Financial Information.*

**Voya Financial, Inc.**  
**Schedule II**

**Condensed Financial Information of Parent**  
**Statements of Comprehensive Income**  
**For the Years Ended December 31, 2017, 2016 and 2015**  
(In millions)

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net income (loss) available to Voya Financial, Inc.'s common shareholders . . . . .	\$ (2,992)	\$ (327)	\$ 408
Other comprehensive income (loss), after tax . . . . .	810	496	(1,679)
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders . . . . .	<u>\$ (2,182)</u>	<u>\$ 169</u>	<u>\$ (1,271)</u>

*The accompanying notes are an integral part of this Condensed Financial Information.*

**Voya Financial, Inc.**  
**Schedule II**

**Condensed Financial Information of Parent**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2017, 2016 and 2015**  
(In millions)

	Year Ended December 31,		
	2017	2016	2015
<b>Cash Flows from Operating Activities:</b>			
Net income (loss) available to Voya Financial, Inc.'s common shareholders . . . \$	(2,992)	\$ (327)	\$ 408
Adjustments to reconcile Net income (loss) available to Voya Financial, Inc.'s common shareholders to Net cash (used in) provided by operating activities:			
Equity in (earnings) losses of subsidiaries . . . . .	2,756	191	(511)
Dividends from subsidiaries . . . . .	73	55	241
Deferred income tax (benefit) expense . . . . .	131	(122)	(4)
Net realized capital (gains) losses . . . . .	—	(1)	2
Share-based compensation . . . . .	—	—	(4)
Change in:			
Other receivables and asset accruals . . . . .	32	(102)	(17)
Due from subsidiaries and affiliates . . . . .	1	3	6
Due to subsidiaries and affiliates . . . . .	1	—	(7)
Other payables and accruals . . . . .	(18)	(16)	(2)
Other, net . . . . .	(6)	11	18
<b>Net cash (used in) provided by operating activities . . . . .</b>	<b>(22)</b>	<b>(308)</b>	<b>130</b>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from the sale, maturity, disposal or redemption of equity securities, available-for-sale . . . . .	25	18	24
Acquisition of equity securities, available-for-sale . . . . .	(34)	(23)	(31)
Short-term investments, net . . . . .	—	—	(212)
Derivatives, net . . . . .	—	1	(33)
Issuance of intercompany loans with maturities more than three months . . . . .	(34)	—	—
Maturity of intercompany loans issued to subsidiaries with maturities more than three months . . . . .	34	—	1
Maturity (issuance) of short-term intercompany loans, net . . . . .	87	52	(162)
Return of capital contributions and dividends from subsidiaries . . . . .	1,020	922	1,467
Capital contributions to subsidiaries . . . . .	(467)	(215)	—
Collateral received (delivered), net . . . . .	—	—	20
<b>Net cash provided by investing activities . . . . .</b>	<b>631</b>	<b>755</b>	<b>1,074</b>

*The accompanying notes are an integral part of this Condensed Financial Information.*

**Voya Financial, Inc.**  
**Schedule II**

**Condensed Financial Information of Parent**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2017, 2016 and 2015**  
(In millions)

	Year Ended December 31,		
	2017	2016	2015
<b>Cash Flows from Financing Activities:</b>			
Proceeds from issuance of debt with maturities of more than three months . . . . .	399	798	—
Repayment of debt with maturities of more than three months . . . . .	(490)	(660)	—
Debt issuance costs . . . . .	(3)	(16)	(7)
Net proceeds from short-term loans to subsidiaries . . . . .	408	11	—
Proceeds from issuance of common stock, net . . . . .	3	1	—
Share-based compensation . . . . .	(8)	(7)	(5)
Common stock acquired - Share repurchase . . . . .	(923)	(687)	(1,487)
Dividends paid . . . . .	(8)	(8)	(9)
<b>Net cash used in financing activities</b> . . . . .	<b>(622)</b>	<b>(568)</b>	<b>(1,508)</b>
Net decrease in cash and cash equivalents . . . . .	(13)	(121)	(304)
Cash and cash equivalents, beginning of period . . . . .	257	378	682
Cash and cash equivalents, end of period . . . . .	<u>\$ 244</u>	<u>\$ 257</u>	<u>\$ 378</u>
<b>Supplemental cash flow information:</b>			
Income taxes paid (received), net . . . . .	\$ (154)	\$ 64	\$ 77
Interest paid . . . . .	138	156	144

*The accompanying notes are an integral part of this Condensed Financial Information.*

## **1. Business and Basis of Presentation**

The condensed financial information of Voya Financial, Inc. should be read in conjunction with the consolidated financial statements of Voya Financial, Inc. and its subsidiaries (collectively the "Company") and the notes thereto (the "Consolidated Financial Statements").

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. The Company provides its principal products and services through four segments: Retirement, Investment Management, Individual Life and Employee Benefits. In addition, the Company includes in Corporate the financial data not directly related to its segments and other business activities that do not have an ongoing meaningful impact to the Company's results. See the *Segments* Note to the Consolidated Financial Statements.

Prior to May 2013, the Company was an indirect, wholly-owned subsidiary of ING Groep N.V. ("ING Group" or "ING"), a global financial services holding company based in The Netherlands. In May 2013, Voya Financial, Inc. completed its initial public offering ("IPO") of common stock, including the issuance and sale of common stock by Voya Financial, Inc. and the sale of shares of common stock owned indirectly by ING Group. Between October 2013 and March 2015, ING Group completed the sale of its remaining shares of common stock of Voya Financial, Inc. in a series of registered public offerings. ING Group continues to hold certain warrants to purchase shares of Voya Financial, Inc. common stock as described further in the *Shareholders' Equity* Note to the Consolidated Financial Statements.

The accompanying financial information reflects the results of operations, financial position and cash flows for Voya Financial, Inc. The financial information is in conformity with accounting principles generally accepted in the United States, which require management to adopt accounting policies and make certain estimates and assumptions. Investments in subsidiaries are accounted for using the equity method of accounting.

## **2. Loans to Subsidiaries**

Voya Financial, Inc. maintains reciprocal loan agreements with subsidiaries to facilitate unanticipated short-term cash requirements that arise in the ordinary course of business. Under these loan agreements, the limitations on borrowing are based on the nature of the subsidiary's operations. For reciprocal loan agreements with insurance companies, 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. For reciprocal loan agreements with non-insurance subsidiaries, the limits vary and are set by management based on an assessment of the financial position of the subsidiary. During the years ended 2017 and 2016, interest on any borrowing by a subsidiary under a reciprocal loan agreement is charged at a rate based on the prevailing market rate for similar third-party borrowings for securities. Borrowings by Voya Alternative Asset Management LLC ("VAAM") occur to enable VAAM to make capital contributions to the Voya Multi-Strategy Opportunity Fund LLC ("the fund"), the fund that it manages. The applicable variable interest rate is equal to the rate of return on capital invested in the fund, which may be negative over any given period.

Interest income earned on loans to subsidiaries was \$8, \$9 and \$5 for the years ended December 31, 2017, 2016 and 2015, respectively. Interest income is included in Net investment income in the Condensed Statements of Operations.

**Voya Financial, Inc.**  
**Schedule II**  
**Notes to Condensed Financial Information of Parent**  
(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the carrying value of Voya Financial, Inc.'s loans to subsidiaries for the periods indicated:

Subsidiaries	Rate	Maturity Date	As of December 31,	
			2017	2016
Voya Alternative Asset Management LLC .....	(4.64)%	06/30/2018	\$ 2	\$ 2
Voya Institutional Plan Services, LLC .....	2.42 %	01/02/2018	20	1
Voya Institutional Plan Services, LLC .....	2.45 %	01/03/2018	34	14
Voya Institutional Plan Services, LLC .....	2.46 %	01/04/2018	5	17
Voya Institutional Plan Services, LLC .....	2.52 %	01/09/2018	1	10
Voya Institutional Plan Services, LLC .....	2.53 %	01/11/2018	5	1
Voya Institutional Plan Services, LLC .....	2.53 %	01/12/2018	4	—
Voya Capital .....	2.49 %	01/04/2018	1	3
Voya Investment Management, LLC .....	2.57 %	01/29/2018	51	15
Voya Payroll Management, Inc. ....	2.17 %	07/03/2017	—	4
Voya Holdings Inc. ....	2.57 %	01/29/2018	68	203
Voya Holdings Inc. ....	2.39 %	01/26/2017	—	2
Voya Holdings Inc. ....	2.40 %	01/27/2017	—	6
Total .....			<u>\$ 191</u>	<u>\$ 278</u>

**3. Financing Agreements**

**Short-term Debt**

The following table summarizes Voya Financial, Inc.'s short-term debt borrowings for the periods indicated:

	As of December 31,	
	2017	2016
Intercompany financing - Subsidiaries .....	\$ 418	\$ 11
Current portion of long-term debt .....	337	—
Total .....	<u>\$ 755</u>	<u>\$ 11</u>

*Intercompany financing*

Under the reciprocal loan agreements with subsidiaries, interest is charged at the prevailing market interest rate for similar third-party borrowings for securities.

**Voya Financial, Inc.**  
**Schedule II**  
**Notes to Condensed Financial Information of Parent**  
(Dollar amounts in millions, unless otherwise stated)

**Long-term Debt**

The following table summarizes Voya Financial, Inc.'s long-term debt securities for the periods indicated:

	Maturity	As of December 31,	
		2017	2016
5.5% Senior Notes, due 2022 .....	07/15/2022	\$ 361	\$ 361
2.9% Senior Notes, due 2018 .....	02/15/2018	337	825
5.7% Senior Notes, due 2043 .....	07/15/2043	395	394
3.65% Senior Notes, due 2026 .....	06/15/2026	495	494
4.8% Senior Notes, due 2046 .....	06/15/2046	296	296
3.125% Senior Notes, due 2024 .....	07/15/2024	396	—
5.65% Fixed-to-Floating Rate Junior Subordinated Notes, due 2053 .....	05/15/2053	738	738
Subtotal .....		3,018	3,108
Less: Current portion of long-term debt .....		337	—
Total .....		<u>\$ 2,681</u>	<u>\$ 3,108</u>

As of December 31, 2017 and 2016, Voya Financial, Inc. was in compliance with its debt covenants.

As of December 31, 2017, aggregate amounts of future principal payments of long-term debt for the next five years and thereafter are as follows:

2018 .....	\$ 337
2019 .....	—
2020 .....	—
2021 .....	—
2022 .....	363
Thereafter .....	2,350
Total .....	<u>\$ 3,050</u>

**Credit Facilities**

Voya Financial, Inc. maintains credit facilities used primarily for collateral required under affiliated reinsurance transactions and also for general corporate purposes. As of December 31, 2017, unsecured and uncommitted credit facilities totaled \$496, and unsecured and committed facilities totaled \$5.9 billion. Voya Financial, Inc. additionally has \$205 of secured facilities. Of the aggregate \$6.6 billion capacity available, Voya Financial, Inc. utilized \$3.0 billion in credit facilities outstanding as of December 31, 2017. Total fees associated with credit facilities in 2017, 2016 and 2015 totaled \$39, \$38 and \$61, respectively.

**Guarantees**

In the normal course of business, Voya Financial, Inc. enters into indemnification agreements with financial institutions that issue surety bonds on behalf of Voya Financial, Inc. or its subsidiaries in connection with litigation matters.

Voya Financial, Inc. provides credit support to its captive reinsurance subsidiaries through surplus maintenance agreements, pursuant to which it agrees to cause these subsidiaries to maintain particular levels of capital or surplus and which it entered into, in connection with particular credit facility agreements. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these agreements.

**Voya Financial, Inc.**

**Schedule II**

**Notes to Condensed Financial Information of Parent**

(Dollar amounts in millions, unless otherwise stated)

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- On January 1, 2014, Voya Financial, Inc. entered into a reimbursement agreement with a third-party bank for its wholly owned subsidiary, Roaring River IV, LLC ("Roaring River IV") to provide up to \$565 statutory reserve financing through a trust note which matures December 31, 2028. At inception, the reimbursement agreement requires Voya Financial, Inc. to cause no less than \$79 of capital to be maintained in Roaring River IV Holding LLC, the intermediate holding company of Roaring River IV, and \$45 of capital to be maintained in Roaring River IV for a total of \$124. This amount will vary over time based on a percentage of Roaring River IV in force life insurance. This surplus maintenance agreement is effective for the duration of the related credit facility agreement and the maximum potential obligations are not specified or applicable.
- Effective January 15, 2014, Voya Financial, Inc. entered into a surplus maintenance agreement with Langhorne I, LLC ("Langhorne I"), a wholly owned captive reinsurance subsidiary, whereby Voya Financial, Inc. agrees to cause Langhorne I to maintain capital of at least \$85 in support of its obligations associated with a credit facility arrangement supporting an affiliated reinsurance agreement. While the credit facility was cancelled effective January 18, 2018, this surplus maintenance agreement is effective until such time that the reinsurance is recaptured. The maximum potential obligations are not specified or applicable.

Voya Financial, Inc. and SLDI are parties to a LOC facility agreement with a third-party bank that provides up to \$475 of LOC capacity. SLDI has reimbursement obligations to the bank under this agreement, in an aggregate amount of up to \$475, which obligations are guaranteed by Voya Financial, Inc. This agreement was entered into to facilitate collateral requirements supporting reinsurance. Voya Financial, Inc.'s guarantee obligations are effective for the duration of SLDI's reimbursement obligations to the bank.

Roaring River, LLC ("Roaring River") is party to a LOC facility agreement with a third-party bank that provides up to \$425 of LOC capacity. Roaring River has reimbursement obligations to the bank under this agreement, in an aggregate amount of up to \$425, which obligations are guaranteed by Voya Financial, Inc. This agreement and the related guarantee were entered into to facilitate collateral requirements supporting reinsurance. The guarantee is effective for the duration of Roaring River's reimbursement obligations to the bank.

Voya Financial, Inc. guarantees the obligations of one of its subsidiaries, Voya Financial Products Inc. ("VFP"), under a credit default swap arrangement under which VFP has written credit protection in the notional amount of \$1.0 billion with respect to a portfolio of investment grade corporate debt instruments.

Under the Buyer Facility Agreement put into place by Hannover Re, Voya Financial, Inc. and SLDI have contingent reimbursement obligations and Voya Financial, Inc. has guarantee obligations, up to the full principal amount of the note issued pursuant to the agreement, if SLD or SLDI were to direct the sale or liquidation of the note other than as permitted by the Buyer Facility Agreement, or fails to return reinsurance collateral (including the note) upon termination of the Buyer Facility Agreement or as otherwise required by the Buyer Facility Agreement. In addition, Voya Financial, Inc. has agreed to indemnify Hannover Re for any losses it incurs in the event that SLD or SLDI were to exercise offset rights unrelated to the Hannover Re block.

Voya Financial, Inc. has also entered into a corporate guarantee agreement with a third-party ceding insurer where it guarantees the reinsurance obligations of its subsidiary, SLD, assumed under a reinsurance agreement with the third-party cedent. SLD retrocedes the business to Hannover US who is the claim paying party. The current amount of reserves outstanding as of December 31, 2017 is \$21. 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.

Voya Financial, Inc. guarantees the obligations of Voya Holdings under the \$13 principal amount Equitable Notes maturing in 2027 as well as \$426 combined principal amount of Aetna Notes. From time to time, Voya Financial, Inc. may also have outstanding guarantees of various obligations of its subsidiaries.

Effective April 15, 2016, Voya Financial, Inc. and Voya Holdings entered into a \$300 letter of credit facility agreement with a third party bank in order to guarantee the reimbursement obligations of SLDI as borrower.

Effective December 15, 2016, Voya Financial, Inc. entered into a \$600 guaranty agreement with a third party bank in order to guarantee the reimbursement obligations of SLDI as borrower. This facility agreement was terminated on July 20, 2017.

**Voya Financial, Inc.**  
**Schedule II**  
**Notes to Condensed Financial Information of Parent**  
(Dollar amounts in millions, unless otherwise stated)

Effective July 1, 2017, Voya Financial, Inc. entered into an agreement with its affiliate, SLDI and a third party whereby Voya Financial, Inc. guarantees certain reimbursement and fee payment obligations of SLDI as borrower.

Effective December 28, 2017, Voya Financial, Inc. and Voya Holdings entered into an agreement with VIAC in order to provide a joint and several guarantee of VIAC's payment obligations as the issuer of certain surplus notes to affiliates of Voya Financial, Inc. The agreement provides for Voya and Voya Holdings to reimburse the applicable holder to the extent that any interest on, principal of, and any redemption payment with respect to such Surplus Note unpaid by VIAC on its scheduled date of payment as a result of certain payment restrictions under the terms of such Surplus Notes and applicable law, including that any such payments may only be made with the prior approval of the commissioner of insurance of the VIAC's state of domicile.

Effective January 24, 2018, Voya entered into an agreement with a third party bank whereby Voya Financial, Inc. guarantees the payment obligations of SLDI as borrower under a credit facility agreement.

There were no assets or liabilities recognized by Voya Financial, Inc. as of December 31, 2017 and 2016 in relation to these intercompany indemnifications and support agreements. As of December 31, 2017 and 2016, no circumstances existed in which Voya Financial, Inc. was required to currently perform under these indemnifications and support agreements.

**4. Returns of Capital and Dividends**

Voya Financial, Inc. received returns of capital and dividends from the following subsidiaries for the periods indicated:

	Years Ended December 31,		
	2017	2016	2015
Voya Holdings Inc. <sup>(1)</sup>	\$ 1,020	\$ 916	\$ 1,468
Security Life of Denver International Ltd.	—	30	—
Security Life of Denver Insurance Company	73	54	241
Voya Insurance Management (Bermuda), Ltd <sup>(2)</sup>	—	1	—
<b>Total.</b>	<b>\$ 1,093</b>	<b>\$ 1,001</b>	<b>\$ 1,709</b>

<sup>(1)</sup> The year ended December 31, 2016 includes \$24 of non-cash activity.

<sup>(2)</sup> The entity was dissolved in 2016.

**5. Income Taxes**

As of December 31, 2017 and 2016, Voya Financial, Inc. held deferred tax assets related to loss and credit carryforwards, some of which have not been realized by its subsidiaries but have been reimbursed to the subsidiaries by Voya Financial, Inc. pursuant to the intercompany tax sharing agreement. The total deferred tax assets were primarily comprised of federal net operating loss, state net operating loss and credit carryforwards.

Valuation allowances have been applied to these deferred tax assets as of December 31, 2017 and 2016. Character, amount and estimated expiration date of the carryforwards and the related allowances are disclosed in the *Income Taxes* Note to the Consolidated Financial Statements.

As of December 31, 2017 and 2016, Voya Financial, Inc. has recognized deferred tax assets of \$406 and \$527, respectively, primarily related to federal net operating loss carryforwards and AMT credit carryforwards.

***Tax Sharing Agreement***

Voya Financial, Inc. has entered into a federal tax sharing agreement with members of an affiliated group as defined in Section 1504 of the Internal Revenue Code of 1986, as amended. The agreement provides for the manner of calculation and the amounts/timing of the payments between the parties as well as other related matters in connection with the filing of consolidated federal income tax returns. The federal tax sharing agreement provides that Voya Financial, Inc. will pay its subsidiaries for the tax benefits of ordinary and capital losses only in the event that the consolidated tax group actually uses the tax benefit of losses generated.

**Voya Financial, Inc.**  
**Schedule II**  
**Notes to Condensed Financial Information of Parent**  
(Dollar amounts in millions, unless otherwise stated)

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Voya Financial, Inc. has also entered into a state tax sharing agreement with each of the specific subsidiaries that are parties to the agreement. The state tax agreement applies to situations in which Voya Financial, Inc. and all or some of the subsidiaries join in the filing of a state or local franchise, income tax, or other tax return on a consolidated, combined or unitary basis.

**Voya Financial, Inc.**  
**Schedule III**

**Supplementary Insurance Information**  
**As of December 31, 2017 and 2016**  
(In millions)

Segment	DAC and VOBA	Future Policy Benefits and Contract Owner Account Balances	Unearned Premiums <sup>(1)</sup>
<b>2017</b>			
Retirement .....	\$ 882	\$ 33,884	\$ —
Investment Management .....	1	—	—
Individual Life .....	2,366	19,801	—
Employee Benefits .....	84	2,146	(1)
Corporate .....	41	9,974	—
Total .....	<u>\$ 3,374</u>	<u>\$ 65,805</u>	<u>\$ (1)</u>
<b>2016</b>			
Retirement .....	\$ 1,165	\$ 34,024	\$ —
Investment Management .....	2	—	—
Individual Life .....	2,702	19,373	—
Employee Benefits .....	75	2,099	(1)
Corporate .....	53	9,352	—
Total .....	<u>\$ 3,997</u>	<u>\$ 64,848</u>	<u>\$ (1)</u>

<sup>(1)</sup> Represents unearned premiums associated with short-duration products of the Company's accident and health business.

Voya Financial, Inc.

Schedule III

Supplementary Insurance Information  
Years Ended December 31, 2017, 2016 and 2015  
(In millions)

Segment	Net Investment Income <sup>(1)(2)</sup>	Premiums and Fee Income <sup>(1)(2)</sup>	Interest Credited and Other Benefits to Contract Owners	Amortization of DAC and VOBA	Other Operating Expenses <sup>(1)(2)</sup>	Premiums Written (Excluding Life)
<b>2017</b>						
Retirement . . . . .	\$ 1,918	\$ 750	\$ 1,043	\$ 238	\$ 1,140	\$ —
Investment Management . . . . .	(33)	675	—	3	558	—
Individual Life . . . . .	866	1,695	1,963	266	272	—
Employee Benefits . . . . .	108	1,663	1,293	11	336	1,155
Corporate . . . . .	435	(35)	337	11	348	—
Total . . . . .	<u>\$ 3,294</u>	<u>\$ 4,748</u>	<u>\$ 4,636</u>	<u>\$ 529</u>	<u>\$ 2,654</u>	<u>\$ 1,155</u>
<b>2016</b>						
Retirement . . . . .	\$ 1,907	\$ 1,512	\$ 1,797	\$ 198	\$ 1,122	\$ —
Investment Management . . . . .	(5)	627	—	3	529	—
Individual Life . . . . .	875	1,663	2,001	181	324	—
Employee Benefits . . . . .	110	1,509	1,169	16	306	974
Corporate . . . . .	467	(45)	347	17	374	—
Total . . . . .	<u>\$ 3,354</u>	<u>\$ 5,266</u>	<u>\$ 5,314</u>	<u>\$ 415</u>	<u>\$ 2,655</u>	<u>\$ 974</u>
<b>2015</b>						
Retirement . . . . .	\$ 1,819	\$ 1,350	\$ 1,425	\$ 183	\$ 1,156	\$ —
Investment Management . . . . .	(26)	601	—	4	517	—
Individual Life . . . . .	908	1,722	1,940	157	470	—
Employee Benefits . . . . .	109	1,405	1,051	21	289	880
Corporate . . . . .	533	(54)	282	12	252	—
Total . . . . .	<u>\$ 3,343</u>	<u>\$ 5,024</u>	<u>\$ 4,698</u>	<u>\$ 377</u>	<u>\$ 2,684</u>	<u>\$ 880</u>

<sup>(1)</sup> Includes the elimination of certain intersegment revenues and expenses, primarily consisting of asset-based management and administration fees, which have been charged by Investment Management and eliminated in Corporate.

<sup>(2)</sup> Includes the elimination of intercompany transactions between the Company and its consolidated investment entities, primarily the elimination of the Company's management fees expensed by the funds, recorded as operating revenues before the Company's consolidation of its consolidated investment entities and eliminated in the Investment Management segment.

**Voya Financial, Inc.**  
**Schedule IV**

**Reinsurance**  
**Years Ended December 31, 2017, 2016 and 2015**  
(In millions)

	<u>Gross</u>	<u>Ceded</u>	<u>Assumed</u>	<u>Net</u>	<u>Percentage of Assumed to Net</u>
<b>2017</b>					
Life insurance in force.....	\$ 761,946	\$ 575,495	\$ 296,751	\$ 483,202	61.4%
Premiums:					
Life insurance .....	\$ 1,280	\$ 1,535	\$ 1,191	\$ 936	127.2%
Accident and health insurance .....	1,051	142	1	910	0.1%
Annuity contracts .....	275	—	—	275	—%
Total premiums .....	<u>\$ 2,606</u>	<u>\$ 1,677</u>	<u>\$ 1,192</u>	<u>\$ 2,121</u>	56.2%
<b>2016</b>					
Life insurance in force.....	\$ 790,570	\$ 612,356	\$ 318,443	\$ 496,657	64.1%
Premiums:					
Life insurance .....	\$ 1,335	\$ 1,583	\$ 1,221	\$ 973	125.5%
Accident and health insurance .....	1,056	128	1	929	0.1%
Annuity contracts .....	893	—	—*	893	—%
Total premiums .....	<u>\$ 3,284</u>	<u>\$ 1,711</u>	<u>\$ 1,222</u>	<u>\$ 2,795</u>	43.7%
<b>2015</b>					
Life insurance in force.....	\$ 799,341	\$ 642,890	\$ 340,241	\$ 496,692	68.5%
Premiums:					
Life insurance .....	\$ 1,351	\$ 1,476	\$ 1,189	\$ 1,064	111.7%
Accident and health insurance .....	948	136	2	814	0.2%
Annuity contracts .....	676	—	—*	676	—%
Total premiums .....	<u>\$ 2,975</u>	<u>\$ 1,612</u>	<u>\$ 1,191</u>	<u>\$ 2,554</u>	46.6%

\*Less than \$1.

**Voya Financial, Inc.**  
Schedule V

**Valuation and Qualifying Accounts**  
**Years Ended December 31, 2017, 2016 and 2015**  
(In millions)

	<u>Balance at January 1,</u>	<u>Charged to Costs and Expenses</u>	<u>Write-offs/ Payments/ Other</u>	<u>Balance at December 31,</u>
<b><u>2017</u></b>				
Valuation allowance on deferred tax assets <sup>(1)</sup> . . . . .	\$ 964	\$ (311)	\$ —	\$ 653
Allowance for losses on commercial mortgage loans <sup>(1)</sup> . . .	3	—	—	3
<b><u>2016</u></b>				
Valuation allowance on deferred tax assets <sup>(1)</sup> . . . . .	\$ 963	\$ 6	\$ (5)	\$ 964
Allowance for losses on commercial mortgage loans <sup>(1)</sup> . . .	3	—	—	3
<b><u>2015</u></b>				
Valuation allowance on deferred tax assets <sup>(1)</sup> . . . . .	\$ 972	\$ (14)	\$ 5	\$ 963
Allowance for losses on commercial mortgage loans <sup>(1)</sup> . . .	3	—	—	3

<sup>(1)</sup>The table above excludes items related to discontinued operations and businesses held for sale.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's current disclosure controls and procedures are effective in ensuring that material information relating to the Company required to be disclosed in the Company's periodic filings with the U.S. Securities and Exchange Commission ("SEC") is made known to them in a timely manner.

#### ***Management's Annual Report on Internal Control Over Financial Reporting***

Management of Voya Financial, Inc. and subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements of the Company in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles and that receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017 pertaining to financial reporting in accordance with the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In the opinion of management, Voya Financial, Inc. has maintained effective internal control over financial reporting as of December 31, 2017.

#### ***Attestation Report of the Company's Registered Public Accounting Firm***

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued their attestation report on management's internal control over financial reporting which is set forth below.

#### ***Changes in Internal Control Over Financial Reporting***

There were no changes to the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
Voya Financial, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited Voya Financial, Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Voya Financial, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Voya Financial, Inc. as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules and our report dated February 23, 2018 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP  
Boston, Massachusetts  
February 23, 2018

## PART III

### Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated by reference from the definitive Proxy Statement relating to the Company's 2018 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

### Item 11. Executive Compensation

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated by reference from the definitive Proxy Statement relating to the Company's 2018 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table provides information as of December 31, 2017, regarding securities authorized for issuance under our equity compensation plans. All outstanding awards relate to our Common Stock. For additional information about our equity compensation plans, see the *Share-based Incentive Compensation Plans* Note in our Consolidated Financial Statements in Part II, Item 8. of this Annual Report on Form 10-K.

<i>(shares in millions)</i>	<b>2014 Omnibus Plan</b>	<b>2013 Omnibus Plan</b>
Authorized for issuance . . . . .	\$ 17.8	\$ 7.7
Issued and reserved for issuance of outstanding:		
RSUs . . . . .	4.2	3.1
RSUs - Deal incentive awards . . . . .	—	2.0
PSU awards <sup>(1)</sup> . . . . .	2.7	2.3
Stock options . . . . .	3.0	—
Shares available for issuance . . . . .	<u>\$ 7.9</u>	<u>\$ 0.3</u>

<sup>(1)</sup> PSUs awarded under the Omnibus Plans entitle recipients to receive, upon vesting, a number of shares of common stock that ranges from 0% to 150% of the number of PSUs awarded, depending on the level of achievement of the specified performance conditions.

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated by reference to the definitive Proxy Statement relating to the Company's 2018 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated by reference from the definitive Proxy Statement relating to the Company's 2018 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

### Item 14. Principal Accounting Fees and Services

The information required by this Item is omitted pursuant to General Instruction G to Form 10-K. Such information is incorporated by reference from the definitive Proxy Statement relating to the Company's 2018 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

## Part IV

### Item 15. Exhibits, Financial Statement Schedules

#### a. Documents filed as part of this report

1. Financial Statements (See Item 8. Financial Statements and Supplementary Data)
  - Consolidated Balance Sheets
  - Consolidated Statements of Operations
  - Consolidated Statements of Comprehensive Income
  - Consolidated Statements of Changes in Shareholders' Equity
  - Consolidated Statements of Cash Flows
  - Notes to Consolidated Financial Statements
  - Independent Auditor's Report
2. Schedule I - Summary of Investments Other than Investments in Affiliates
- Schedule II - Condensed Financial Information of Parent
- Schedule III - Supplementary Insurance Information
- Schedule IV - Reinsurance
- Schedule V - Valuation and Qualifying Accounts

All other provisions for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

#### 3. Exhibits

## Voya Financial, Inc.

### Exhibit Index

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
2.1	Master Transaction Agreement by and among Voya Financial, Inc., VA Capital Company LLC and Athene Holding Ltd., Dated as of December 20, 2017 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on December 21, 2017)
3.1	Amended and Restated Certificate of Incorporation of Voya Financial, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-3 (File No. 333-196883) filed on June 18, 2014)
3.2	Amended and Restated By-Laws of Voya Financial, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 7, 2013)
4.01	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.2 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-184847), filed on April 16, 2013)
4.02	Indenture, dated as of July 13, 2012, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.1 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
4.03	First Supplemental Indenture, dated as of July 13, 2012, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.2 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
4.04	Second Supplemental Indenture, dated as of February 11, 2013, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.74 to the Company's Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-184847) filed on March 19, 2013)
4.05	Third Supplemental Indenture, dated as of July 26, 2013, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.01 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on July 26, 2013)
4.06	Fifth Supplemental Indenture, dated as of June 13, 2016, among Voya Financial, Inc., Voya Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on June 14, 2016)
4.07	Sixth Supplemental Indenture, dated as of June 13, 2016, among Voya Financial, Inc., Voya Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on June 14, 2016)
4.08	Seventh Supplemental Indenture, dated as of July 5, 2017, by and among Voya Financial, Inc., Voya Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on July 5, 2017)
4.09	Junior Subordinated Indenture, dated as of May 16, 2013, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 23, 2013)
4.10	First Supplemental Indenture, dated as of May 16, 2013, among ING U.S., Inc., Lion Connecticut Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 23, 2013)
4.11	Second Supplemental Indenture, dated as of January 23, 2018, among Voya Financial, Inc., Voya Holdings Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on January 23, 2018)
10.01	Registration Rights Agreement, dated as of May 7, 2013 between ING U.S., Inc. and ING Groep N.V. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 7, 2013)
10.02	Warrant Agreement, dated as of May 7, 2013, among ING U.S., Inc., Computershare Inc. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 7, 2013)
10.03	Warrant issued to ING Groep N.V. dated May 7, 2013 (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 7, 2013)
10.04	Amendment No. 1 to Warrant Agreement, dated as of May 22, 2017, among Voya Financial, Inc., ING Groep, N.V. and Computershare Inc. (incorporated by reference to Exhibit 4.16 to the Company's Registration Statement on Form S-3 (No. 333-218956) filed on June 23, 2017)
10.05*	Amendment No. 2 to Warrant Agreement, dated as of November 10, 2017, among Voya Financial, ING Groep, N.V. and Computershare Inc.

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
10.06	Indenture, dated as of August 1, 1993, between Aetna Life and Casualty Company and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.4 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.07	First Indenture Supplement, dated as of August 1, 1996 between Aetna Services, Inc. (F/K/A Aetna Life and Casualty Company) and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.5 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.08	Second Indenture Supplement, dated as of October 30, 2000, among Aetna Services, Inc. (F/K/A Aetna Life and Casualty Company), Aetna Inc. and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.6 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.09	Third Indenture Supplement, dated as of December 13, 2000, among Aetna, Inc., ING Groep N.V. and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.7 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.10	Indenture, dated as of July 1, 1996, among Aetna Life and Casualty Company, Aetna, Inc. and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.8 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.11	First Indenture Supplement dated as of October 30, 2000 among Aetna Services, Inc. (F/K/A Aetna Life and Casualty Company), Aetna Inc. and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.9 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.12	Second Indenture Supplement dated as of December 13, 2000, between Lion Connecticut Holdings, Inc. (as successor to Aetna, Inc., Aetna Services, Inc. and Aetna Life and Casualty Company) and State Street Bank and Trust Company of Connecticut, National Association, as trustee (incorporated by reference to Exhibit 10.10 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.13	Term Loan Agreement, dated as of April 20, 2012, among Bank of America, N.A. and the other parties thereto (incorporated by reference to Exhibit 10.12 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.14	Second Amended and Restated Revolving Credit Agreement dated as of May 6, 2016, among Voya Financial, Inc., Bank of America, N.A. and the other parties thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 6, 2016)
10.15	Amendment to the Second Amended and Restated Revolving Credit Agreement, dated as of March 30, 2017, among Voya Financial, Inc., Bank of America, N.A. and the other parties thereto (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 3, 2017)
10.16	Second Amendment to the Second Amended and Restated Revolving Credit Agreement, dated as of January 24, 2018, among Voya Financial, Inc., Bank of America, N.A., and the other parties thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on January 30, 2018)
10.17	Master Transaction Agreement, dated as of May 1, 2006, by and between ING USA Annuity and Life Insurance Company and the Federal Home Loan Bank of Des Moines (incorporated by reference to Exhibit 10.14 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.18	Advances, Pledge and Security Agreement, dated as of March 27, 2009, by and between ING USA Annuity and Life Insurance Company and the Federal Home Loan Bank of Des Moines (incorporated by reference to Exhibit 10.15 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.19	Deposit Agreement, dated as of May 15, 2000 between the Federal Home Loan Bank of Topeka and Security Life of Denver Insurance Company (incorporated by reference to Exhibit 10.16 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.20	Advance, Pledge and Security Agreement, dated as of August 30, 2004, by and between the Federal Home Loan Bank of Topeka and Security Life of Denver Insurance Company (incorporated by reference to Exhibit 10.17 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
10.21	Amended and Restated Institutional Custody Agreement, dated as of May 12, 2004, by and between Security Life of Denver Insurance Company and the Federal Home Loan Bank of Topeka (incorporated by reference to Exhibit 10.18 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.22	Master Asset Purchase Agreement, dated as of January 22, 2009, by and among Scottish Re Group Limited, Scottish Holdings, Inc., Scottish Re (U.S.), Inc., Scottish Re Life (Bermuda) Limited, Scottish Re (Dublin) Limited, Hannover Life Reassurance Company of America, Hannover Life Reassurance (Ireland) Limited, Security Life of Denver Insurance Company, Security Life of Denver International Limited (incorporated by reference to Exhibit 10.19 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.23	Reinsurance Agreement, effective as of January 1, 2009, between Security Life of Denver Insurance Company and Hannover Life Reassurance Company of America (incorporated by reference to Exhibit 10.20 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.24	Reinsurance Agreement, effective as of July 1, 2011, between Security Life of Denver International Limited and Hannover Life Reassurance (Ireland) Limited (incorporated by reference to Exhibit 10.21 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.25	Reinsurance Agreement, effective as of July 1, 2011, between Security Life of Denver International Limited and Hannover Life Reassurance (Ireland) Limited (incorporated by reference to Exhibit 10.22 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.26	Reinsurance Agreement, effective as of July 1, 2011, between Security Life of Denver International Limited and Hannover Life Reassurance (Ireland) Limited (incorporated by reference to Exhibit 10.23 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.27	Coinsurance Agreement, dated as of October 1, 1998, between Aetna Life Insurance and Annuity Company and The Lincoln National Life Insurance Company (incorporated by reference to Exhibit 10.24 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.28	Modified Coinsurance Agreement, dated as of October 1, 1998, between Aetna Life Insurance and Annuity Company and The Lincoln National Life Insurance Company (incorporated by reference to Exhibit 10.25 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.29	Coinsurance Agreement, dated as of October 1, 1998, between Aetna Life Insurance and Annuity Company and Lincoln Life & Annuity Company of New York (incorporated by reference to Exhibit 10.26 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.30	Amendment No. 1 to Coinsurance Agreement, effective March 1, 2007 between ING Life Insurance and Annuity Company (F/K/A Aetna Life Insurance and Annuity Company) and Lincoln Life & Annuity Company of New York (incorporated by reference to Exhibit 10.27 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.31	Modified Coinsurance Agreement, dated as of October 1, 1998, between Aetna Life Insurance and Annuity Company and Lincoln Life & Annuity Company of New York (incorporated by reference to Exhibit 10.28 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.32	Tax Sharing Agreement by and between ING America Insurance Holdings, Inc. and various subsidiaries with respect to federal taxes (incorporated by reference to Exhibit 10.30 to the Company's Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-184847) filed on March 19, 2013)
10.33	Tax Sharing Agreement by and between ING America Insurance Holdings, Inc. and various subsidiaries with respect to state taxes (incorporated by reference to Exhibit 10.31 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.34	Shareholder Agreement, dated as of May 7, 2013, between ING U.S., Inc. and ING Groep N.V. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 7, 2013)
10.35	Transitional Intellectual Property License Agreement, dated as of May 7, 2013, between ING U.S., Inc. and ING Groep N.V. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 7, 2013)
10.36	Equity Administration Agreement between ING U.S., Inc. and ING Groep N.V. dated as of May 7, 2013 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on May 7, 2013)
10.37	Master Claim Agreement, dated April 17, 2012, between ING Groep N.V., ING America Insurance Holdings, Inc. and ING Insurance Eurasia N.V. (incorporated by reference to Exhibit 10.35 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
10.38	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.37 to the Company's Amendment No. 3 to Registration Statement on Form S-1 (File No. 333-184847) filed on April 5, 2013)
10.39	Employment Agreement, dated December 11, 2014, of Rodney O. Martin, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on December 16, 2014)
10.40+	Amended Agreement with Rodney O. Martin, Jr., dated September 18, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on September 21, 2017)
10.41+	Amended and Restated Offer Letter of Alain M. Karaoglan, (incorporated by reference to Exhibit 10.02 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on July 31, 2013)
10.42+	ING Group Incentive Compensation Plan (incorporated by reference to Exhibit 10.52 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.43+	ING Group Long-Term Sustainable Performance Plan (incorporated by reference to Exhibit 10.53 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.44+	Form of ING Group Long-Term Sustainable Performance Plan Grant (incorporated by reference to Exhibit 10.54 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.45+	Form of ING Group Grant of Deferred Shares (incorporated by reference to Exhibit 10.55 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.46+	ING Group Long-Term Equity Ownership Plan (incorporated by reference to Exhibit 10.56 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.47+	Form of ING Group Long-Term Equity Ownership Plan Grant (incorporated by reference to Exhibit 10.57 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.48+	ING Group Standard Share Option Plan (incorporated by reference to Exhibit 10.58 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013).
10.49+	ING Americas Supplemental Executive Retirement Plan (Amended/Restated December 2011) (incorporated by reference to Exhibit 10.59 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.50+	ING Americas Retirement Plan (Amended/Restated December 2011) (incorporated by reference to Exhibit 10.60 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.51+	ING Insurance Americas 409A Deferred Compensation Savings Plan (incorporated by reference to Exhibit 10.61 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.52+	Amendment No. 1 to ING Insurance Americas 409A Deferred Compensation Savings Plan (Amended/Restated January 1, 2010) (incorporated by reference to Exhibit 10.62 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.53+	ING Americas Severance Pay Plan (As Amended and Restated Effective as of January 1, 2008) (incorporated by reference to Exhibit 10.63 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.54+	Amendment No. 1 to ING Americas Severance Pay Plan (Amended/Restated October 1, 2008) (incorporated by reference to Exhibit 10.64 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.55+	Amendment No. 2 to ING Americas Severance Pay Plan (Amended/Restated June 22, 2009) (incorporated by reference to Exhibit 10.65 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.56+	Amendment No. 3 to ING Americas Severance Pay Plan (Amended/Restated October 1, 2009) (incorporated by reference to Exhibit 10.66 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.57+	Amendment No. 4 to ING Americas Severance Pay Plan (Amended/Restated December 1, 2010) (incorporated by reference to Exhibit 10.67 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.58+	Form of Voya Financial, Inc. Severance Plan for Senior Managers (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 5, 2016)

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
10.59+	ING Investment Management—Retention Participation Plan (incorporated by reference to Exhibit 10.68 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.60+	ING Investment Management, LLC Annual Incentive Plan (incorporated by reference to Exhibit 10.69 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.61+	ING Investment Management—Deferred Compensation Plan (incorporated by reference to Exhibit 10.70 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.62+	ING Americas Insurance Holdings, Inc. Equity Compensation Plan (incorporated by reference to Exhibit 10.71 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.63+	ING Directors' Pension Scheme (incorporated by reference to Exhibit 10.72 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (File No. 333-184847) filed on January 23, 2013)
10.64+	Form of ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.79 to the Company's Amendment No. 4 to Registration Statement on Form S-1 (File No. 333-184847) filed on April 16, 2013)
10.65+	Voya Financial, Inc. Amended and Restated 2013 Omnibus Non-Employee Director Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on August 7, 2014)
10.66+	Deal Incentive Award Agreement, dated April 30, 2013, between Fred Hubbell, ING Groep, N.V. and ING U.S., Inc. (incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on August 9, 2013)
10.67+	Form of 2013 Converted Award Agreement under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan related to the conversion of deferred shares granted in 2013 as both a mandatory partial deferral of 2012 annual incentive awards and an annual long-term incentive award to "Identified Staff" (as defined by the European Union's Capital Requirements Directive) pursuant to the ING Group Long-Term Sustainable Performance Plan (incorporated by reference to Exhibit 10.09 to the Company's Quarterly Report on Form 10-Q/A (File No. 001-35897) filed on June 20, 2013)
10.68+	Form of 2013 Converted Award Agreement under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan related to the conversion of deferred shares granted in 2013 as mandatory partial deferrals of 2012 long term incentive awards to "Identified Staff" (as defined by the European Union's Capital Requirements Directive) pursuant to the ING Group Long-Term Sustainable Performance Plan (incorporated by reference to Exhibit 10.10 to Amendment No. 1 of the Company's Quarterly Report on Form 10-Q/A (File No. 001-35897) filed on June 20, 2013)
10.69+	Form of 2013 Converted Award Agreement under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan related to the conversion of deferred shares and performance shares granted in 2013 to non-"Identified Staff" (as defined by the European Union's Capital Requirements Directive) pursuant to the ING Group Long-Term Sustainable Performance Plan (incorporated by reference to Exhibit 10.11 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q/A (File No. 001-35897) filed on June 20, 2013)
10.70+	Form of 2013 Converted Award Agreement under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan related to the conversion of performance shares granted in 2013 to non-"Identified Staff" (as defined by the European Union's Capital Requirements Directive) pursuant to the ING Group Long-Term Sustainable Performance Plan (incorporated by reference to Exhibit 10.12 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q/A (File No. 001-35897) filed on June 20, 2013)
10.71+	Notice of conversion of restricted stock units granted in 2013 under the ING America Insurance Holdings, Inc. Equity Compensation Plan, as amended, into restricted stock units of ING U.S., Inc. under the 2013 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.13 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q/A (File No. 001-35897) filed on June 20, 2013)
10.72+	Form of ING U.S., Inc. 2013 Omnibus Non-Employee Director Incentive Plan Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.94 to the Company's Registration Statement on Form S-1 (File No. 333-191163) filed on September 13, 2013)
10.73+	Form of ING U.S., Inc. 2013 Omnibus Employee Incentive Plan Award Supplement Providing for Dividend Equivalent Rights (incorporated by reference to Exhibit 10.95 to the Company's Registration Statement on Form S-1 (File No. 333-191163) filed on September 13, 2013)
10.74+	Form of 2014 Restricted Stock Unit Award Agreement under the Voya Financial, Inc. 2013 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.95 to the Company's Annual Report on Form 10-K (File No. 001-35897) filed on March 10, 2014)

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
10.75+	Share Repurchase Agreement, dated as of March 18, 2014, between the Company and ING Groep N.V. (incorporated by reference to Exhibit 10.96 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (No. 333-194469) filed on March 18, 2014)
10.76+	Master Outsourcing Services Agreement between ING North America Insurance Corporation and Milliman, Inc. dated as of June 2, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 2, 2014)
10.77+	Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on August 7, 2014)
10.78+	Form of 2015 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 8, 2015)
10.79+	Form of Chief Executive Officer 2015 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 8, 2015)
10.80+	Form of Option Plan Grant Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on December 18, 2015)
10.81+	Form of 2016 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 6, 2016)
10.82	Form of Chief Executive Officer 2016 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on May 5, 2016)
10.83+	Form of 2017 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed May 3, 2017)
10.84+	Form of Chief Executive Officer 2017 Award Agreement under the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed May 3, 2017)
10.85+	Form of Chief Financial Officer Grant Award under the Voya Financial Inc. 2014 Omnibus Employee Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on October 28, 2016)
10.86	Share Repurchase Agreement, dated as of September 1, 2014, between the Company and ING Groep N.V. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on September 2, 2014)
10.87	Share Repurchase Agreement, dated as of November 11, 2014, between the Company and ING Groep N.V. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on November 12, 2014)
10.88	Share Repurchase Agreement dated as of March 2, 2015 between the Company and ING Groep, N.V. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on March 3, 2015)
10.89	Addendum, dated as of March 4, 2015, to Share Repurchase Agreement between Voya Financial, Inc. and ING Groep, N.V. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-35897) filed on March 9, 2015)
10.90	Hannover Re Buyer Facility Agreement Dated as of September 24, 2015 Among Security Life of Denver International Limited, Voya Financial, Inc., Hannover Life Reassurance Company of America, Hannover Re (Ireland) Limited and Hannover Rück SE (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on November 6, 2015)
10.91+	Offer Letter of Charles P. Nelson, dated April 7, 2015 (incorporated by reference to Exhibit 10.102 to the Company's Annual Report on Form 10-K (File No. 001-35897) filed on February 25, 2016)
10.92+	Offer Letter of Christine Hartsellers, dated September 24, 2004 (incorporated by reference to Exhibit 10.98 to the Company's Annual Report on Form 10-K (File No. 001-35897) filed on February 23, 2017)
10.93+	Promotion and Compensation Memorandum of Christine Hartsellers, dated February 12, 2009 (incorporated by reference to Exhibit 10.99 to the Company's Annual Report on Form 10-K (File No. 001-35897) filed on February 23, 2017)

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
10.94 <sup>^</sup>	Master Agreement for Outsourced Services between Voya Services Company and Cognizant Worldwide Limited dated as of July 31, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-35897) filed on November 1, 2017)
10.95	Registration Rights Agreement, dated January 23, 2018, by and among Voya Financial, Inc., Voya Holdings Inc. and Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001.35897) filed on January 23, 2018)
12.1*	Statement of Computation of Ratios of Earnings to Fixed Charges
21.1*	List of Subsidiaries of Voya Financial, Inc.
23.1*	Consent of Ernst & Young LLP
24.1	Power of Attorney (included on signature pages)
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Rodney O. Martin, Chief Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Michael S. Smith, Chief Financial Officer
32.1*	Section 1350 Certification of Rodney O. Martin, Chief Executive Officer
32.2*	Section 1350 Certification of Michael S. Smith, Chief Financial Officer
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

\* Filed herewith.

+ This exhibit is a management contract or compensatory plan or arrangement

<sup>^</sup> Confidential portions of this exhibit have been omitted and filed separately with the SEC pursuant to a request for confidential treatment

**SIGNATURE**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 23, 2018  
(Date)

Voya Financial, Inc.  
(Registrant)

By: /s/

Michael S. Smith

Michael S. Smith

Executive Vice President and

Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

## POWER OF ATTORNEY

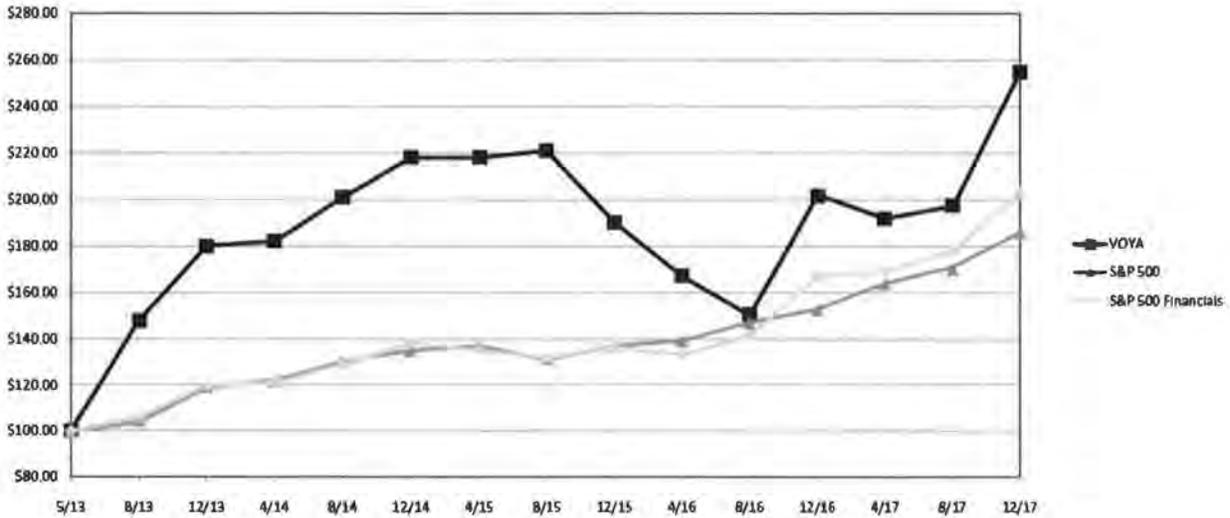
KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature below constitutes and appoints Rodney O. Martin, Jr., Alain M. Karaoglan, Michael S. Smith and Patricia J. Walsh as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign this Annual Report on Form 10-K, and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
<u>/s/ Rodney O. Martin, Jr.</u> Rodney O. Martin, Jr.	Chairman and Chief Executive Officer <i>(Principal Executive Officer)</i>	February 23, 2018
<u>/s/ Lynne Biggar</u> Lynne Biggar	Director	February 23, 2018
<u>/s/ Jane P. Chwick</u> Jane P. Chwick	Director	February 23, 2018
<u>/s/ Ruth Ann M. Gillis</u> Ruth Ann M. Gillis	Director	February 23, 2018
<u>/s/ J. Barry Griswell</u> J. Barry Griswell	Director	February 23, 2018
<u>/s/ Byron H. Pollitt, Jr.</u> Byron H. Pollitt, Jr.	Director	February 23, 2018
<u>/s/ Joseph V. Tripodi</u> Joseph V. Tripodi	Director	February 23, 2018
<u>/s/ Deborah C. Wright</u> Deborah C. Wright	Director	February 23, 2018
<u>/s/ David Zwiener</u> David Zwiener	Director	February 23, 2018
<u>/s/ Michael S. Smith</u> Michael S. Smith	Chief Financial Officer <i>(Principal Financial Officer)</i>	February 23, 2018
<u>/s/ C. Landon Cobb, Jr.</u> C. Landon Cobb, Jr.	Chief Accounting Officer <i>(Principal Accounting Officer)</i>	February 23, 2018

### Performance Graph

The following graph compares an investment in the Company's common stock from May 1, 2013 (the date of the Company's initial public offering) through December 29, 2017, against (i) an investment in the S&P 500 index and (ii) an investment in the S&P 500 Financials Index. The graph assumes \$100 was invested on May 1, 2013 in the Company's common stock, the S&P 500 index, and the S&P 500 financials index, as applicable, and that dividends were reinvested on the date of payment without deduction of any commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance.



### Availability of Further Information

Voya Financial, Inc. will provide, without charge, a copy of its 2017 Annual Report on Form 10-K upon the written request of any shareholder. Such requests shall be directed to the Office of the Corporate Secretary, Voya Financial, Inc., 230 Park Avenue, New York, New York 10169.

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## Forward-Looking and Other Cautionary Statements

This annual report 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, such as those relating to Federal taxation, state insurance regulations and NAIC regulations and guidelines, including those affecting reserve requirements for variable annuity policies and the use of and possible application of NAIC accreditation standards to captive reinsurance entities, those made pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the U.S. Department of Labor’s final rules and exemptions pertaining to the fiduciary status of providers of investment advice, or any amendments thereto, (x) changes in the policies of governments and/or regulatory authorities, and (xi) our ability to successfully complete the transaction entered into on Dec. 20, 2017. Factors that may cause actual results to differ from those in any forward-looking statement also include those described under “Risk Factors” and “Management’s Discussion and Analysis of Results of Operations and Financial Condition – Trends and Uncertainties” in our Annual Report on Form 10-K for the year ended Dec. 31, 2017, which the company filed with the Securities and Exchange Commission on Feb. 23, 2018.



Voya Financial  
230 Park Avenue  
New York, NY 10169  
voya.com





**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

**Voya Financial, Inc.**

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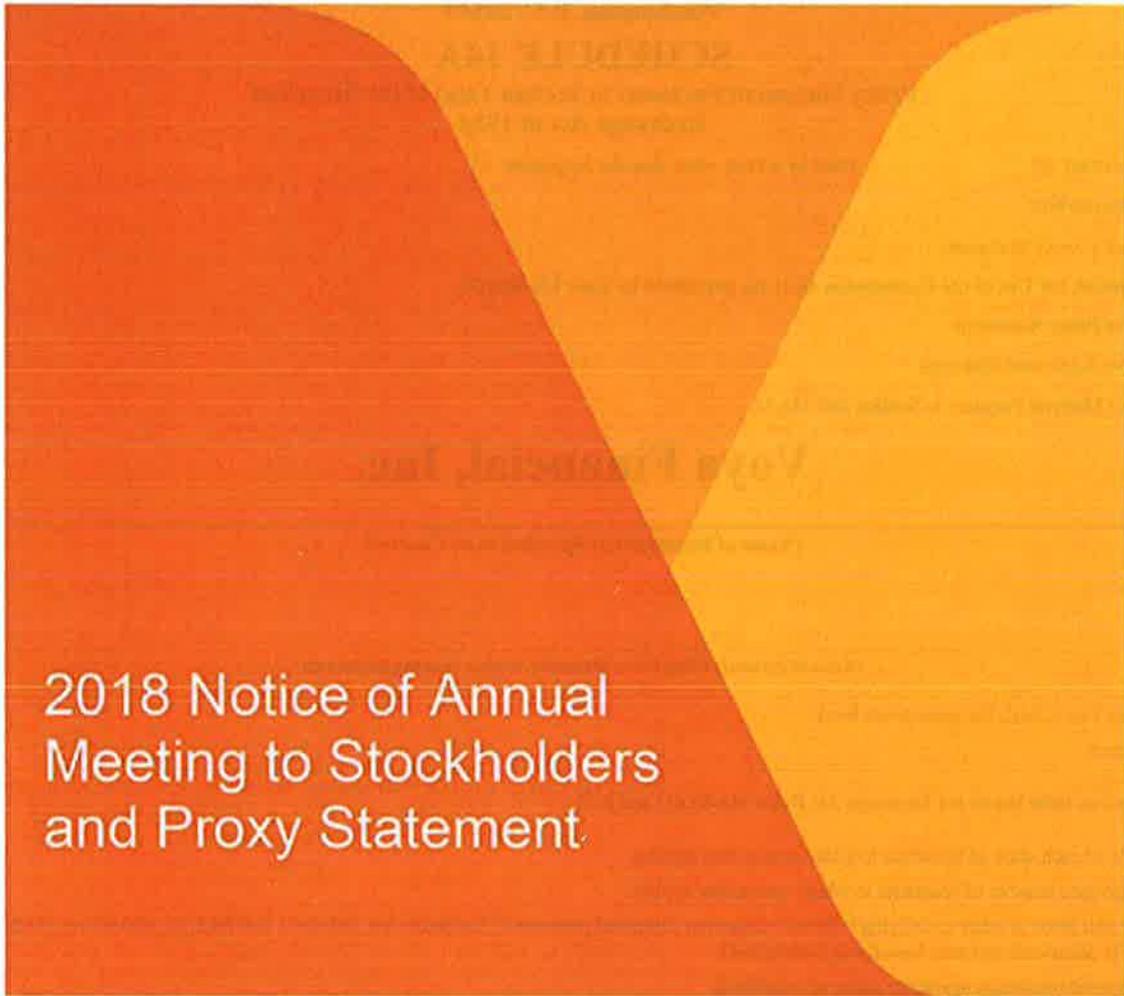
(Name of Registrant as Specified in its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- 
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:
-



PLAN | INVEST | PROTECT

**VOYA.**  
FINANCIAL



Dear Fellow Stockholders:

You are cordially invited to attend the annual meeting of stockholders of Voya Financial, Inc. (the "Company"), on Wednesday, May 30, 2018, at 11:00 a.m., Eastern Daylight Time. The annual meeting of stockholders will be held as a virtual meeting only, accessible at the following website address: [www.virtualshareholdermeeting.com/VOYA2018](http://www.virtualshareholdermeeting.com/VOYA2018). The enclosed notice of annual meeting and proxy statement describe the items of business that we will conduct at the meeting and also provide you with important information about our Company, including our practices in the areas of corporate governance and executive compensation. I strongly encourage you to read these materials and then to vote your shares.

**Our Board is actively engaged in strategic planning**

2017 was a transformational year for Voya as we announced in December the signing of an agreement to sell substantially all of our Closed Block Variable Annuity segment and our individual fixed and fixed indexed annuity business to a consortium of investors. This transaction will significantly reduce our market and insurance risk and eliminate the CBVA tail risk and volatility. It will further position Voya to be a simpler company and enable us to focus on our higher-growth, higher-return, capital-light Retirement, Investment Management and Employee Benefits businesses.

As stewards of the company, one of the Board's key roles is overseeing strategy, and a decision to conduct a transaction like this was the product of an iterative Board discussion. The Board spent a significant amount of time during its regular Board meetings as well as specially called Board meetings discussing the risks and opportunities presented by this transaction, and providing guidance to management that led to the successful signing of the transaction.

We are very fortunate to have a Board that is highly engaged in today's rapidly changing environment. In addition to board meetings, our directors regularly participate in pre- and post-meeting discussions as well as ad hoc meetings to discuss emerging issues. To provide shareholders more insight into our Board's operations, we added this year disclosure on the number of our Board and committee meetings, the discussions and communications outside of board meetings and site visits that are designed to deepen the understanding and impact of our Board. This new disclosure starts on p. 11 of this proxy statement.

**Our Board is comprised of diverse and independent directors with skills and experiences to support our strategy and position us for long-term success**

In July 2017, we announced our then lead director, Frederick S. Hubbell, resigned from our Board due to the demands from his candidacy for Governor of Iowa. We are grateful to Fred for his valuable contributions to our Board. In connection with Fred's resignation, the Board appointed David Zwienen as the new lead director. Dave brings with him deep industry experience as well as extensive experience as a director of other public companies.

We believe our directors bring a well-rounded variety of diversity, skills, qualifications and experiences, and represent an effective mix of deep company knowledge and fresh perspectives. Four of our nine directors are women and three of the Committees are chaired by women. To help shareholders gain better understanding of our Board's composition, we added new disclosure this year starting on p. 2 on the directors' skills, experiences and background as well as our Nominating and Governance Committee's focus on diversity when recruiting new directors and recommending directors for re-nomination.

**Continued focus on shareholder engagement**

In 2017, we continued to focus on engaging with our shareholders. We expanded our shareholder outreach in 2017 to investors holding 77% of our outstanding common stock versus 61% in 2016. The full scope of investor perspectives that we gather through this process is reported to the Board and integrated into the Board's decision-making processes. We believe the two-way dialogue with our stockholders through these engagement efforts build informed relationships that promote transparency and accountability, by deepening our Board's understanding of stockholder concerns, and providing stockholders with insight into our Board's processes.

On behalf of the Board and the management team, I would like to thank you for your continuing investment and support of Voya Financial.

Very truly yours,

Rodney O. Martin, Jr.  
Chairman and Chief Executive Officer

# Voya Financial, Inc.

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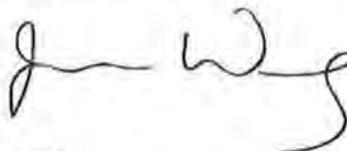
## Notice of 2018 Annual Meeting of Stockholders

<b>Time and Date</b>	11:00 a.m., Eastern Daylight Time, on Wednesday, May 30, 2018
<b>Meeting website address</b>	<a href="http://www.virtualshareholdermeeting.com/VOYA2018">www.virtualshareholdermeeting.com/VOYA2018</a>
<b>Items of Business</b>	<ul style="list-style-type: none"><li>• Election of nine directors to our board of directors for one-year terms</li><li>• An advisory vote to approve executive compensation</li><li>• Ratification of the appointment of Ernst &amp; Young LLP as our independent registered public accounting firm for 2018</li><li>• Transaction of such other business as may properly come before our 2018 Annual Meeting of Stockholders</li></ul>
<b>Record Date</b>	The record date for the determination of the stockholders entitled to vote at our Annual Meeting of Stockholders, or any adjournments or postponements thereof, was the close of business on April 2, 2018

*Your vote is important to us. Please exercise your right to vote.*

**Important Notice Regarding the Availability of Proxy Materials for our Annual Meeting to be held on May 30, 2018. Our Proxy Statement, 2017 Annual Report to Stockholders and other materials are available at [www.proxyvote.com](http://www.proxyvote.com).**

By Order of the Board of Directors,



Jean Weng  
Senior Vice President, Deputy General  
Counsel and Corporate Secretary  
April 12, 2018

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## Executive Summary

*This summary highlights certain information contained elsewhere in our proxy statement. You should read the entire proxy statement carefully before voting. Please see the Glossary at the end of this proxy statement for a list of certain defined terms used throughout this proxy statement.*

Matters to be Voted on at our 2018 Annual Meeting:

	<b>Matter</b>	<b>Board Recommendation</b>	<b>See This Page for More Information</b>
1.	Election of directors	FOR each Director Nominee	2
2.	Advisory vote on the approval of executive compensation	FOR approval	22
3.	A vote to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2018	FOR approval	61

Our proxy statement contains information about the matters to be voted on at our 2018 Annual Meeting of Stockholders (which we refer to in this proxy statement as the "Annual Meeting"), as well as information about our corporate governance practices, the compensation we pay our executives, and other information about our Company. Our principal executive offices are located at 230 Park Avenue, New York, New York, 10169.

Please note that we are furnishing proxy materials to our stockholders via the Internet, instead of mailing printed copies of those materials to each stockholder. By doing so, we save costs and reduce our impact on the environment. A Notice of Internet Availability of Proxy Materials, which contains instructions about how to access our proxy materials and vote online or by mail, will be mailed to our stockholders beginning on April 12, 2018.

**Your vote is important. Please exercise your right to vote.**

## Part I: Corporate Governance

### Agenda Item 1: Election of Directors

Our board consists of nine directors, who, pursuant to our Amended and Restated Certificate of Incorporation, are elected annually by our stockholders for one-year terms. Currently, our board consists of eight independent directors and our CEO (who also serves as chairman of the board). David Zwiener, one of the eight independent directors, is currently our Lead Director.

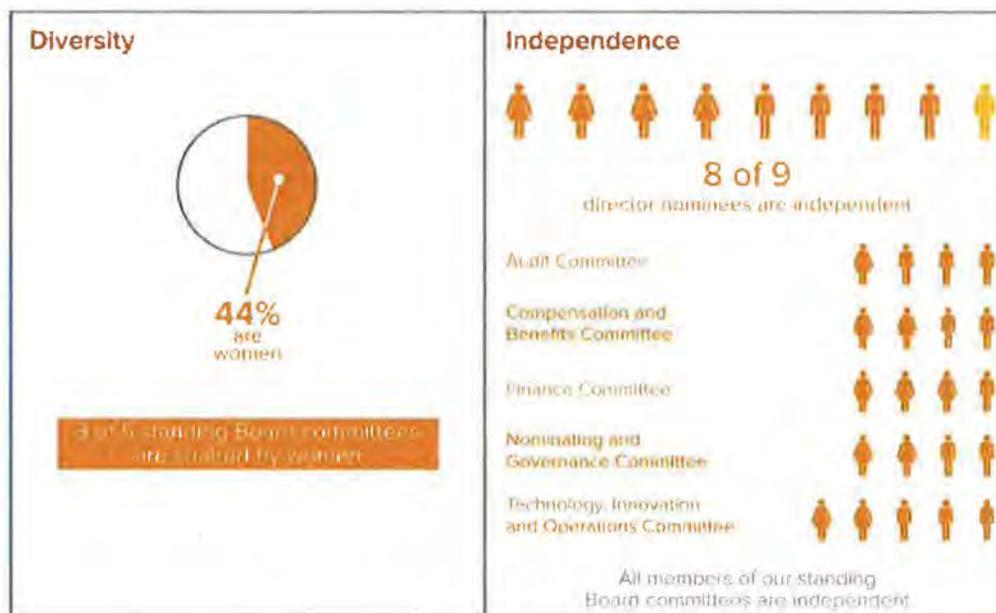
At our Annual Meeting, our stockholders will be asked to elect the nine members of our board of directors.

**Board Recommendation:** Our board of directors unanimously recommends that our stockholders elect each of our Director Nominees described below under “—Our Director Nominees”.

### OUR DIRECTOR NOMINEES

#### Director Nominee Facts

We believe our director nominees bring a well-rounded variety of diversity, skills, qualifications and experiences, and represent an effective mix of deep company knowledge and fresh perspectives. Our Board believes our nominees’ breadth of experience and their mix of attributes strengthen our Board’s independent leadership and effective oversight of management, in the context of our company’s businesses, our industry’s operating environment, and our company’s long-term strategy.



Our nominees:

- are seasoned leaders who have held a diverse range of leadership positions in complex businesses (including financial services organizations);

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- have served as chief executives and in senior positions in the areas of risk, operations, finance, technology and brand development;
- have extensive knowledge and experience in our industry;
- bring deep and diverse experience in public and private companies; and
- represent diverse backgrounds and viewpoints.

✓ REQUIREMENTS AND EXPERIENCES	+ DIVERSITY OF SKILLS AND EXPERIENCES
✓ Integrity, business judgment and commitment	+ Financial services industry
✓ Demonstrated management ability	+ Risk management
✓ Leadership and expertise in their respective fields	+ Cybersecurity, technology and information security
✓ Financial literacy	+ Audit, tax and accounting
✓ Strategic thinking	+ Operations
✓ Reputational focus	+ Succession planning and talent development
	+ Brand development, marketing and communications
	+ Public company board service
	+ Finance and capital allocation
	+ Mergers and acquisitions experiences

### *Consideration of Board Diversity*

The Nominating and Governance Committee is keenly focused on ensuring that a wide range of backgrounds and experiences are represented on our Board. Among the factors the Committee considers in identifying and evaluating a potential director candidate is the extent to which the candidate would add to the diversity of our Board. The Committee considers a number of demographics including gender, ethnicity, race, culture and geography, seeking to develop a Board that, as a whole, reflects diverse opinions and perspectives that is representative of our business.

### *Evaluation of our Director Nominees for Nomination and Re-Nomination*

Our Nominating and Governance Committee does not set specific minimum qualifications that directors must meet in order for the Committee to recommend them to our board, but specific characteristics considered by the Committee when evaluating candidates for the board include:

- whether the candidate possesses significant leadership experience;
- the candidate's accomplishments and reputation in the business community;
- whether the candidate is financially literate or has other professional business experience relevant to an understanding of our business; and
- whether the nominee is independent for purposes of the New York Stock Exchange ("NYSE") listing rules.

We appreciate the importance of critically evaluating individual directors and their contributions to our Board in connection with re-nomination decisions. In considering whether to recommend re-nomination of a director for election at our annual meeting, the Nominating and Governance Committee considers factors such as:

- The extent to which the director's skills, qualifications and experience continue to contribute to the success of our Board;
- The extent to which the director continues to contribute to the diversity of our Board;
- Attendance and participation at, and preparation for Board and Committee meetings;
- Independence; and
- Shareholder feedback, including the support received by director nominees at our last annual meeting.

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### Consideration of Stockholder Nominees

It is the policy of the Nominating and Governance Committee to consider candidates recommended by stockholders in the same manner as other candidates. Stockholders wishing to submit potential director candidates for consideration by our Nominating and Governance Committee should submit the names of their nominees, a description of their qualifications and background, and the signed consent of the nominee to be so considered, to our Nominating and Governance Committee, care of the Corporate Secretary, Voya Financial, Inc., 230 Park Avenue, New York, New York 10169. For more information on how and when to submit a nomination, see “Part V: Other information—Frequently asked questions about our Annual Meeting—How do I submit a stockholder proposal for the 2019 Annual Meeting?”.

### The Nominees

The following table sets forth our Director Nominees, their ages, their status as “independent” for purposes of NYSE listing rules, their board and business experience.

Name	Age	Independent	Director Since	Occupation	Other Public Company Boards
Lynne Biggar	55	Yes	2014	Chief Marketing and Communications Officer, Visa Inc.	None
Jane P. Chwick	55	Yes	2014	Director	<ul style="list-style-type: none"><li>• MarketAxess</li><li>• People’s United Bank, N.A.</li></ul>
Ruth Ann M. Gillis	63	Yes	2015	Director	<ul style="list-style-type: none"><li>• KeyCorp.</li><li>• Snap-On Inc.</li></ul>
J. Barry Griswell	68	Yes	2013	Director	<ul style="list-style-type: none"><li>• Herman Miller, Inc.</li><li>• Och-Ziff Capital Management Group</li></ul>
Rodney O. Martin, Jr.	65	No	2011	Chairman of the Board and CEO, Voya Financial, Inc.	None (1)
Byron H. Pollitt, Jr.	66	Yes	2015	Director	None
Joseph V. Tripodi	62	Yes	2015	Chief Marketing Officer, The Subway Corporation	None
Deborah C. Wright	60	Yes	2014	Director	<ul style="list-style-type: none"><li>• Time Warner Inc.</li><li>• Citigroup Inc.</li></ul>
David Zwiener (lead director)	63	Yes	2013	Operating Executive, The Carlyle Group	<ul style="list-style-type: none"><li>• The Bank of N.T. Butterfield &amp; Son Limited</li></ul>

(1) Mr. Martin is also a director of our wholly owned subsidiary, Voya Retirement Insurance and Annuity Company, which is a Securities and Exchange Commission (“SEC”) registrant.

If elected by our stockholders, the nine Director Nominees, all of whom are currently members of our board, will serve for a one-year term expiring at our 2019 Annual Meeting of Stockholders. Each duly elected director will hold office until his or her successor has been elected and qualified or until the director’s earlier resignation or removal.

Each of our Director Nominees has been approved and nominated for election by our board. All of our directors are elected by majority vote of our stockholders, excluding abstentions.

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Below is biographical information about our Director Nominees. This information is current as of the date of this proxy statement and has been confirmed by each of the Director Nominees for inclusion in this proxy statement.

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**Lynne Biggar**

*Lynne Biggar* has been a director of the Company since October 2014, and serves as the Chairperson of our Nominating and Governance Committee. Ms. Biggar is the Executive Vice President and Chief Marketing and Communications Officer of Visa Inc. Prior to joining Visa in February 2016, Ms. Biggar was the Executive Vice President of Consumer Marketing + Revenue at Time Inc. since November 2013. Prior to that, Ms. Biggar served as Executive Vice President & General Manager of International Card Products + Experiences for American Express beginning in January 2012 and was a member of the company's Global Management Team. From August 2009 to January 2012, Ms. Biggar served as Executive Vice President & General Manager of the Membership Rewards and Strategic Card Services group at American Express. Prior to that, Ms. Biggar led American Express' consumer travel business from January 2005 to July 2009. Before joining American Express in 1992, Ms. Biggar held various positions in international strategy and marketing. Ms. Biggar holds a B.A. from Stanford University and an MBA, Marketing and Organizational Management from Columbia University Graduate School of Business.

**Qualifications**

Ms. Biggar has been selected as a Director Nominee in light of her extensive experience in brand development, marketing and strategic growth of several large public companies.

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**Jane P. Chwick**

*Jane P. Chwick* has been a director of the Company since May 2014, and serves as the Chairperson of our Technology, Innovation and Operations Committee. Ms. Chwick retired as the Co-Chief Operating Officer of Technology for The Goldman Sachs Group, Inc. in 2013, where she was employed in increasingly senior positions from 1983 until 2013. Ms. Chwick serves on the boards of People's United Bank, N.A., MarketAxess Holdings, Inc., ThoughtWorks Inc. and the Queens College Foundation. Ms. Chwick holds a bachelor's degree in Mathematics from Queen's College and a Masters of Business Administration in Management Sciences and Quantitative Methods from St. John's University.

**Qualifications**

Ms. Chwick has been selected as a Director Nominee in light of her experience as chief operating officer of a major function within a global financial institution, and her experience in technology, strategy, risk management and operations.



**Ruth Ann M. Gillis**

*Ruth Ann M. Gillis* has been a director of the Company since July 2015. Ms. Gillis retired in 2014 as the Executive Vice President and Chief Administrative Officer of Exelon Corporation and president of Exelon Business Services Company. She previously served as Executive Vice President of Exelon's Commonwealth Edison Company subsidiary as well as Senior Vice President and Chief Financial Officer of Exelon Corporation and Unicom Corporation. Prior to joining Exelon in 1997, Ms. Gillis was Vice President, Treasurer and Chief Financial Officer at University of Chicago Hospitals and Health Systems as well as Senior Vice President and Chief Financial Officer of American National Bank, a subsidiary of First Chicago Corporation. Ms. Gillis also serves on the boards of KeyCorp, and Snap-On Incorporated. In addition, Ms. Gillis serves on the boards of The Goodman Theatre of Chicago, The Lyric Opera of Chicago and The University of Chicago Cancer Research Foundation. Ms. Gillis received a bachelor's degree in economics from Smith College and an MBA in finance from the University of Chicago Graduate School of Business.

**Qualifications**

Ms. Gillis has been selected as a Director Nominee in light of her extensive experience in strategy, risk management and operations, her knowledge of accounting and finance and her experience serving as a director of other U.S. public companies.



**J. Barry Griswell**

*J. Barry Griswell* has been a director of the Company since May 2013, and serves as Chairperson of our Compensation and Benefits Committee. Mr. Griswell is the retired Chairman and Chief Executive Officer of Principal Financial Group, positions he held from 2002 to 2009 and 2000 to 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. 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. From 2010 to 2013, Mr. Griswell served as a director of National Financial Partners Corp. From his retirement in 2008 from Principal Financial Group until July 1, 2013, Mr. Griswell served as the head of the Community Foundation of Greater Des Moines, first as President and, from July 2011 until July 2013, 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.

**Qualifications**

Mr. Griswell has been selected as a Director Nominee in light of his extensive experience in the U.S. retirement and life insurance industry, his financial expertise and his experience serving as a director and officer of other U.S. public companies.



Rodney O. Martin, Jr.

*Rodney O. Martin, Jr.* has been our chief executive officer and a director of the Company since 2011. Mr. Martin was appointed Chairman of the board of directors upon completion of our initial public offering in May 2013, and also serves as chairman of the board's Executive Committee. As Chief Executive Officer, Mr. Martin is responsible for the overall strategy and performance of the Company. 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 Boards of Directors of American Council of Life Insurers and has served on the Board of Directors of LIMRA.

*Qualifications*

Mr. Martin has been selected as a Director Nominee in light of his extensive leadership experience within the retirement and life insurance industries, his understanding of the Company's business and the important role he has played in determining the Company's strategy and vision as a public company.



Byron H. Pollitt, Jr.

*Byron H. Pollitt, Jr.* has been a director of the Company since July 2015, and serves as Chairperson of our Audit Committee. Mr. Pollitt was the Chief Financial Officer of Visa Inc. from 2007 to 2015. From 2003 to 2007, Mr. Pollitt served as Executive Vice President and Chief Financial Officer of Gap Inc. From 1990 to 2003, Mr. Pollitt held a number of senior leadership roles at The Walt Disney Company. In addition to serving as Executive Vice President and Chief Financial Officer for Walt Disney Parks and Resorts from 1999 to 2003, Mr. Pollitt also previously served as Senior Vice President and Chief Financial Officer for Disneyland Resort and Vice President of Corporate Planning. In December 2015, Mr. Pollitt was appointed to the Finance Commission of the International Federation of Red Cross and Red Crescent Societies. Mr. Pollitt served on the boards of American Red Cross Bay Area between 2005 and 2014, and Orange County between 1997 and 1999. Mr. Pollitt also serves on the Board of Councilors for the School of Dramatic Arts at the University of Southern California. Mr. Pollitt received a bachelor's degree in business economics from the University of California-Riverside and an MBA from Harvard Business School.

*Qualifications*

Mr. Pollitt has been selected as a Director Nominee in light of his deep knowledge of finance and accounting and his extensive leadership experience with U.S. public companies.



**Joseph V. Tripodi**

*Joseph V. Tripodi* has been a director of the Company since April 2015. Mr. Tripodi has been the Chief Marketing Officer of The Subway Corporation since December 2015. Prior to that, Mr. Tripodi was the Executive Vice President and Chief Marketing & Commercial Officer of The Coca-Cola Company from 2007 to February 2015. Prior to joining The Coca-Cola Company in 2007, Mr. Tripodi was Senior Vice President and Chief Marketing Officer of Allstate Insurance Company from 2003 to 2007. Mr. Tripodi also previously served as Chief Marketing Officer for The Bank of New York in 2002 and Seagram Spirits & Wine from 1999 to 2002. Prior to joining Seagram, Mr. Tripodi held several marketing roles at MasterCard International, including serving as its Executive Vice President, Global Marketing, Products and Services from 1989 to 1998. Mr. Tripodi holds a B.A. from Harvard College and an M.S. from The London School of Economics.

**Qualifications**

Mr. Tripodi has been selected as a Director Nominee in light of his extensive experience in marketing, brand development, and customer experience of several large public and private companies.



**Deborah C. Wright**

*Deborah C. Wright* has been a director of the Company since May 2014 and serves as the Chairperson of our Finance Committee. Ms. Wright served as the Chairman of the Board of Carver Bancorp, Inc. and Carver Federal Savings Bank from 2005 to 2016, as the Chief Executive Officer of Carver Bancorp, Inc. and Carver Federal Savings Bank from 1999 to 2014 and as the President of Carver Bancorp, Inc. and Carver Federal Savings Bank from 1999 to 2005. Ms. Wright was a Senior Fellow in the Economic Opportunity and Markets Program of the Ford Foundation from 2014 to 2016. From 1996 to 1999, Ms. Wright served as the President and Chief Executive Officer of the Upper Manhattan Empowerment Zone Development Corporation. Ms. Wright is a director of Citigroup Inc. and a director and chairman of the audit and finance committee of Time Warner Inc., and was previously on the board of directors of Kraft Foods Inc. (now Mondelez International, Inc. and Kraft Foods Group Inc.). Ms. Wright currently serves as director and member of the executive committee of Memorial Sloan-Kettering Cancer Center. Ms. Wright holds A.B., J.D. and M.B.A. degrees from Harvard University.

**Qualifications**

Ms. Wright has been selected as a Director Nominee in light of her extensive experience in the financial services industry and her experience on public company boards and audit committees.



### David Zwiener

David Zwiener has been a director of the Company since May 2013, and serves as our Lead Director. Since March 2016, Mr. Zwiener has been engaged as an Operating Executive of The Carlyle Group. Mr. Zwiener joined the Board of Directors of The Bank of N.T. Butterfield & Son Limited in August 2016, and was appointed Lead Director in July 2017. From January 2015 to March 2016, Mr. Zwiener was Interim CEO at PartnerRe Ltd. Mr. Zwiener was a Principal in Dowling Capital Partners from 2010 to 2015. 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 trustee of the New Britain Museum of American Art and a director of the Hartford Hospital. He previously served as a director of Partner Re, Ltd. (2009-2016), 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.

### Qualifications

Mr. Zwiener has been selected as a Director Nominee in light of his extensive experience in the financial services and U.S. insurance industries, his knowledge of finance and accounting and his background as a director and officer of U.S. public companies.

### BOARD LEADERSHIP

Our Nominating and Governance Committee has considered the leadership structure of our board, and has determined that it is in the best interest of the Company for the positions of Chief Executive Officer and Chairman to be held by a single individual, Mr. Martin. The Committee made this determination in light of Mr. Martin's experience with the Company; the nature of the leadership he has demonstrated within our Company and on our board; and the role fulfilled by Mr. Zwiener, our Lead Director, as described below. The Committee believes that this structure is appropriate for us because it allows the individual with primary responsibility for managing the Company's day-to-day operations, the Chief Executive Officer, to chair regular board meetings and focus the directors' attention on the issues of greatest importance to the Company and its stockholders while also providing for effective oversight by the board through an independent lead director. It is the policy of our board that, during any period where the Chairman of the board is not "independent" for purposes of the NYSE listing rules, the board will appoint a Lead Director who will be an independent director. Mr. Zwiener is an independent director.

We believe effective independent board leadership is a key component of good corporate governance and long-term value creation. As such, our Board believes that an effective Lead Director must:

- Be a good communicator: since the role requires facilitating discussions among board members, between directors and the CEO/management, and engaging with other stakeholders, strong communications skills are necessary.
- Have the required time commitment: given the key functions of the position, the role requires a significant time commitment to execute responsibilities effectively.
- Have relevant industry expertise: the Lead Director acts as a sounding board to our Chief Executive Officer and we believe relevant industry expertise enhances the effectiveness of the role.
- Have personal effectiveness: the ability to earn support of other directors and management; and sound judgment and leadership are key to the effectiveness of the role.

***Key Functions and Responsibilities of our Lead Director***

The following table outlines the key functions and responsibilities of our Lead Director:

<b>Function</b>	<b>Description</b>	<b>Responsibilities</b>
Board Leadership	Leads independent directors and acts as a liaison between independent directors and the CEO/senior executives	<ul style="list-style-type: none"> <li>• Acts as liaison between independent directors and the CEO</li> <li>• Acts as a sounding board and advisor to the CEO</li> <li>• Has the authority to call meetings of the independent directors</li> <li>• Leads meetings of independent directors, including executive sessions</li> <li>• Participates in CEO succession planning</li> </ul>
Board Oversight of Strategy	Ensures board ownership of strategy and provides guidance to the CEO on execution of the strategy, when needed	<ul style="list-style-type: none"> <li>• Ensures that the Board periodically reviews our long-term strategy</li> <li>• Ensures that the Board oversees management's execution of the long-term strategy</li> <li>• Assists in aligning governance structures and company culture with the long-term strategy</li> <li>• Provides guidance to the CEO on executing the long-term strategy</li> </ul>
Board Culture	Fosters an environment of open dialogue and constructive feedback	<ul style="list-style-type: none"> <li>• Encourages director participation by fostering an environment of open dialogue and constructive feedback among independent directors</li> <li>• Helps ensure efficient and effective board performance and functioning</li> </ul>
Board Meetings	Reviews and approves board meeting agendas; follows up on meeting outcomes	<ul style="list-style-type: none"> <li>• Consults on and approves Board meeting agendas with inputs from other directors</li> <li>• Consults on and approves Board meeting schedules to ensure there is sufficient time for discussion on all agenda items</li> <li>• Advises the CEO of the Board's information needs and ensure the timeliness of information provided to the Board</li> <li>• Follows up on meeting outcomes</li> </ul>

## BOARD ROLE IN RISK OVERSIGHT

Our board carries out its risk oversight function through its regularly scheduled meetings, through its committees (including the Audit Committee, which consistent with NYSE rules has a central role in risk oversight), and through informal interactions and discussions between our directors and our senior management. In particular, the committees of our board focus on overseeing the following risks:



In addition to the above, the board, through the Nominating and Governance Committee and the Compensation and Benefits Committee, oversees succession planning of our CEO and other senior management members.

The board receives regular reports from the management risk committee of the Company and the Company's Chief Risk Officer on the Company's ongoing adherence to the board's risk-related policies and the status of the Company's risk management programs.

## BOARD OPERATIONS

Our directors are actively engaged inside and outside of board meetings.

### Actively Engaged Board and Outstanding Attendance

9 BOARD MEETINGS IN 2017	34 STANDING COMMITTEE MEETINGS IN 2017	25 EXECUTIVE SESSIONS IN 2017	> 50 MEETINGS OF LEAD DIRECTOR AND COMMITTEE CHAIRPERSONS OUTSIDE OF BOARD MEETINGS
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No directors attended fewer than 75% of the aggregate number of meetings of the board and of the board committees on which the director served during 2017, the threshold for disclosure under SEC rules. In 2017, our directors attended 98% of the combined total meetings of the full Board and Committees on which they served. In addition, we encourage our directors to attend each of our annual meetings and in 2017, all of our directors attended the Annual Meeting of Stockholders.

***Discussions and Communications Outside of Board Meetings***

The chairpersons of our Committees as well as our Lead Director meet and speak regularly with members of our management in between Board meetings. The chairpersons of our Committees have regular meetings with our management prior to Committee meetings to review meeting agendas, time allocated to each agenda item, meeting materials and discuss specific agenda items in order to ensure that the meeting would sufficiently fulfill the information needs of the Committee members. After each meeting and on an ad hoc basis as needed, Committee chairpersons provide feedback to management in preparation for future meetings. Our Lead Director conducts similar meetings with our CEO with respect to Board meetings. In addition, directors have discussions with each other and our senior management team and other key employees outside of Board meetings as needed.

Our directors also receive weekly analyst reports on the Company and its peers, and on a quarterly basis, they receive feedback from senior management on our meetings and interactions with investors.

***Site Visits***

Every year, our board conducts one of its in-person meetings outside of our headquarters to help enhance the directors' understanding of our businesses. In 2017, our directors visited our Jacksonville, FL office where a large portion of our operations employees are located. Directors spent time touring the facility and listened in on customers calls conducted by call center representatives without the presence of senior management. We believe this and other similar visits deepen our directors' understanding of our operations and provide them with in-person, hands-on insight to enhance their ability to guide the Company's overall strategy and direction.

***Board and Committee Self-Assessments***

Our Board continually seeks to improve its performance. Pursuant to NYSE requirements, our Corporate Governance Guidelines and the charters of each Committee, the Board and each of its Committees are required to conduct a self-evaluation at least annually. Our processes enable directors to provide confidential feedback on topics including:

- Board/Committee information and materials;
- Board/Committee meeting mechanics and structure;
- Board/Committee composition;
- Board/Committee responsibilities and accountability;
- Board meeting content and conduct; and
- Overall performance of Board members

To promote effectiveness of the Board and each Committee, the self-assessment results are reviewed and addressed by the Nominating and Governance Committee, the members of each Committee and independent directors in executive session as well as shared with members of management. While this formal self-evaluation is conducted on an annual basis, directors share perspectives, feedback and suggestions with management and each other year-round.

**DIRECTOR INDEPENDENCE**

As required by NYSE rules, our board of directors considers annually whether each of its members is "independent" for purposes of NYSE rules. Those rules provide that a director is "independent" if our board determines that the director does not have any direct or indirect material relationship with Voya Financial.

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Our board has determined that each of Mses. Biggar, Chwick, Gillis and Wright, and Messrs. Griswell, Pollitt, Tripodi and Zwiener, are independent. This determination was based, in part, on detailed information that each director provided our board regarding his or her business and professional relationships, and those of his or her family members, with Voya Financial and those entities with which we have significant business or financial interactions.

In making its independence determinations, our board considered both the “bright line” independence criteria set forth in NYSE rules, as well as other relationships which, although not expressly inconsistent with independence under NYSE, may nevertheless have been determined to constitute a “material direct or indirect relationship” that would prevent a director from being independent. These included relationships and transactions in the following categories, which our board has deemed immaterial to the Director’s independence due to the nature of the relationship or transaction or the amount involved:

- Ordinary course customer or client transactions. Ordinary-course transactions between the Company and another entity, where the other entity is our customer or client, or where we are the customer or client of the other entity, and where our director:
  - is a non-executive director of the other entity (Mses. Chwick and Wright);and where the annual payments made or received by the Company do not exceed the greater of \$1 million or 2 percent of the other entity’s gross revenues.
- Ordinary course charitable donations. Charitable donations made in the ordinary course (including through our matching gift program) to a charitable organization of which our director (Messrs. Griswell and Pollitt, and Mses. Biggar, Chwick, Gillis and Wright) is a board member or trustee, or holds a similar position.

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**BOARD COMMITTEES**

Our board of directors has the following committees: Audit, Compensation and Benefits, Nominating and Governance, Finance, Technology, Innovation and Operations, and Executive. The current members of the board and the committees of the board on which they currently serve are identified below.

	Audit Committee	Compensation and Benefits Committee	Nominating and Governance Committee	Finance Committee	Technology, Innovation and Operations Committee	Executive Committee
Rodney O. Martin, Jr. (Chairman of the Board of Directors and CEO)						Chair
David Zwiener (Lead Director)	Member		Member		Member	Member
Lynne Biggar	Member		Chair		Member	
Jane P. Chwick		Member		Member	Chair	
Ruth Ann M. Gillis		Member		Member		
J. Barry Griswell	Member	Chair	Member			Member
Byron H. Pollitt, Jr.	Chair				Member	
Joseph V. Tripodi		Member		Member	Member	
Deborah C. Wright			Member	Chair		

 = Member  
 = Chair

*Audit Committee*

The Audit Committee's primary function is 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.

See *Part III—Audit-Related Matters* of this proxy statement for additional information about our Audit Committee.

*Compensation and Benefits Committee*

The Compensation and Benefits Committee is 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.

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The Compensation and Benefits Committee has the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the board of directors or management. With respect to compensation consultants retained to assist in the evaluation of director, chief executive officer or senior executive compensation, this authority is vested solely in the Compensation and Benefits Committee.

### *Nominating and Governance Committee*

The Nominating and Governance Committee is 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; and developing, recommending and monitoring corporate governance principles applicable to the board of directors and the Company as a whole.

The Nominating and Governance Committee has primary responsibility for succession planning for the CEO. It oversees the development of the process and protocols regarding succession plans for the CEO and reviews the development of individual high-potential executives. The Committee's involvement in leadership development and succession planning is systematic and ongoing, and includes regular meetings with high-potential executives.

### *Finance Committee*

The Finance Committee is 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.

### *Technology, Innovation and Operations Committee*

The Technology, Innovation and Operations Committee is responsible for reviewing technology and innovation strategies and associated budgets; reviewing measurements and tracking systems in place to achieve successful innovation; monitoring existing and future trends in technology and innovation; reviewing technology risk exposures, including cybersecurity risks, and steps to monitor and control such exposures and reviewing risk management and risk assessment guidelines and policies regarding technology risks.

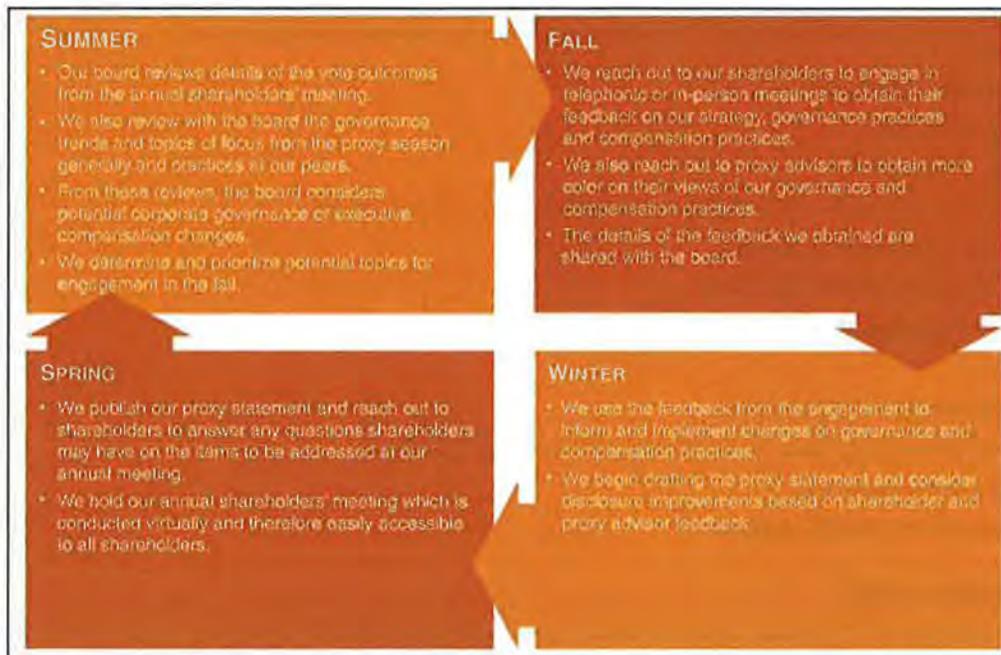
### *Executive Committee of the Board*

The Executive Committee of the board is 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 of directors.

## **STOCKHOLDER ENGAGEMENT**

In an effort to continuously improve our corporate governance processes and communications, we developed in 2016 an annual engagement plan to systematically reach out to stockholders and to proactively address issues that are important to our stockholders. We value stockholders' views and insights and believe that two-way dialogue builds informed relationships that promote transparency and accountability by deepening our board's understanding of stockholder concerns, and providing stockholders with insight into our board's processes.

Stockholder Engagement Cycle



In the fall of 2017, we reached out to our top 40 stockholders who owned approximately 138 million shares, or approximately 77% of our then-outstanding common stock, for engagement. We also met with certain of the proxy advisory firms followed by some of our large stockholders. The topics that stockholders communicated with us during these engagement meetings included board oversight of firm strategy, compensation metrics, governance practices, philosophy on capital deployment, and disclosure. We shared the feedback from stockholders with the Nominating and Governance Committee and compensation-specific feedback with the Compensation and Benefits Committee. The feedback informed some of the changes that we made this year to our compensation programs. See *Part II: Compensation Matters* for more details.

**CORPORATE GOVERNANCE BEST PRACTICES**

We believe that strong and sustainable corporate governance is essential to the effective oversight of the Company. As such, we continuously review and strive to improve our corporate governance practices. We list below our current key corporate governance practices:

- Proactive stockholder engagement plan ✓
- Annual election of directors ✓
- Majority voting of directors ✓
- Independent directors meet regularly in executive sessions, including with our external auditors ✓
- Annual board and committee self-evaluations ✓
- Annual advisory vote on executive compensation ✓
- Stock ownership requirements for directors and executive officers ✓
- No poison pill ✓
- Director orientation and continuing education ✓
- Anti-hedging and anti-pledging policies for directors and employees (including officers) ✓
- 98% board and committee attendance ✓
- 100% independent standing Board Committees ✓

**BOARD CONTINUING EDUCATION**

In 2015, we revised our Corporate Governance Guidelines to encourage directors to attend director continuing education courses by providing reimbursement of such courses sponsored by recognized organizations for up to \$15,000 per year per director. Our directors utilize this program actively and participated in numerous external training and director forums in 2017. In addition to such reimbursement, we provide directly, and with the assistance of outside advisors, presentations to the board on current issues or topics relevant to the board, including corporate governance trends and practices, and external perspectives and views of analysts and investors. For new directors, we provide a half-day orientation where senior management provides detailed presentations on our strategies and operations.

## OUR EXECUTIVE OFFICERS

Management of the Company is led by the Management Executive Committee, which comprise of all of the executive officers set forth below. The Management Executive Committee is tasked with setting corporate strategy, managing overall operating performance, building a cohesive culture and establishing our organizational structure. The following table presents information regarding our executive officers as of the date of this proxy statement.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Rodney O. Martin, Jr.	65	Chairman and Chief Executive Officer
Nancy Ferrara	53	Executive Vice President of Operations and Continuous Improvement
Christine Hurtsellers	54	Chief Executive Officer, Investment Management
Carolyn M. Johnson	57	Chief Executive Officer, Annuities and Individual Life
Charles P. Nelson	56	Chief Executive Officer, Retirement and Employee Benefits
Margaret M. Parent	56	Executive Vice President and Chief Administrative Officer
Chetlur S. Ragavan	63	Executive Vice President and Chief Risk Officer
Kevin D. Silva	64	Executive Vice President and Chief Human Resources Officer
Michael S. Smith	54	Executive Vice President and Chief Financial Officer
Patricia J. Walsh	52	Executive Vice President and Chief Legal Officer

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 Voya Financial, Inc. since April 2011. Additional biographical information regarding Mr. Martin is provided above, under "Our Director Nominees".

*Nancy Ferrara* has served as Executive Vice President of Operations and Continuous Improvement of the Company since September 2016. Prior to that, Ms. Ferrara was Senior Managing Director of Operations for Voya. Prior to joining Voya in April 2012, Ms. Ferrara served as Operations Executive of the Financial Services Division at AIG in 2008 and went on to lead divestiture separation teams at AIG from 2009 until 2012. Prior to that, Ms. Ferrara served in a number of senior leadership roles at J.P. Morgan Chase. Ms. Ferrara has an M.B.A. from Hofstra University and a B.A. from Providence College.

*Christine Hurtsellers* has served as Chief Executive Officer of our Investment Management since September 2016. Prior to that, Ms. Hurtsellers was the Chief Investment Officer of Fixed Income at Voya Investment Management from 2009 to 2016, and prior to that, she was the head of Structured Finance from 2005 to 2008. Ms. Hurtsellers is a board member of Pomona Capital, and a member of the U.S. Treasury Borrowing Advisory Committee. Prior to joining Voya in 2004, Ms. Hurtsellers was a senior portfolio manager at the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Prior to Freddie Mac, she was a portfolio manager at Alliance Capital Management and Banc One, and a client consultant at Pentalpha Capital Group. Ms. Hurtsellers received a B.A. in Finance from Indiana University Kelley School of Business, and holds the Chartered Financial Analyst® designation.

*Carolyn M. Johnson* has served as Chief Executive Officer of our Annuities and Individual Life since September 2016. Prior to that, Ms. Johnson was the president of Voya's Annuities business. In addition to her oversight of Annuities, she also previously managed the Tax-Exempt Markets business for Voya. Prior to joining the Company in April 2014, Ms. Johnson served as Executive Vice President and Chief Operating Officer of Protective Life Corporation. Prior to joining Protective in 2004, Ms. Johnson held leadership roles in business, operations and marketing with Bankers Life & Casualty Co. and several Transamerica/AEGON subsidiaries.

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including Western Reserve Life Assurance Co. of Ohio, Transamerica Occidental Life, Idex Investor Services, Inc., and Aegon Alliances, Inc. Ms. Johnson serves on the boards of the Secure Retirement Institute and Insured Retirement Institute. Ms. Johnson is the Vice Chair of the Secure Retirement Institute and the Vice Chair of the Financial Literacy Committee. She also serves on the American Council of Life Insurers CEO Steering Committee on Consumer Issues. Ms. Johnson earned her Bachelor of Science in Business Administration from California State University, Los Angeles, and has studied executive-level finance at Harvard Business School. She also holds FINRA Series 6 and 63 licenses.

*Charles P. Nelson* has served as Chief Executive Officer of our Retirement business since May 2015. Since April 2018, Mr. Nelson is also the Chief Executive Officer of our Employee Benefits business. Prior to joining the Company, Mr. Nelson was with Great-West Financial since 1983. Mr. Nelson served as president of Retirement Services for Great-West from 2008 through September 2014 and most recently led the legacy Great-West retirement business of Empower Retirement, a business unit of Great-West Life & Annuity Insurance Company. Mr. Nelson is a graduate of Whitman College with a degree in chemistry and economics. He was appointed to the Whitman College Board of Overseers in 2008 through 2017. Mr. Nelson served as the past president of the Board of Directors for The SPARK Institute, a trade institute that represents the entire spectrum of defined contribution service providers. Mr. Nelson has also been a member of the National Association of Government Defined Contribution Administrators (NAGDCA) since 1985.

*Margaret M. Parent* has served as the Executive Vice President and Chief Administrative Officer of the Company since April 2018 and had served as Executive Vice President, Technology, Innovation and Operations of the Company since October 2016. Ms. Parent is focused on driving innovation throughout the Company, as well as aligning Voya's Technology and Operations teams to meet customer needs. Prior to joining Voya in October 2016, Ms. Parent served as Managing Director, Americas head of Corporate Technology, at Deutsche Bank AG from January 2015. Prior to joining Deutsche Bank, Ms. Parent held the title of Managing Director at Credit Suisse AG from December 2013. Ms. Parent's 33-year career also includes serving in a number of leadership roles at Morgan Stanley spanning 21 years. During her tenure, she held the title of Managing Director and Chief Operating Officer, Global Operations, Technology and Data, as well as Morgan Stanley's Chief Information Officer, Americas, from 2011 to 2013. Ms. Parent has a Bachelor's degree in government from Bowdoin College.

*Chellur S. Ragavan* has served as Executive Vice President and Chief Risk Officer of the Company since January 2014. In this role, Mr. Ragavan is responsible for overseeing the enterprise-wide and business-level risk monitoring and management program for the Company. Prior to assuming this role, Mr. Ragavan served as the Chief Risk Officer of Investment Management since April 2008. Prior to joining the Company, Mr. Ragavan served as Managing Director, co-head of the Portfolio Analytics Group for Blackrock Solutions following its merger with Merrill Lynch Investment Managers in October 2006. He began his career at Merrill Lynch in 1980 and has held a number of senior investment and risk management positions within its various subsidiaries. Mr. Ragavan has a B.B.A. in management science from Madurai University and an M.B.A. in finance from the University of Madras, both in India. He also holds an M.S. in computer science from the New Jersey Institute of Technology and the Chartered Financial Analyst® designation.

*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 Executive Vice President and Chief Financial Officer of the Company since November 2016 and is responsible for strategic finance, capital management, actuarial, tax, insurance

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investments, controllership, financial reporting, procurement, expense management, treasury and investor relations. Prior to becoming CFO, Mr. Smith served as Chief Executive Officer of our Insurance Solutions and Closed Block Variable Annuity business since January 2014. Prior to that, Mr. Smith served as the Executive Vice President and Chief Risk Officer of the Company since December 2012. 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.

*Patricia J. Walsh* has served as Executive Vice President and Chief Legal Officer of the Company since September 2015. Prior to joining the Company, Ms. Walsh was Deputy General Counsel and Global Chief Compliance Officer of Cigna Corporation. Ms. Walsh joined Cigna in 2011 as Chief Counsel for Cigna's U.S. businesses. Prior to Cigna, Ms. Walsh held several leadership roles during her tenure at Massachusetts Mutual Life Insurance, serving as Senior Vice President and Deputy General Counsel for the company, and most recently, as Senior Vice President and Chief of Staff to the Chairman and CEO. Ms. Walsh holds a bachelor's degree in economics from Mount Holyoke College, a master's degree in public affairs from Princeton University and a J.D. from Yale Law School.

## CORPORATE RESPONSIBILITY

Corporate responsibility is a business imperative woven throughout our enterprise. We regard corporate responsibility as an investment in society and in the success of the company. As a responsible corporate citizen, we simultaneously consider our impacts in the marketplace, society and the environment. We have an unwavering commitment to conduct business in a way that is ethically, economically, socially and environmentally responsible.

As such, we implement initiatives that integrate responsible and sustainable thinking into our operations, positively impact our communities and minimize our impact on the planet. Our work is guided by corporate responsibility standards and frameworks and informed by analysis of key impacts, identification of risks and opportunities and stakeholder input. We report publicly in our corporate responsibility annual report and on our website the progress on our corporate responsibility commitments, and disclose our environmental, social and governance data to investors on an ongoing basis. Corporate responsibility is governed by our Corporate Responsibility Executive Council, composed of our most senior leaders and headed by our CEO. We report our corporate responsibility performance to the Nominating and Governance Committee on an annual, and as needed, basis.

### *Political Contributions Oversight and Disclosure*

Our Nominating and Governance Committee, a committee comprised solely of independent directors, provides oversight of the Company's political contributions and lobbying expenses. As part of its oversight role, it reviews our political activity policy and monitors our ongoing political strategy as it relates to the overall public policy objectives for the Company. The Committee also reviews an annual report on our political contributions and lobbying expenses. This report is available at [investors.voya.com/financial-reporting/annual-reports](http://investors.voya.com/financial-reporting/annual-reports). Political contributions made by Voya Financial Political Action Committee (PAC) provide a voice for the Company and its employees so that they may participate in the American democratic process. The PAC supports candidates from both major political parties and Independents who understand the importance of helping people responsibly save for retirement and manage their financial assets. PAC disbursement decisions

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are made by the officers of the PAC consistent with the PAC's bylaws and based upon a candidate's state or Congressional district, candidates are vetted by the Company's Corporate Communications team for public statements inconsistent with the Company's corporate values. The PAC relies on outside legal expertise to address new or emerging issues and an outside vendor for the administration of the PAC.

*Community Investment*

We conduct our community investment work through Voya Foundation whose primary work focuses on financial resilience: STEM (science, technology, engineering and mathematics) education for K-8th graders; financial literacy for 9-12th graders; teacher training and employee matching gifts. Through Voya Foundation, employees receive dollar-for-dollar matches to eligible nonprofits of their choice. The annual maximum match is \$5,000 for employees and \$25,000 for our senior management and directors. In 2017, employees donated more than \$5.4 million to 2,300 nonprofit organizations in the U.S. In addition, full-time employees receive 40 hours of paid volunteer-time-away at eligible nonprofits per year and part-time employees receive 20 hours per year. Voya employees volunteered more than 49,000 hours in 2017. On Voya's fourth annual National Day of Service in 2017, employees volunteered 13,400 hours in one day supporting 203 local nonprofit organizations.

## Part II: Compensation Matters

### Agenda Item 2. An Advisory Vote to Approve Executive Compensation

Section 14A of the U.S. Securities Exchange Act of 1934 (the "Exchange Act") requires that stockholders be given the opportunity to cast an advisory vote on the compensation of our named executive officers, or "NEOs". Our NEO compensation for 2017 is disclosed and discussed in detail below.

We believe that the success of our business is based on our ability to attract, retain and motivate the executive officers who determine our strategy and provide the leadership necessary to ensure we execute our business plan and drive long-term value creation for our stockholders. To support the achievement of these objectives, we focus our executive compensation programs on the principle of pay-for-performance. Consistent with this principle, our programs condition a significant portion of compensation our executives receive on the achievement of business and individual performance results.

Accordingly, the following resolution will be presented at our Annual Meeting:

**RESOLVED**, that the compensation paid to the Company's NEOs, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED.

This vote is only advisory and will not be binding on the Compensation and Benefits Committee of the board of directors, which is responsible for determining the compensation of our NEOs. The results of the vote will be taken into account, however, by our Compensation and Benefits Committee when considering our compensation policies and procedures. We have determined that this vote will occur annually and so the next advisory vote will take place at our 2019 Annual Meeting of Stockholders.

**Board Recommendation: Our board of directors unanimously recommends that stockholders vote FOR the resolution approving the compensation paid to the Named Executive Officers.**

### COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Discussion and Analysis describes our compensation objectives, summarizes changes to our executive compensation program and reviews compensation decisions for our NEOs. For 2017, our NEOs were as follows:

<u>Name</u>	<u>Position</u>
Rodney O. Martin, Jr.	Chairman and Chief Executive Officer
Michael S. Smith	Executive Vice President and Chief Financial Officer
Alain M. Karaoglan	Executive Vice President and Chief Operating Officer
Christine Hartsellers	Chief Executive Officer, Investment Management
Charles P. Nelson	Chief Executive Officer, Retirement and Employee Benefits

## Compensation Disclosure Roadmap

<p>1. How did we perform?</p>	<ul style="list-style-type: none"> <li>✓ Signed agreement to sell CBVA and annuities businesses. This transformational transaction will eliminate our CBVA tail risk and volatility, significantly reduce our exposure to interest rate and insurance risks, and allow us to focus on higher-growth, higher-return and capital-light businesses</li> <li>✓ Delivered strong business growth in each of our segments, including significant AUM growth in Retirement and Investment Management, and significant growth in in-force premium in Employee Benefits</li> <li>✓ Achieved strong capital position with excess capital of \$738 million at year-end 2017 and we expect to receive immediately deployable capital in excess of \$500 million from the CBVA/annuities transaction</li> </ul>
<p>2. What did we change for 2017?</p>	<ul style="list-style-type: none"> <li>✓ In our annual incentive program, we replaced Ongoing Business Adjusted Operating Earnings with Adjusted Operating Earnings per Share to broaden the measurements we use to determine the compensation of our senior management</li> <li>✓ In our long-term incentive program, we increased the weighting of relative total shareholder return versus peer group from 40% to 50% and decreased the weighting of Ongoing Business Adjusted Operating ROE</li> </ul>
<p>3. How do we determine pay?</p>	<ul style="list-style-type: none"> <li>✓ Set pay levels commensurate with sustained performance and the need to attract and retain high quality talent</li> <li>✓ Multiple factors are taken into consideration in determining pay, including the alignment of total pay opportunity and pay outcomes with performance, external market data and the advice of the Compensation and Benefits Committee's independent consultant</li> <li>✓ Design pay programs to reward performance, mitigate risks and align with stockholder interests by having a significant portion composed of long-term incentive awards</li> </ul>
<p>4. How do we pay for performance?</p>	<ul style="list-style-type: none"> <li>✓ Pay mix: a significant portion of the NEOs' variable compensation is in equity, hence strengthening the alignment of our executives' compensation with our stock price</li> <li>✓ Payouts are aligned with our annual and long-term performance results</li> <li>✓ Annual incentive payout is at 140% of target based on performance of four metrics. See p. 37.</li> <li>✓ 55% of long-term awards are PSUs that vest based on our relative total shareholder return (50%) and Ongoing Business Adjusted Operating ROE (50%) over a 3-year period, therefore the payout of the PSUs is directly impacted by our stock price movements, hence strongly aligned with shareholder interests</li> </ul>
<p>5. How do we address risk and governance?</p>	<ul style="list-style-type: none"> <li>✓ Provide an appropriate balance of short- and long-term compensation, with payouts based on our stock price, overall financial performance and individual contribution</li> <li>✓ Follow practices that promote good governance and serve the interests of our stockholders, with a rigorous clawback policy, anti-pledging and anti-hedging policy, and robust stock ownership requirements</li> <li>✓ Subject NEOs to a non-compete the terms of which were thoughtfully designed and will help us attract and retain top talents</li> </ul>
<p>6. Why you should approve our say-on-pay vote</p>	<ul style="list-style-type: none"> <li>• Transformative agreement to sell CBVA and annuities businesses and robust growth in our remaining businesses demonstrate our business' continued support of long-term shareholder value</li> <li>• 2017 incentive payouts for our NEOs are aligned with overall company performance</li> <li>• Pay practices are responsive to shareholders and aligned with shareholder interests</li> <li>• Pay practices are tied to robust risk management and a strong corporate governance framework</li> </ul>

**1. How did we perform?**

***Significant risk reduction through sale of our Closed Block Variable Annuity (CBVA) business.***

We announced in December 2017 that we would divest substantially all of our Closed Block Variable Annuity segment and our individual fixed and fixed indexed annuity business through an agreement with a consortium of investors led by affiliates of Apollo Global Management, LLC, Crestview Partners and Reverence Capital Partners (the "transaction"). This transformational transaction will significantly reduce our market and insurance risk, eliminate the CBVA tail risk and volatility, and enable us to focus on our higher-growth, higher-return, capital-light Retirement, Investment Management and Employee Benefits businesses.

We have a clearly defined roadmap to grow our bottom-line results following the transaction, including executing on growth initiatives in Retirement, Investment Management and Employee Benefits. Moreover, in addition to our existing cost-savings initiatives, we will undertake further efforts to reduce expenses associated with the businesses involved in the transaction, and in corporate and shared services functions.

We expect to close the transaction in Q2 or Q3 of 2018, subject to customary closing conditions, including regulatory approvals.

***Strong growth and returns in 2017.***

We achieved significant growth in each of our businesses in 2017 and achieved our 2018 Ongoing Business Adjusted Operating Return on Equity target more than a year ahead of schedule. Our Retirement business increased its assets under management by 14% in 2017. It also achieved all-time high small-mid corporate net flows and deposits and all-time high tax-exempt deposits.

Our Investment Management business increased its external clients assets under management by 11% in 2017. The strong sales and net flow results in 2017 were the result of actively-managed specialty fixed income mandates and new CLO and private equity issuances.

Our Employee Benefits business increased its in-force premium by 8% in 2017. We also took pricing actions in 2017 that returned our loss ratio for stop loss to the 77-80% annual target range.

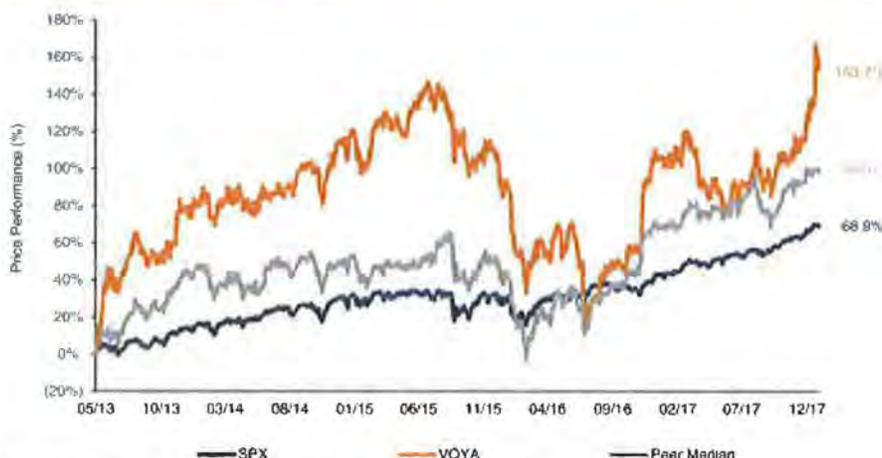
***Strong capital position.***

We maintained robust capital with excess capital of \$738 million at December 31, 2017 and a strong estimated combined risk-based capital ratio of 476% at December 31, 2017, well above our target of 425%. In 2017, we continued to provide value to stockholders by repurchasing \$1 billion of our common stock, including entering into a \$500 million accelerated share repurchase agreement announced in the fourth quarter of 2017. Since our IPO and through year-end 2017, we had repurchased \$3.8 billion of our common stock. In connection with the transaction, we expect immediately deployable capital in excess of \$500 million and intend to utilize the deployable capital for additional share repurchases. In February 2018, our board of directors provided authorization to repurchase an additional \$500 million of our common stock, bringing our current authorization to just over \$1 billion.

**Shareholder value creation.**

Our stock price appreciated significantly from \$39.32 at the open on January 3, 2017 to \$50.13 at the close on December 28, 2017, representing a 28% appreciation in 2017; and an appreciation of 154% since our IPO on May 1, 2013, compared to appreciations of 98% for our peer median and 69% for S&P 500 over the same period.

**IPO-to-2017 Year End Price Performance**



Source: FactSet. Peers include: Ameriprise Financial Inc, Principal Financial Group, Inc., The Hartford Financial Services Group Inc., Lincoln National Corp., MetLife, Inc., Prudential Financial, Inc. and Brighthouse Financial, Inc. Note: Brighthouse Financial, Inc. included in median since normal course trading commencement on 08/04/17.

**2. What did we change for 2017?**

**2017 Compensation Highlights—What is New in 2017**

We made several notable changes to our compensation program in 2017. The changes are a result of our continued transformation to adopt best practices that align with shareholder interest and our strategy, our review of the say-on-pay vote result in the 2017 annual meeting, as well as reflect the feedback we have received from shareholders and proxy advisors in our proactive shareholder outreach program. The key changes in 2017 are described below:

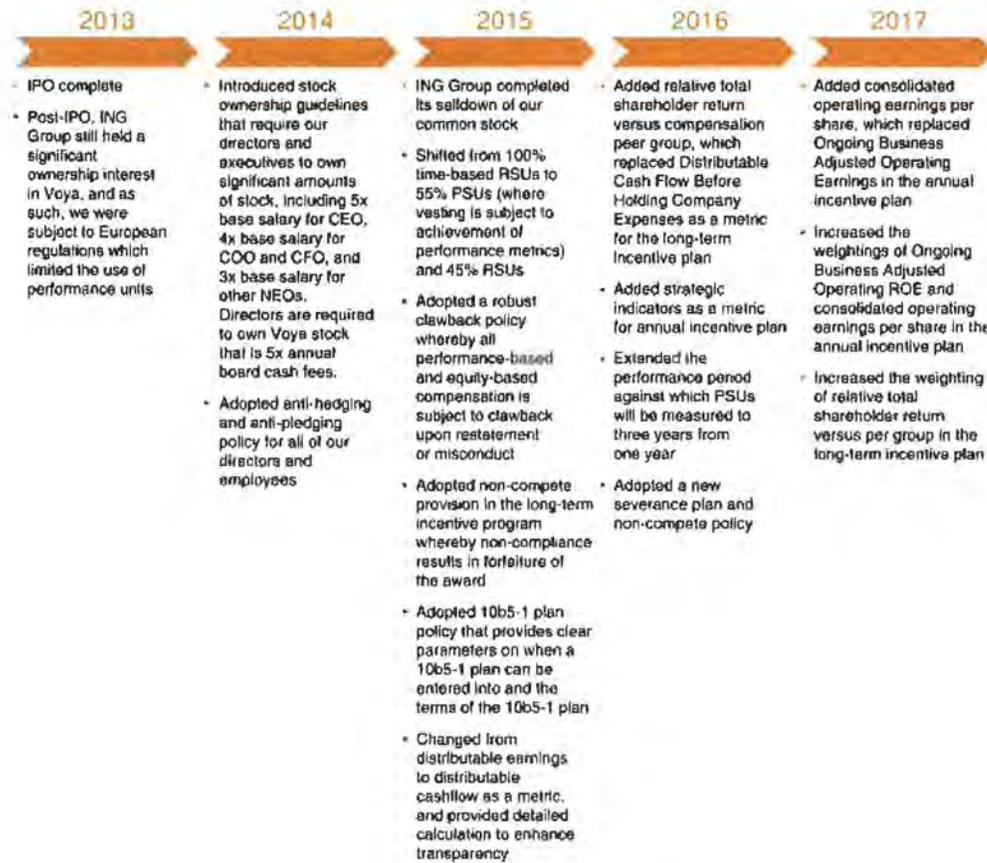
What we changed	Why we made the change
Replaced Ongoing Business Adjusted Operating Earnings in the annual incentive program with Adjusted Operating Earnings per Share	<p>We added the Adjusted Operating Earnings per Share metric to broaden the measurements we use to determine the compensation of our senior management.</p> <p>By replacing an ongoing business metric with operating earnings per share, we further incorporate our total company performance into the compensation process.</p>

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What we changed	Why we made the change
Increased the weightings of Ongoing Business Adjusted Operating ROE in the annual incentive plan	We increased the weightings of Ongoing Business Adjusted Operating ROE and Adjusted Operating Earnings per Share from 30% to 35% and decreased the weighting of Distributable Cash Flow Before Holding Company Expenses from 30% to 20% in the annual incentive plan. This change is part of our continued evolution to emphasize operating results in our compensation process. As part of that evolution, we removed Distributable Cash Flow Before Holding Company Expenses from our long-term incentive plan last year but retained it in our annual incentive plan.
Increased the weighting of relative total shareholder return versus peer group in the long-term incentive plan	We increased the weighting of relative total shareholder return versus peer group, a relative metric, from 40% to 50% in the PSUs in our long-term incentive plan and decreased the weighting of Ongoing Business Adjusted Operating ROE from 60% to 50%. The rationale for this change was to de-emphasize Ongoing Business Adjusted Operating ROE given it is a metric that we also use in the annual incentive plan. In addition, we believe it is beneficial to increase the weighting of a relative metric as absolute metrics may reflect economic factors or industry-wide trends that are beyond our control, rather than an individual executive's performance.

**Significant Compensation and Governance Changes Since our IPO in 2013**

The changes we made in 2017 are a continuation of multi-year enhancements to our executive compensation program which strengthened the alignment of pay and performance and included the adoption of more transparent performance metrics. We are a former subsidiary of ING Group and completed our IPO in May 2013. In March 2015, ING Group completed the sale of all of its holding of our common stock. As a result of our history, following the IPO, we were subject to European regulations that limited our ability to fully implement our intended compensation programs. The charts below describe changes implemented since our IPO and summarize our executive compensation governance practices.



### Key Compensation-Related Governance Practices

#### What we do:

- ✓ Awards in our annual incentive plan are based on key financial measures set at the beginning of the year that we use to determine the success of our business as part of our approved budget process
- ✓ Individual performance objectives are set at the beginning of the year and reviewed following the conclusion of each year
- ✓ A majority of ongoing long-term incentive equity grants to our NEOs are in the form of PSUs
- ✓ The Compensation and Benefits Committee's independent compensation consultant performs services only for the Committee
- ✓ Executive perquisites are limited and do not include tax gross-ups
- ✓ Executives are subject to clawbacks, including no-fault clawbacks in the case of a financial restatement

#### What we don't do

- ❖ No single trigger vesting of change of control benefits
- ❖ No liberal share recycling for shares used to satisfy tax withholding requirements or tendered in payment of an option exercise price
- ❖ No excise tax gross-up provisions
- ❖ No re-pricing of stock options permitted without stockholder approval

### What Changes are Planned for the 2018 Compensation Program

Each year, the Compensation and Benefits Committee reviews the design of our compensation elements and makes changes as needed to improve alignment with our guiding principles. In making the changes, the Compensation and Benefits Committee takes into account feedback we have received during our shareholder outreach in the summer and fall months, after the completion of our annual shareholders' meeting. For the 2018 compensation program, the following changes will be made:

- ✓ For the annual incentive plan, we intend to make the following changes:
  - As previously discussed, we are continuing our evolution to remove Distributable Cash Flow Before Holding Company Expense from our compensation process and we plan to remove this metric from our compensation process completely in 2018.
  - We plan to replace Ongoing Business Adjusted Operating ROE with Ongoing Business Adjusted ROC and rename it Adjusted Operating Return on Allocated Capital in order to focus our compensation decisions on awarding achievement of competitive returns on allocated capital.
  - We intend to replace Operating EPS with Adjusted Operating Earnings Before Income Taxes.
- ✓ For the long-term incentive plan, we intend to make the following changes:
  - We will add Adjusted Operating EPS to the long-term plan as a metric.
  - We plan to re-define Ongoing Business Adjusted Operating ROE with a more standard definition.

**3. How do we determine pay?**

*Compensation Principles*

The following principles help guide and inform the Compensation and Benefits Committee in delivering effective executive compensation programs that drive performance, mitigate risks and foster the attraction, motivation and retention of top leadership talent to enable us to execute our strategic business plan and ultimately deliver shareholder value.

**Attract and retain talent:** our success depends on the talents of our employees. Our compensation program needs to be market-competitive in order to attract and retain a talented and diverse workforce. We regularly review peer group compensation data to make competitive and reasonable compensation decisions to help grow and sustain our business in a changing and challenging environment.

**Pay for performance:** a significant portion of the annual compensation of our executive officers should vary with annual business performance and each individual's contribution to that performance. The performance metrics and goals are reviewed and challenged by the Compensation and Benefits Committee before they are approved and the goals are rigorous and challenging to motivate and reward stretch performance.

**Transparency with and feedback from shareholders:** we believe transparency to shareholders relating to our executive compensation program is essential. As such, we are continuously improving the disclosure of our programs for shareholders to have enough information and context to assess the effectiveness of our programs. We proactively engage with shareholders and take actions to improve our compensation programs based on feedback from shareholders.

**Integrate risk management and compensation :** risk management and clawback policies need to be robust to deter imprudent risk taking. A rigorous annual review of the features of our compensation program that guard against excessive risk-taking is essential.

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*Elements of Compensation*

The following table presents the principal elements of the compensation programs that applied to our NEOs for 2017. The elements of compensation 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.

Incentive Type	Compensation Element	Form of Compensation	Performance Metric - 2016	Performance Metric - 2017	Objective/Purpose	Subject to Clawback and Forfeiture	2017 Actions								
Fixed	Base salary	Cash	Individual performance goals	Individual performance goals	Compensates NEOs for the day-to-day services performed for the Company. Attracts and retains talented executives with competitive compensation levels.	No	Base salary largely remained consistent with 2016.								
								Variable	Annual cash incentive compensation	Cash	Ongoing Business Adjusted Operating Earnings before Income Taxes (30%) Ongoing Business Adjusted Operating Return on Equity (30%) Distributable Cash Flow Before Holding Company Expense (30%) Strategic Indicators (10%)	Adjusted Operating Earnings Per Share (35%) Ongoing Business Adjusted Operating Return on Equity (35%) Distributable Cash Flow Before Holding Company Expense (20%) Strategic Indicators (10%)	Motivates executives to achieve performance goals selected individually based on the Company’s annual business plan. Promotes differentiation of pay based on business and individual performance and rewards executives for attaining annual objectives.	Yes	Performance was above target in all four metrics, resulting in a 140% funding.
Restricted Stock Units (45%)															

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Incentive Type	Compensation Element	Form of Compensation	Performance Metric - 2016	Performance Metric - 2017	Objective/Purpose	Subject to Clawback and Forfeiture	2017 Actions
Benefits and Perquisites	Retirement, deferral and health and welfare programs				Addresses retirement savings and health insurance needs of executives with competitive benefits programs. Aligns with philosophy of attracting and retaining talented individuals. It is offered to all employees.	No	
	Perquisites and other benefits				Aligns with our approach of attracting and retaining talented individuals by offering limited perquisites and other benefits similar to or below those provided by peer companies.	No	

**Why we use these metrics**

We believe the performance metrics in our compensation program are appropriate to motivate our executives to achieve outstanding short-term results and, at the same time, help build long-term value for shareholders. We describe why we use these metrics in detail below.

**Ongoing Business Adjusted Operating Return on Equity**

Ongoing Business Adjusted Operating ROE is a particularly important metric for our Company. We introduced the metric and a three year goal at our IPO in 2013. Since our IPO, we reached two Ongoing Business Adjusted Operating ROE goals ahead of schedule, first in 2014 and again in 2017.

We assign the greatest weight to this metric under our compensation program because it had been a metric that we reported on at every earnings call and it was recognized and tracked by investors and analysts as a key indicator of our ongoing operational performance and profitability. Our ongoing business results include our Retirement, Investment Management, Annuities, Individual Life and Employee Benefits segments, and exclude the results of our corporate segment as well as our closed block activities, including our Closed Block Variable Annuity business. In 2009, we made the decision to cease sales of retail variable annuity products with substantial guarantee features and placed this business in run-off. As such, we manage the closed blocks separately from our ongoing business and therefore, we believe it is appropriate to align our compensation decisions with ongoing business. As noted earlier, we recently announced the sale of our Closed Block Variable Annuity business which will enable us to focus on the growth of our ongoing business.

Ongoing Business Adjusted Operating ROE excludes the effect of period-to-period volatility that can be caused by DAC/VOBA and other intangibles unlocking that are not indicative of the financial performance of our ongoing business and the underlying profitability factors. We believe Ongoing Business Adjusted Operating ROE is a good metric to measure management’s performance and base compensation decisions on because it indicates the underlying financial performance of our ongoing business while excluding items that are not indicative of ongoing trends. Importantly, it measures how

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effectively we use equity capital in our ongoing business and hence is directly aligned with shareholder interests. With the planned closing of the transaction in 2018, we intend to change the definition of Ongoing Business Adjusted Operating ROE in 2018 so that it will be more comparable to similar metrics used by our peers. Ongoing Business Adjusted Operating Return on Equity is a non-GAAP financial measure. See Exhibit A—Non-GAAP Financial Measures.

### *Relative Total Shareholder Return versus Compensation Peer Group*

We introduced this metric for the 2016 compensation program to add a relative performance metric to our program. This metric provides a direct correlation between total shareholder return results and our compensation decisions, hence strengthening the alignment of our compensation decisions with stockholder interests.

### *Adjusted Operating Earnings per Share*

We introduced this metric for the 2017 compensation program to broaden the measurements we use to calculate the compensation of our senior management. We believe this metric indicates the financial performance of the total company and the underlying profitability factors, and excludes items that are not indicative of ongoing trends. In particular, this metric excludes the effect of period-to-period volatility that can be caused by DAC/VOBA and other intangibles unlocking that are not indicative of our ongoing performance. By replacing an ongoing business metric with consolidated operating earnings per share, we further incorporate our total company performance into the compensation process. We measure EPS on an absolute basis to minimize the complications associated with relative EPS, such as having to adjust peer companies' EPS for exclusions. Adjusted Operating Earnings per Share is a non-GAAP financial measure. See Exhibit A—Non-GAAP Financial Measures.

### *Distributable Cash Flow before Holding Company Expenses*

This metric measures how effectively we are generating capital and managing the capital structure of our business. It incorporates our holding company liquidity and the amount of capital above our targeted capital levels that are held at our regulated insurance subsidiaries and is a metric that measures total company results. Distributable cash flow indicates the amount that we have available to return to shareholders in the form of share repurchases and dividends. We have continued to assign less weight to this metric in calculating the compensation of our senior management as part of our continued evolution to emphasize operating results in our compensation process. See Exhibit A—Distributable Cash Flow for a calculation of this metric.

### *Strategic Indicators*

We introduced this metric for the 2016 compensation program in order to broaden the measurements we use to calculate the compensation of our senior management by adding a relative performance metric to our program. The strategic indicators are a portfolio of indicators that drive growth and margin expansion. The indicators include net flows growth, inforce premium growth and cost savings from our strategic investment program. We believe this is a useful compensation metric as it aligned compensation decisions with measures and strategies that contributed to the achievement of our ROE goal.

### *Participants of the Process to Determine Compensation*

#### *Compensation and Benefits Committee*

The Committee is responsible to our board for:

- Evaluation of corporate goals and objectives relevant to the compensation of our NEOs as well as individual goals and objectives relevant to the compensation of our CEO;

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- Evaluation of the competitiveness of each NEO's total compensation package based on market data and each executive's experience;
- Review and approval of the CEO's compensation based on an evaluation of the CEO's performance in light of goals and objectives that were approved by the Committee; and
- Approval of any change to the total compensation package of NEOs, including base salary, annual incentive awards and long-term incentive awards.

### Chief Executive Officer

Within the framework of the compensation programs approved by the Compensation and Benefits Committee and based on management's evaluation of individual performance and potential as well as review of market competitive positions, our CEO recommends the level of base salary, the annual incentive award and the long-term incentive award value for the other NEOs. The Compensation and Benefits Committee reviews our CEO's recommendations and approves any compensation changes affecting our NEOs as it determines in its sole discretion.

### Compensation Consultant

The Compensation and Benefits Committee retained Pay Governance LLC to serve as its executive compensation consultant. The compensation consultant regularly attended Committee meetings and assisted and advised the Committee in connection with its review of executive compensation policies and practices. In particular, Pay Governance provides market data, trends and analysis regarding our executive compensation in comparison with its peers to assist the Committee in its decision-making process. The Committee reviews and confirms the independence of Pay Governance on an annual basis. Pay Governance does not perform any other work for management.

### *Evaluating Market Competitiveness*

#### Comparison group

In late 2013 the Compensation and Benefits Committee established a comparison group of peer companies, with the assistance and advice of the Company's management and Pay Governance. The Compensation and Benefits Committee used this comparison group, in part, to evaluate the Company's compensation policies and practices, and as a means by which to measure the compensation packages of its executives. In establishing the comparison group, the Compensation and Benefits Committee considered certain factors, including whether potential member companies competed with us in the same competitive labor market or in similar lines of business, the potential member company's market capitalization, and various other factors, including the revenues, workforce size and assets under management or assets under administration of potential member companies.

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For 2017, the comparison group of companies considered by the Compensation and Benefits Committee (which we refer to in this CD&A as the "Comparison Group") for competitive data for all of our NEOs except for Ms. Hursellers included the following companies:

- Ameriprise Financial, Inc.
- Eaton Vance Corp.
- Genworth Financial, Inc.
- The Hartford Financial Services Group, Inc.
- Invesco Ltd.
- Legg Mason, Inc.
- Lincoln National Corp.
- Manulife Financial Corp.
- MetLife, Inc.
- T. Rowe Price Group, Inc.
- Principal Financial Group, Inc.
- Prudential Financial, Inc.
- Sun Life Financial Inc.
- Torchmark Corp.
- Unum Group

### Surveys and competitive data

As part of its 2017 compensation review, the Compensation and Benefits Committee also considered 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. These surveys included a diversified study of executive compensation in the insurance industry prepared by Willis Towers Watson (which we refer to as the "Willis Towers Watson Survey") and a survey of investment management companies prepared by McLagan, a consulting firm that provides market pay and performance information in the financial services industry. For purposes of the McLagan survey, we used the following group of investment and asset management companies (which we refer to in this CD&A as the "IM Comparison Group") when considering competitive data for Ms. Hursellers:

- AEGON USA, LLC
- American Century Investments
- Baring Asset Management LLC
- Columbia Threadneedle Investments, LLC
- Conning Holdings Corp.
- Delaware Investments
- Janus Capital Group
- Jennison Associates, LLC
- Loomis, Sayles & Company, L.P.
- MFS Investment Management
- Morgan Stanley Investment Management
- New York Life Investment Management LLC
- Nuveen Investments
- Old Mutual Asset Management
- Oppenheimer Funds, Inc.
- Principal Global Investors
- Putnam Investments
- Trust Company of the West

The Compensation and Benefits Committee takes into consideration the Willis Towers Watson Survey and the McLagan survey when making decisions on base salary, annual incentive and long-term incentive opportunities for NEOs except the CEO. For the CEO, the Compensation and Benefits Committee takes into consideration proxy data of the Comparison Group.

4. How did we pay for performance?

**Pay Mix Shows Significant Variable Pay.** Approximately 91% of the total compensation delivered to our CEO and 86% delivered to our other NEOs in 2017 is variable. By variable, we mean there is no guarantee that executives will actually realize the originally intended “target” compensation values. This variable feature demonstrates management’s alignment with shareholders’ interests as the delivery of the variable compensation is dependent on performance, including our stock price performance.



**Determination of 2017 Compensation**

In early 2017, the Compensation and Benefits Committee met multiple times to consider the compensation opportunity that would be provided to the Company’s NEOs and other senior executives during 2017. These considerations included an assessment of the Company’s compensation practices and compensation packages against those of the Comparison Group (and for Ms. Hurtsellers, the IM Comparison Group), including in particular an assessment of the total target compensation opportunity for each NEO. In addition, the Compensation and Benefits Committee considered the vote result of our say-on-pay proposal in 2017 and took into account the outcome of the vote in reviewing our executive compensation programs and policies. Shareholders voted 94% in favor of the Company’s Say on Pay proposal on executive compensation (based on shares voted). The Compensation and Benefits Committee considered the vote to be an endorsement of the Company’s executive compensation programs and policies, and took into account the outcome of the vote in reviewing those programs and policies.

Following the review, the Compensation and Benefits Committee also established, for purposes of the annual cash incentive awards opportunities to the NEOs, performance measures and targets that would apply for the 2017 performance year.

**Base salary**

Base salary for the NEOs in 2017 stayed largely consistent with 2016 base salary. In the case of Mr. Martin, base salary for 2017 was set forth in his employment agreement and was unchanged from 2016. The base salary for our other NEOs was established after considering several factors, including promotions, the NEO’s experience, the NEO’s responsibilities, the NEO’s 2017 performance, the NEO’s 2017 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. In the case of Mr. Smith, Mr. Karaoglan and Mr. Nelson, this included consideration of executive compensation paid by certain companies included in the Comparison Group. In the case of Ms. Hurtsellers, this review included Ms. Hurtsellers' total incentive opportunity as compared to similarly situated executives in the IM Comparison Group. Mr. Martin, Mr. Smith, Ms. Hurtsellers and Mr. Nelson's base salaries were unchanged from their respective 2016 salaries. Mr. Karaoglan's base salary increased slightly from \$740,000 to \$750,000.

#### Annual cash 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 2017 was paid in March 2018. In this CD&A, references to 2017 annual incentive compensation awards are to the annual incentive compensation amounts that were paid to NEOs in March 2018, which were designed to recognize individual, Company and business unit performance during 2017. As described in more detail below, an NEO's annual incentive award is determined after taking into account the performance of the Company under several financial measures and based on a qualitative assessment of individual performance and other factors considered relevant by the Compensation and Benefits Committee.

The Compensation and Benefits Committee determined 2017 annual incentive compensation for our NEOs by applying a multi-step process:



Each of these steps is described in more detail below:

**Step 1: Establishment of Annual Incentive Compensation Target Opportunity and Maximum Award.** Each NEO's 2017 target and maximum annual incentive opportunities were determined under the terms of their respective employment agreements and offer letters, and reviewed by the Compensation and Benefits Committee in early 2017 or in connection with their promotions, with reference to the compensation amounts publicly disclosed by the Comparison Group (with respect to Messrs. Martin, Smith, Karaoglan, and Nelson) or the IM Comparison Group (with respect to Ms. Hurtsellers) to assess competitiveness. The target and maximum annual incentive amounts were considered as one element of our NEOs' overall total direct compensation opportunity, and, based in part on this review, total direct compensation opportunities were set with reference to median total target compensation as reflected in the comparative data.

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Target annual incentive award opportunities for the NEOs in 2017, as a percentage of base salary, were as follows:

<u>2017 Target Annual Incentive Awards</u>	
Mr. Martin	220%
Mr. Smith	150%
Mr. Karaoglan	160%
Ms. Hartsellers	300%
Mr. Nelson	125%

Unchanged from our 2016 approach, the maximum 2017 incentive opportunity was capped at two times the target award opportunity for all NEOs except for Ms. Hartsellers, whose maximum incentive opportunity was capped at three times the target award opportunity, reflecting market practice among the IM Comparison Group, as reflected in the survey of such companies conducted by McLagan.

Step 2: Establishment of Preliminary Annual Incentive Compensation Amounts. Preliminary annual incentive amounts were determined based on Company performance in 2017 against target performance levels set by the Compensation and Benefits Committee during the first quarter of 2017, based on business forecasts and projections. Achievement against these targets was assessed by the Compensation and Benefits Committee during the first quarter of 2018, following the availability of Company financial information for 2017.

For 2017 annual incentive awards, preliminary annual compensation amounts were based on the target annual incentive compensation amounts for each of our NEOs, and on the Company financial performance under four financial measures: Adjusted Operating Earnings per Share, Ongoing Business Adjusted Operating Return on Equity, Distributable Cash Flow Before Holding Company Expenses and Strategic Indicators. Each of Adjusted Operating Earnings per Share and Ongoing Business Adjusted Operating Return on Equity is a non-GAAP financial measure. See Exhibit A—Non-GAAP Financial Measures. See Exhibit A—Distributable Cash Flow for a calculation of the distributable cash flow before holding company expenses.

<u>Measure</u>	<u>Weight</u>	<u>Minimum Performance for Payment</u>	<u>Performance for Target Payout</u>	<u>Performance for Maximum Payout</u>	<u>Actual Performance, as Reported</u>	<u>Performance, as Adjusted for Compensation Purposes<sup>2</sup></u>	<u>Payout as Percentage of Target</u>
Adjusted Operating Earnings per Share—Ongoing Business	35%	\$ 2.70	\$ 3.38	\$ 4.06	\$ 4.16		150%
Adjusted Operating Return on Equity	35%	10.6%	13.2%	15.8%	16.2%	15.8%	150%
Distributable Cash Flow Before Holding Company Expense (\$ in million)	20%	\$ 325	\$ 650	\$ 975	\$ 725		112%
Strategic Indicators <sup>1</sup>	10%	1.5	3.0	4.5	3.9		130%
<b>Total</b>	<b>100%</b>						<b>140%</b>

<sup>1</sup> Each strategic indicator is assigned a rating from 1 to 5, a 3 rating indicates that the performance met the target.

<sup>2</sup> The percentage reflects an adjustment to the reported percentage, which was determined by the Compensation and Benefits Committee to be not reflective of the ongoing performance of our business.

Step 3: Individual assessment and determination of individual annual incentive award. Following determination of the preliminary annual incentive amounts, the Compensation and Benefits Committee qualitatively assessed each NEO's performance based on performance objectives that included individualized qualitative performance goals and business line or functional area performance. In the case of NEOs other than Mr. Martin, the views of Mr. Martin with respect to such performance were considered by the Compensation and Benefits Committee as part of this assessment. The results of this assessment were as follows:

Under Mr. Martin's leadership, the company's key accomplishments for 2017 include:

- Continued to improve our financial performance, exceeding our 2018 Ongoing Business Adjusted Operating Return on Equity target more than a year ahead of schedule
- Reached an agreement to sell substantially all of our CBVA segment and our Annuities business. This transaction will significantly reduce our market and insurance risk, and make Voya a more streamlined company focused on our high-growth and capital light businesses
- Continued to provide value to shareholders by repurchasing 11.4 million shares of our common stock using \$1 billion in excess capital
- Continued to foster a culture of diversity, inclusion and equality, for which the Company was recognized externally for our commitment, including being named one of *Fortune*'s World's Most Admired Companies, joining Bloomberg's Gender Equality Index, and becoming one of the 2018 World's Most Ethical Companies<sup>®</sup> for the fifth consecutive year

Mr. Smith's key accomplishments for 2017 include:

- Concluded 2017 with excess capital of almost \$750 million
- Obtained \$481 million of extraordinary dividend approvals from regulators
- Led the company's significant share repurchasing activity of \$1 billion
- Launched a multi-year transformation initiative to streamline our Sarbanes-Oxley process across Voya by upgrading talent, rationalizing controls and processes, implementing better tools and re-engineering documentation and testing approach

Mr. Karaoglan's key accomplishments for 2017 include:

- Oversaw strong results and achievements of our Retirement, Investment Management, Annuities, Individual Life and Employee Benefits businesses
- Oversaw the company's Brand and Marketing efforts that enabled our brand to become a differentiating factor among our peers

Ms. Hurtellers key accomplishments for 2017 include:

- Achieved record levels in IM sourced flows, earnings, and assets under management
- Exceeded internal targets on adjusted operating earnings, adjusted return on capital, distributable earnings, and IM-sourced gross sales and net flows
- Implemented strategic organizational changes to functionalize the segment, leverage efficiency saves to achieve financial targets, enable reinvestment in the business and provide new opportunities for its talent

Mr. Nelson's key accomplishments for 2017 include:

- Exceeded adjusted return on capital, adjusted operating earnings and distributable cash flow performance targets. Net flows hit an all-time high for Small/Mid Corporate Markets

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- Retirement accelerated sales growth in all market segments with a sharp focus on positioning the business for sustainable growth
- Guaranteed Minimum Interest Rate (GMIR) initiative delivered significant improvement to Retirement's adjusted return on capital by executing on a strategy to address challenges created by sustained low interest rate environment

Following this assessment, the Compensation and Benefits Committee considered the total 2017 compensation package being proposed for each NEO. Following this review and assessment, the Compensation and Benefits Committee adjusted the annual compensation amount payable to each NEO to between 148% and 189% of the preliminary payout determined pursuant to Step 2, above.

**Annual Incentive Compensation Outcomes**

The following table presents, for each NEO, the results of the foregoing annual incentive award determination, the target annual incentive compensation for 2017 and the amount of the award paid in the form of cash in March 2018.

Name	2017 Target Annual Incentive	2017 Target Annual Incentive after Applying 140% Company Funding	2017 Actual Annual Incentive Payment	% of Actual Payment to Target
Rodney O. Martin, Jr.	\$2,200,000	\$ 3,080,000	\$3,250,000	148%
Michael S. Smith	\$ 937,500	\$ 1,312,500	\$1,575,000	168%
Alain M. Karaoglan	\$1,200,000	\$ 1,680,000	\$2,266,000	189%
Christine Hartsellers	\$1,800,000	\$ 2,520,000	\$2,898,000	161%
Charles P. Nelson	\$ 875,000	\$ 1,225,000	\$1,470,000	168%

**Long-term equity-based incentive compensation**

Equity compensation is an important element of executive compensation, because it aligns executive pay with the performance of our stock, and in turn the interests of our stockholders. The equity grants for the NEOs include 55% performance stock units and 45% restricted stock units. The size of each award is generally based on each NEO's individual performance during the year preceding the grant date. We have historically made grants of equity-based awards in February, in respect of prior-year performance.

**Grants made in 2017 for 2016 performance**

The NEOs' long-term equity awards granted in 2017 were considered for adjustment, either upwards or downwards, from 2016 levels, based on an assessment of individual performance during 2016.

The following table shows our NEO target long-term equity incentive amounts for 2016, expressed as a percentage of base salary, and based on the evaluations set forth above, the long-term incentive awards that our NEOs received in 2017:

	2017 Target Long-Term Equity Incentive		2017 Long-Term Incentive Awards
	% of base salary	\$ amount	
Mr. Martin	630%	\$6,300,000	\$ 6,615,000
Mr. Smith	285%	\$1,781,250	\$ 1,870,313
Mr. Karaoglan	320%	\$2,376,000	\$ 2,494,800
Ms. Hartsellers	250%	\$1,500,000	\$ 1,575,000
Mr. Nelson	250%	\$1,750,000	\$ 1,925,000

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Although these amounts were granted in respect of 2016 performance, because of the rules of the Securities and Exchange Commission governing the presentation of executive compensation in proxy statements, such amounts appear in the “—Summary Compensation Table” and other tables below under “—Compensation of Named Executive Officers” as compensation for 2017, because such awards were granted during 2017. Our equity-based awards granted under the Omnibus 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 included in the “—Summary Compensation Table” below.

### *Grants made in 2018 for 2017 performance*

For each of our NEOs other than Mr. Martin, target long-term equity awards with respect to 2017 performance were set or reviewed by the Compensation and Benefits Committee during 2017, with reference to the survey and competitive data described above. The target long-term equity incentive amounts were considered as one element of our NEOs’ overall total direct compensation opportunity, and, based in part on this review, total direct compensation opportunities were set with reference to median total target compensation as reflected in the comparative data. For equity awards granted in respect of 2017 performance, we made grants on February 21, 2018. In 2018, long-term incentive awards to our NEOs were made on the basis of an evaluation of individual performance during 2017, which evaluations are described above under “Step 3” of Annual Incentive Compensation determination process.

The following table shows our NEO target long-term equity incentive amounts for 2017, expressed as a percentage of base salary, and based on the evaluations set forth above, the long-term incentive awards that our NEOs received in 2018:

	2018 Target Long-Term Equity Incentive		2018 Long-Term Incentive Awards
	% of base salary	\$ amount	
Mr. Martin	675%	\$6,750,000	\$ 6,750,000
Mr. Smith	285%	\$1,781,250	\$ 2,137,500
Mr. Karaoglan	380%	\$2,850,000	— <sup>(1)</sup>
Ms. Hurtsellers	300%	\$1,800,000	\$ 2,250,000
Mr. Nelson	250%	\$1,750,000	\$ 2,187,500

<sup>(1)</sup> Mr. Karaoglan departed the Company on March 30, 2018.

Although these amounts were granted in respect of 2017 performance, because of the SEC rules governing the presentation of executive compensation in proxy statements, such amounts do not appear in the “—Summary Compensation Table” and other tables below under “—Executive Compensation Tables and Narratives” as compensation for 2017, because such awards were granted during 2018.

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*Payout for previously granted performance stock units*

The table below shows the 2017 performance result and the payout for the PSUs granted in 2015.

Measure (\$ in million)	Weight	Minimum Performance for Payment	Performance for Target Payout	Performance for Maximum Payout	Actual Performance, as Reported	Performance, as Adjusted for Compensation Purposes	Payout as Percentage of Target
Ongoing Business Adjusted Operating Return on Equity	50%	10.6%	13.2%	15.8%	16.2%	15.8%	150%
Distributable Cash Flow Before Holding Company Expense	50%	\$ 325	\$ 650	\$ 975	\$ 725		112%
<b>Total</b>	<b>100%</b>						<b>131%</b>

Ongoing Business Adjusted Operating Return on Equity is a non-GAAP financial measure. See Exhibit A-Non-GAAP Financial Measures. See Exhibit A-Distributable Cash Flow for a calculation of the distributable cash flow before holding company expenses.

**Other Compensation Practices and Considerations**

*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 programs, facilitated by the Company, generally available to a broad group of highly paid Company employees on an elective basis. The cost of participating in the supplemental disability program is borne entirely by each NEO.

*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 2017", below, the Company sponsors the Voya Retirement Plan (the "Retirement Plan"), a tax-qualified, noncontributory, cash balance formula, defined benefit pension plan for eligible employees.

The Company also sponsors the Voya 401(k) Savings Plan (the "401(k) Plan"), a tax-qualified defined contribution plan. Under the 401(k) Plan, the Company will match 100% of a participant's contribution up to six percent of eligible compensation.

In addition to the tax-qualified retirement benefits described above, the Company also maintains the Voya Supplemental Executive Retirement Plan (the "SERP") and the Voya 409A Deferred Compensation Savings Plan (the "DCSP"). The SERP and the DCSP permit our NEOs 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 Code's compensation and contribution limits. For purposes of determining benefits under the SERP and the DCSP, eligible compensation is limited to three times the Code compensation limit, which was \$270,000 for 2017. See the narrative description

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preceding the table entitled “—Pension Benefits in 2017” for more detail of the Retirement Plan and the SERP. See the narrative description preceding the table entitled “—Nonqualified Deferred Compensation Plans Table for 2017” for more detail of the DCSP.

### *Perquisites and Other Benefits*

During 2017, we provided the NEOs with Company-selected independent advisors to assist them with financial planning, tax and legal issues. In addition, certain of our NEOs have personal use of a company car and driver (principally for commuting purposes), and in certain cases the Company provided travel-related perquisites, including for spousal travel. We impute as income the cost of these perquisites and other benefits. See “—All Other Compensation Table for 2017”, below, for additional information concerning perquisites.

### *Dividend Equivalent Rights*

Equity-based awards granted to our employees, including to our NEOs, include dividend equivalent rights. These rights provide for the cash payment, in respect of each RSU granted in respect of deferred annual incentive awards and long-term incentive awards, of an amount equivalent to the dividends paid on our common stock during the period between the grant date and the vesting date of the award. The amount is paid, without interest, only upon vesting of the award.

### *Tax Deductibility of Compensation*

Under Section 162(m) of the Internal Revenue Code, as amended by the recently enacted Tax Cuts and Jobs Act, a public company generally may not deduct compensation in excess of \$1 million paid to its chief executive officer, the chief financial officer and the three other most highly compensated executive officers, effective for tax years beginning after 2017, subject to a transition rule for written binding contracts which were in effect on November 2, 2017, and which were not modified in any material respect on or after such date. In the past, Section 162(m)’s deductibility limitation was subject to an exception for compensation that qualified as ‘performance based’.

Historically, the Compensation and Benefits Committee sought to minimize the impact of Section 162(m) through reliance on the performance based compensation exemption while maintaining overall NEO compensation packages that it deemed to be in the interests of the Company. However, the Company has always reserved the right to pay compensation that is not exempt from the deduction limit, when it deems such compensation to be in the interests of the Company.

Under Section 162(m)(6) of the Internal Revenue Code, which was introduced as part of the 2010 Affordable Care Act, 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 2017. The Department of the Treasury issued final regulations under Section 162(m)(6) in 2014. The regulations’ preamble notes that additional guidance could be issued with respect to matters left unaddressed. The Company is continuing to monitor this issue and will determine whether the Section 162(m)(6) limitations will apply in the future if and when any such guidance is provided. 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.

## **RELATIONSHIP OF COMPENSATION POLICIES AND PRACTICES TO RISK MANAGEMENT**

### **5. How do we address risk and governance?**

The Company adheres to compensation policies and practices that are designed to support a strong risk management culture. In particular, in 2015, the Compensation and Benefits Committee approved a new Human

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Resources Risk Policy which outlines the roles and responsibilities of the Compensation and Benefits Committee and management to monitor compensation and benefit risks as well as key talent risks. The Policy is based on the following principles:

- align compensation programs and decisions with stockholder interests,
- attract, retain and motivate executive talent to lead the Company to success,
- establish an appropriate approach to governance that reflects the needs of all stakeholders and includes the Company's right to clawback compensation in certain circumstances,
- support a business culture based on the highest ethical standards and
- manage risk taking by executives by encouraging prudent decision making.

We have reviewed the Company's compensation programs, policies and practices for employees to ensure that, in design and operation and taking into account all of the risk management processes in place, they do not encourage excessive risk taking. In particular, the following features of our compensation program guard against excessive risk-taking:

- Determination of incentive awards based on a variety of performance metrics, thus diversifying the risk associated with any single indicator of performance;
- Long-term compensation awards and vesting periods that encourage a focus on sustained, long-term results;
- A mix of fixed and variable, annual and long-term, and cash and equity compensation designed to encourage actions that are in our long-term best interest;
- Maximum discretionary incentive opportunities are capped and remained unchanged from 2016 to 2017; and
- Our equity plans do not allow re-pricing of stock options and require double trigger vesting for awards upon a change of control.

We have determined that these programs, policies and practices are not reasonably likely to have a material adverse effect on the Company.

## EXECUTIVE COMPENSATION TABLES AND NARRATIVES

## Summary Compensation Table

The following table presents the cash and other compensation for our NEOs for 2017, 2016 and 2015.

Summary Compensation Table

Name and Principal Position	Year	Salary (1)	Bonus (2)	Stock Awards (3)	Option Awards (4)	Non-Equity Incentive Plan Compensation (5)	Change in Pension Value (6)	All Other Compensation (7)	Total
Rodney O. Martin, Jr., Chairman and CEO	2017	\$ 1,000,000	\$ —	\$ 6,614,961	\$ —	\$ 3,250,000	\$ 37,906	\$ 86,205	\$ 10,989,072
	2016	\$ 1,000,000	\$ —	\$ 6,399,977	\$ —	\$ 2,069,000	\$ 37,701	\$ 84,852	\$ 9,591,531
	2015	\$ 1,000,000	\$ —	\$ 6,400,005	\$ 1,889,321	\$ 1,850,000	\$ 35,248	\$ 69,868	\$ 11,244,442
Michael S. Smith, EVP & CFO	2017	\$ 625,000	\$ —	\$ 1,870,282	\$ —	\$ 1,575,000	\$ 47,517	\$ 66,025	\$ 4,183,824
	2016	\$ 582,576	\$ 350,000	\$ 2,111,159	\$ —	\$ 881,719	\$ 32,053	\$ 69,717	\$ 4,027,224
	2015	\$ 575,000	\$ —	\$ 1,727,056	\$ 1,322,168	\$ 677,607	\$ 26,588	\$ 70,338	\$ 4,398,757
Alain M. Karaoglan, EVP & COO	2017	\$ 748,333	\$ —	\$ 2,494,727	\$ —	\$ 2,266,000	\$ 46,605	\$ 66,282	\$ 5,621,947
	2016	\$ 733,333	\$ —	\$ 2,463,985	\$ —	\$ 1,113,552	\$ 32,740	\$ 68,025	\$ 4,411,635
	2015	\$ 700,000	\$ —	\$ 2,688,045	\$ 1,417,288	\$ 997,920	\$ 27,576	\$ 70,619	\$ 5,901,448
Christine Hurtsellers, CEO Investment Management	2017	\$ 600,000	\$ —	\$ 1,574,978	\$ —	\$ 2,898,000	\$ 225,956	\$ 66,334	\$ 5,365,268
	2016	\$ 466,667	\$ —	\$ 2,286,207	\$ —	\$ 2,178,000	\$ 110,603	\$ 61,700	\$ 5,103,177
Charles P. Nelson, CEO Retirement and Employee Benefits	2017	\$ 700,000	\$ —	\$ 2,150,422	\$ —	\$ 1,470,000	\$ 35,790	\$ 105,641	\$ 4,461,853
	2016	\$ 700,000	\$ 233,333	\$ 1,917,463	\$ —	\$ 866,250	\$ 29,630	\$ 88,154	\$ 3,834,830
	2015	\$ 466,667	\$ 200,000	\$ 1,872,826	\$ 1,322,168	\$ 779,625	\$ 16,689	\$ 41,294	\$ 4,699,269

- (1) Amounts in this column represent salary that was actually paid to each NEO during the listed calendar year. Mr. Smith's 2016 salary is based on his annualized base salary of \$575,000 from January 1, 2016 through November 6, 2016 and an annualized base salary of \$625,000 from November 7, 2016 through December 31, 2016. Mr. Karaoglan's 2017 salary is based on his annualized base salary of \$740,000 from January 1, 2017 through February 28, 2017 and an annualized base salary of \$750,000 from March 1, 2017 through December 31, 2017. Mr. Karaoglan's 2016 salary is based on his annualized base salary of \$700,000 from January 1, 2016 through February 28, 2016 and an annualized base salary of \$740,000 from March 1, 2016 through December 31, 2016. Ms. Hurtsellers' 2016 salary is based on her annualized base salary of \$400,000 from January 1, 2016 through August 31, 2016 and an annualized base salary of \$600,000 from September 1, 2016 through December 31, 2016. Mr. Nelson's 2015 annualized base salary of \$700,000 is pro-rated from May 1, 2015, his date of hire, through December 31, 2015.
- (2) The amount in this column for Mr. Smith for 2016 reflects a one-time discretionary cash payment in connection with his promotion to EVP and Chief Financial Officer. The amount in this column for Mr. Nelson in 2016 & 2017 each reflect 1/3 of a \$700,000 deferred cash award in connection with his offer of employment. The amount in this column in 2015 for Mr. Nelson reflects a one-time sign-on cash award that was paid in connection with his offer of employment.
- (3) Amounts in this column include the grant date fair value calculated in accordance with FASB ASC Topic 718 for 2015, 2016 and 2017 time-based and performance-based awards (at target) granted to the NEOs, in each case under the 2014 Omnibus Plan, and in each case in respect of prior year performance (with the exception of awards granted to Mr. Nelson in connection with his hire). Maximum payout (150% of target) for PSUs would result in the following grant date fair values:

NEO	Maximum target (150% of target) for PSUs		
	2017	2016	2015
Mr. Martin	\$5,457,303	\$5,279,967	\$5,280,001
Mr. Smith	\$1,542,997	\$1,246,727	\$1,424,857
Mr. Karaoglan	\$2,058,152	\$2,032,797	\$2,217,633
Ms. Hurtsellers	\$1,299,366	\$ 404,979	n/a
Mr. Nelson	\$1,926,276	\$1,694,944	\$ 259,280

For Mr. Smith and Ms. Hurtsellers, 2016 stock awards include time-based awards granted in November 2016 in connection with their respective promotions; for Ms. Hurtsellers, time-vested awards granted in March 2016 include a component representing the portion of her annual incentive that was subject to automatic deferral, for prior year performance; for Mr. Nelson, 2017 stock awards also include a PSU award granted in February 2017 in connection with his offer of employment; his 2016 stock awards also include a PSU award granted in March 2016 in connection with his offer of employment; his 2015 stock awards represent two time-vested RSU awards

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granted in May 2015 and a PSU award granted in September 2015 in connection with his offer of employment. For a discussion of the valuation methodology for the PSUs, see Footnote 1 to the financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

- (4) Amounts in this column include the grant date fair value calculated in accordance with FASB ASC Topic 718 of performance-vested options granted in 2015 to the NEOs, in each case under the Omnibus Plan.
- (5) Amounts in this column for all NEOs include the cash portion of the annual incentive awarded for prior-year performance. Amounts in this column for 2017 represent amounts paid under the Voya Financial, Inc. 2017 Annual Cash Incentive Plan for 2017 performance, including amounts paid in excess of Plan maximums due to the effect of the pending transaction on 2017 operating earnings. For Ms. Hartsellers, a portion of the award for 2015 performance (granted in 2016) has been deferred in the form of time-vested RSUs issued under the Omnibus Plan, which vests/has vested between 2017 and 2019.
- (6) Amounts in this column represent the net changes in actuarial present value under the Retirement Plan and the SERP.
- (7) All amounts in this column for 2017 are described in more detail in the table below entitled "All Other Compensation Table for 2017".

**All Other Compensation**

The table below presents the breakdown of the All Other Compensation column:

**All Other Compensation Table for 2017**

<u>Name</u>	<u>401(k) Plan Employer Match (1)</u>	<u>DCSP Employer Match (2)</u>	<u>Financial Tax Services (3)</u>	<u>Gross- Ups</u>	<u>Other (4)</u>	<u>Total</u>
Rodney O. Martin, Jr.	\$ 13,500	\$ 35,100	\$ 17,425	\$ —	\$ 20,180	\$ 86,205
Michael S. Smith	\$ 15,429	\$ 33,171	\$ 17,425	\$ —	\$ —	\$ 66,025
Alain M. Karaoglan	\$ 13,500	\$ 35,100	\$ 17,425	\$ —	\$ 257	\$ 66,282
Christine Hartsellers	\$ 5,400	\$ 43,200	\$ 17,425	\$ —	\$ 309	\$ 66,334
Charles P. Nelson	\$ 13,500	\$ 35,100	\$ 17,425	\$ —	\$ 39,616	\$ 105,641

- (1) See the narrative under "Tax-qualified and Non-qualified Retirement and Other Deferred Compensation Plans" for a description of the material terms of the 401(k) Plan.
- (2) See the narrative under "Tax-qualified and Non-qualified 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 2017.
- (4) Amounts in this column for Mr. Martin, Ms. Hartsellers and Mr. Nelson represent the aggregate incremental cost to the company associated with travel perquisites, including for spousal travel. Amounts in this column include for Messrs. Martin and Karaoglan, the incremental cost to the company associated with the respective NEO's personal use of a company car and driver, the amount of which has been calculated based on an allocation of the total cost associated with the car and driver between business and personal usage, based on total miles driven. Personal usage of the car and driver was principally for commuting purposes.

## Grants of Plan-Based Awards

The table below presents individual grants of awards made to each NEO during 2017.

Grants of Plan-Based Awards Table for 2017

Name	Grant Type	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock	Estimated Future Payouts Under Option Awards		Grant Date Fair Value of Stock Awards (1)
			Threshold	Target	Maximum	Threshold Number of Shares	Target Number of Shares	Maximum Number of Shares		Number of Securities Underlying Options	Exercise Price of Stock Options	
Rodney O. Martin, Jr.	Omnibus Plan											
	Long-Term Incentive RSUs	2/22/2017						69,713			\$2,976,745	
	Omnibus Plan											
	Long-Term Incentive PSUs	2/22/2017				33,163	88,435	132,652			\$3,638,216	
Michael S. Smith	Annual Incentive			2,200,000	4,400,000							
	Omnibus Plan											
	Long-Term Incentive RSUs	2/22/2017							19,710		\$ 841,617	
	Omnibus Plan											
	Long-Term Incentive PSUs	2/22/2017				9,376	25,004	37,506			\$1,028,665	
	Annual Incentive			937,500	1,875,000							
Alain M. Karaoglan	Omnibus Plan											
	Long-Term Incentive RSUs	2/22/2017							26,291		\$1,122,626	
	Omnibus Plan											
	Long-Term Incentive PSUs	2/22/2017				12,507	33,352	50,028			\$1,372,101	
Christine Hurtellers	Annual Incentive			1,200,000	2,400,000							
	Omnibus Plan											
	Long-Term Incentive RSUs	2/22/2017							16,598		\$ 708,735	
	Omnibus Plan											
	Long-Term Incentive PSUs	2/22/2017				7,896	21,056	31,584			\$ 866,244	
	Annual Incentive			1,800,000	3,600,000							
Charles P. Nelson	Omnibus Plan											
	Long-Term Incentive RSUs	2/22/2017							20,286		\$ 866,212	
	Omnibus Plan											
	Long-Term Incentive PSUs					9,650	25,735	38,602			\$1,058,738	
	Omnibus Plan											
	Long-Term Incentive PSUs (3)	2/22/2017				2,305	6,147	9,220			\$ 225,472	
	Annual Incentive			875,000	1,750,000							

(1) These columns reflect PSUs granted on February 22, 2017 that are scheduled to cliff vest on February 22, 2020. The value at vesting will depend both on Voya's stock price at the time of vesting and on Voya's achievement of pre-established performance measures (Ongoing Business Adjusted Return on Equity (ROE) (50%) and Relative Total Shareholder Return (rTSR) (50%)). Maximum payout is 150% of target.

(2) Amounts in this column represent the grant date fair value calculated in accordance with FASB ASC Topic 718.

(3) Mr. Nelson received a grant of PSUs on February 22, 2017 as part of his offer of employment which are scheduled to vest based Voya's stock price at the time of vesting and on Voya's achievement of pre-established performance measures (Ongoing Business Adjusted Return on Equity (ROE) (50%) and Distributable Cash Flow Before Holding Company Expenses) (50%)). Maximum payout is 150% of target.

**Outstanding Equity Awards at Year End**

The table below provides information concerning unexercised options and stock-based awards that have not vested for each NEO outstanding as of December 31, 2017.

**Outstanding Equity Awards Table at 2017 Year End**

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned 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 Unearned 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.						28,122 <sup>(2)</sup>	\$ 1,391,195			
						5,725 <sup>(2)</sup>	\$ 283,216			
						21,710 <sup>(3)</sup>	\$ 1,073,994			
			158,900 <sup>(5)</sup>	\$ 37.60	12/16/2025			26,534 <sup>(4)</sup>	\$ 1,312,637	
						61,244 <sup>(6)</sup>	\$ 3,029,741			
						69,713 <sup>(8)</sup>	\$ 3,448,702	112,280 <sup>(7)</sup>	\$ 5,554,492	
								88,435 <sup>(9)</sup>	\$ 4,374,879	
Michael S. Smith						4,409 <sup>(2)</sup>	\$ 218,113			
						919 <sup>(2)</sup>	\$ 45,463			
						5,859 <sup>(3)</sup>	\$ 289,845			
			111,200 <sup>(5)</sup>	\$ 37.60	12/16/2025			7,161 <sup>(4)</sup>	\$ 354,255	
						14,461 <sup>(6)</sup>	\$ 715,386			
						16,769 <sup>(10)</sup>	\$ 829,562	26,512 <sup>(7)</sup>	\$ 1,311,549	
						19,710 <sup>(8)</sup>	\$ 975,054			
								25,004 <sup>(9)</sup>	\$ 1,236,948	
Alain M. Karaoglan						12,036 <sup>(2)</sup>	\$ 595,421			
						3,616 <sup>(2)</sup>	\$ 178,884			
						9,119 <sup>(3)</sup>	\$ 451,117			
			119,200 <sup>(5)</sup>	\$ 37.60	12/16/2025			11,145 <sup>(4)</sup>	\$ 551,343	
						23,579 <sup>(6)</sup>	\$ 1,166,453			
								43,228 <sup>(7)</sup>	\$ 2,138,489	
						26,291 <sup>(8)</sup>	\$ 1,300,616			
								33,352 <sup>(9)</sup>	\$ 1,649,923	



**Option Exercises and Stock Vested in 2017**

The following table provides information regarding all of the RSUs, PSUs and deferred shares held by the NEOs that vested during 2017 and options that were exercised by NEOs during 2017. This table includes vesting of both Company equity awards and ING Group equity awards.

**Option Exercises and Stock Vested Table for 2017**

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
Rodney O. Martin, Jr.			28,126	\$ 1,163,010 (1)
			21,710	\$ 897,709 (2)
			28,121	\$ 1,155,492 (3)
			5,725	\$ 235,240 (4)
			30,622	\$ 1,258,258 (5)
			14,121	\$ 522,195 (6)
Michael S. Smith			5,254	\$ 194,293 (6)
			7,589	\$ 313,805 (1)
			5,858	\$ 242,228 (2)
			4,408	\$ 181,125 (3)
			918	\$ 37,721 (4)
			7,230	\$ 297,081 (5)
			7,343	\$ 271,544 (6)
Alain M. Karaoglan			1,060	\$ 39,199 (7)
			1,027	\$ 41,419 (8)
			11,812	\$ 488,426 (1)
			9,118	\$ 377,029 (2)
			12,036	\$ 494,559 (3)
			3,616	\$ 148,581 (4)
			11,789	\$ 484,410 (5)
Christine Hartsellers			9,555	\$ 353,344 (6)
			2,681	\$ 99,143 (7)
			2,427	\$ 100,356 (11)
			2,799	\$ 115,739 (2)
			6,021	\$ 248,968 (9)
			3,427	\$ 140,815 (3)
			4,755	\$ 195,383 (4)
Charles P. Nelson			3,508	\$ 144,144 (5)
			7,296	\$ 299,793 (10)
			2,894	\$ 107,020 (6)
			6,006	\$ 222,102 (7)
			8,373	\$ 344,047 (5)
			5,464	\$ 206,211 (2)

- (1) Represents vesting of a portion of Voya performance awards granted under the Omnibus Plan during 2015.
- (2) Represents vesting of a portion of Voya restricted awards granted under the Omnibus Plan during 2015.
- (3) Represents vesting of a portion of Voya restricted awards granted under the Omnibus Plan during 2014.
- (4) Represents vesting of a portion of Voya deferred share award granted under the Omnibus Plan during 2014 in respect of the deferred portion of the annual incentive awards.

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- (5) Represents vesting of a portion of Voya restricted awards granted under the Omnibus Plan during 2016.
- (6) Represents vesting of a portion of ING Group RSUs granted under the ING Group Long-Term Sustainable Performance Plan ("LSPP") during 2013 and converted to Voya RSUs at the time of IPO.
- (7) Represents vesting of a portion of an ING Group deferred share award granted under the LSPP during 2013 in respect of the deferred portion of annual incentive awards and converted to Voya RSUs at the time of IPO.
- (8) Represents vesting of a portion of Voya equity awards granted under the Omnibus Plan during 2013.
- (9) Represents vesting of a portion of Voya deferred share award granted under the Omnibus Plan during 2015 in respect of the deferred portion of the annual incentive awards.

### *Pension Benefits*

As described above under "—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 2017, regular full-time and part-time employees of the Company were covered by the Retirement Plan. Participants in the Retirement Plan whose benefits cannot be paid from the Retirement Plan as a result of IRS compensation or benefit limitations and who are designated by the Company are also eligible to participate in the SERP.

Beginning January 1, 2012, all Voya Financial 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 the 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 2017 that rate was 2.26%). Participants in the Retirement Plan and the SERP prior to January 1, 2012, including Ms. Hartsellers, transitioned to the new cash balance pension formula during the two-year period ending December 31, 2013. Benefits that accrued during the transition period have been determined based on the prior final average pay pension formula or the new cash balance pension formula, whichever is greater. Pension benefits that accrue after the transition period are solely based on the new cash balance pension formula. 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 deferrals and (b) the participant's actual retirement benefit paid from the Retirement Plan. Because they began employment after December 31, 2008, the benefits of Messrs. Martin, Smith, Karaoglan and Nelson will be determined based solely on the new cash balance pension formula.

A participant's retirement benefits under the Retirement Plan and the SERP vest in full upon completion of three 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 three years of vesting service. As of December 31, 2014, Messrs. Martin and Karaoglan, were each eligible for early retirement under the Retirement Plan. Eligible compensation generally includes base salary, annual incentive award and commissions, if applicable. Cash balance pension benefits under the Retirement Plan are generally payable as a lump-sum but may be paid as a monthly annuity. Cash balance pension benefits under the SERP are payable as a lump sum only. Benefits that accrued under the Retirement Plan and SERP before the cash balance transition period 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. 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.

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The following table presents the accumulated benefits under the Company pension plans in which each NEO participates.

**Pension Benefits in 2017**

<u>Name</u>	<u>Plan Name</u>	<u>Number Years Credit Service</u>	<u>Present Value of Accumulated Benefit</u>	<u>Payments During 2016</u>
Rodney O. Martin, Jr.	Retirement Plan	6.00	\$ 68,952	\$ 0
	SERP	6.00	\$ 137,563	\$ 0
Michael S. Smith	Retirement Plan	6.00	\$ 64,673	\$ 0
	SERP	6.00	\$ 128,213	\$ 0
Alain M. Karaoglan	Retirement Plan	6.00	\$ 65,240	\$ 0
	SERP	6.00	\$ 130,258	\$ 0
Christine Hartsellers	Retirement Plan	13.00	\$ 386,611	\$ 0
	SERP	13.00	\$ 867,108	\$ 0
Charles P. Nelson	Retirement Plan	2.67	\$ 31,873	\$ 0
	SERP	2.67	\$ 50,236	\$ 0

The present value of accumulated benefits under the Retirement Plan and the SERP shown in the “—Pension Benefits in 2017” 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 3.85%.
- The post-retirement mortality assumption used annuity payments and to measure liabilities under ASC 175 is based on the RP2014 White Collar Mortality Table (gender specific) with generational projection using Scale MP-2017 after commencement at age 65. No mortality assumed before age 65.
- The long-term interest crediting rate on cash balance accounts is 3.25%.

***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.

***Voya 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, or up to 100% of their short-term variable compensation (excluding sales-based commissions). In addition, participants 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 (a “spillover deferral” election). The Company provides a 100% matching contribution on spillover deferral amounts to enable company-matched contributions on deferrals that are in excess of the Internal Revenue Code’s 401(k) contribution limits. Compensation eligible for spillover deferral and matching benefits is limited to three times the Internal Revenue Code compensation limit, which was \$270,000 for 2017. The aggregate company match under the 401(k) Plan and DCSP for 2017 was limited to \$48,600 (6% of \$810,000 maximum eligible compensation for 2017).

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The table below presents, for each NEO, 2017 information with respect to nonqualified deferred compensation plans.

Nonqualified Deferred Compensation Plans Table for 2017

Name	Executive Contributions in 2017 (1)	Registrant Contributions in 2017 (1)	Aggregate Earnings in 2017 (2)	Aggregate Withdrawals/Distributions	Aggregate Balance at 2017 Year End
Rodney O. Martin, Jr.	\$ 637,406	\$ 35,100	\$ 172,256	\$ —	\$ 2,368,627
Michael S. Smith	\$ 145,596	\$ 33,171	\$ 170,991	\$ —	\$ 1,399,193
Alain M. Karaoglan	\$ 98,213	\$ 35,100	\$ 93,603	\$ —	\$ 915,795
Christine Hartsellers	\$ 161,280	\$ 43,200	\$ 281,348	\$ —	\$ 1,560,412
Charles P. Nelson	\$ 80,475	\$ 35,100	\$ 17,697	\$ —	\$ 302,753

- (1) Amounts reported in this column that are reported in the "Summary Compensation Table" (for 2017) are: Mr. Martin—\$140,846 base salary and bonus \$496,560; Mr. Smith—base salary \$145,595; Mr. Karaoglan—base salary \$98,213; Ms. Hartsellers—base salary \$161,280; and Mr. Nelson—base salary \$80,474.
- (2) Amounts in this column reflect the interest earned on notional investments, which are elected by the NEO. Each NEO has the ability to change his or her investment election only during open periods.

### Employment Agreements

#### Employment Agreement of Mr. Martin

On December 11, 2014, we entered into an employment agreement (the "Original Agreement") with Mr. Martin, our Chief Executive Officer and Chairman of the board of directors, which replaced and superseded Mr. Martin's Amended and Restated Employment Agreement dated July 25, 2013 (the "Prior Agreement"), other than the provisions in the Prior Agreement that set forth the terms of the previously agreed transaction incentive awards pursuant to which Mr. Martin was entitled to receive shares of Company common stock in connection with the disposition of the Company's common stock by ING Group. On September 18, 2017, we entered into an amendment agreement with Mr. Martin, which extended the term of, and made certain amendments to, the Original Agreement (as amended, the "Agreement"). The term of the Agreement is extended to December 31, 2019 and can be further extended by an additional year to December 31, 2020 by mutual agreement prior to July 1, 2019.

Under the terms of this Agreement, Mr. Martin receives an annual base salary of an amount not less than \$1 million and has the opportunity for certain incentive payments. Mr. Martin is eligible to participate in the Company's annual incentive compensation program (ICP). Mr. Martin's target bonus opportunity under the ICP will be equal to 225% of base salary starting with the 2018 performance year, with any actual award (higher or lower) to be determined by the Compensation and Benefits Committee based on the Company's actual performance, subject to the terms and conditions of the ICP. Mr. Martin's target bonus opportunity under the ICP for the 2017 performance year was 220% of base salary.

During his employment, Mr. Martin is eligible to receive long-term equity-based incentive awards with a target value equal to 675% of base salary starting with awards to be granted to Mr. Martin in 2018, with any actual award (higher or lower) to be determined by the Compensation and Benefits Committee based on the Company's actual performance, subject to the terms and conditions of the applicable long-term incentive plan. The target value of Mr. Martin's long-term equity-based incentive awards granted in 2017 was 630% of base salary. Mr. Martin is entitled to participate in each of the Company's employee benefit and welfare plans, including plans providing retirement benefits and 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 generally.

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The Agreement contains various provisions governing termination under various scenarios:

### *Termination by the Company for Cause*

If the Company terminates Mr. Martin's employment for Cause, the Company will pay his unpaid salary through the date of termination, any amount due for any accrued but unused paid time off, any expense reimbursements due or other accrued vested cash entitlements and any earned but unpaid award under the ICP for a fiscal year ending before the date of termination (collectively, the "Accrued Compensation"). In addition, the Company will pay any benefits to which Mr. Martin is entitled under any plan, contract or arrangement other than those described in the Agreement (including any unpaid deferred compensation and other cash or in kind compensation accrued by him through the end of his employment) (collectively, the "Other Benefits").

Cause means a) willful failure to perform substantially under the Agreement, after written demand has been given by the board of directors that specifically identifies how Mr. Martin has not substantially performed his responsibilities, b) engagement in illegal conduct or in gross negligence or willful misconduct, in any case, that is materially and demonstrably injurious to the Company, or c) material breach of non-compete, non-solicitation and other restrictive covenants in the Agreement.

### *Termination by Mr. Martin not for Good Reason*

If Mr. Martin terminates his employment not for Good Reason, the Company will pay Mr. Martin the Accrued Compensation and the Other Benefits.

Good Reason includes a) a reduction in salary or incentive award opportunities or failure to pay compensation or other amounts due under the Agreement, b) failure to nominate Mr. Martin to serve on the Company's board of directors and maintain Mr. Martin in the positions contemplated by the Agreement, or any material reduction or other materially adverse action related to his authority, responsibilities or duties, c) relocation of his principal office more than 50 miles from the New York City metropolitan area or, d) following a change in control (as defined in the Agreement) only, no longer being Chief Executive Officer and Chairman of a publicly-traded company.

In addition, if Mr. Martin terminates his employment not for Good Reason on or after January 1, 2017, following the termination, each outstanding unvested Equity Award granted following December 11, 2014 and held by Mr. Martin will continue to vest and be settled on the scheduled dates set forth in the agreements evidencing such awards, *provided*, that the portion of each such award that will vest and be settled on such scheduled date will be equal to the product determined by multiplying (i) the shares that otherwise would have been vested on the original scheduled vesting date by (ii) a fraction the numerator of which is the sum of (x) the number of full and partial months which have elapsed from the grant date of the award to the termination date and (y) 24 months, and the denominator of which is the total number of months during the original vesting period under the award. Any unvested Equity Awards as of the date of termination that would not vest pursuant to the foregoing provisions will expire. The Company's obligation with respect to the Equity Awards in the event of a termination by Mr. Martin not for Good Reason is conditioned upon Mr. Martin's execution and delivery, without subsequent revocation, of an agreement releasing the Company and its affiliates from all other liability and his compliance with the non-compete, non-solicitation and other restrictive covenants in the Agreement.

### *Termination by the Company without Cause or by Mr. Martin for Good Reason*

If the Company terminates Mr. Martin's employment without Cause or if he terminates his employment for Good Reason before a change in control, the Company will pay 1) his Accrued Compensation and the Other Benefits, 2) a pro rata ICP award determined as described in the second paragraph of this "Employment Agreement of Mr. Martin" section, multiplied by a fraction the numerator of which is the number of days of employment before termination and the denominator is 365, 3) a lump-sum severance payment equal to his

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salary plus his ICP award opportunity, multiplied by two, 4) reimbursement for up to 18 months of group healthcare premiums and 5) any Equity Awards granted after December 11, 2014 will continue to be vested and settled on the scheduled dates set forth in the agreements evidencing such awards.

If the Company terminates Mr. Martin's employment without Cause or if he terminates his employment for Good Reason within two years following a change in control, Mr. Martin will receive the payments set forth in clauses 1) through 4) described in the immediate prior paragraph, and 5) any Equity Awards granted after December 11, 2014 will continue to be vested and settled on the scheduled dates set forth in the agreements evidencing such awards, *provided*, however, to the extent such treatment would not cause a violation of Section 409A of the Internal Revenue Code, if the award agreement for any such award provides for any accelerated vesting or settlement, then such provision will apply.

The Company's obligation to make the payments and benefits specified in the immediate prior two paragraphs 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 the Company and its affiliates from all other liability and his compliance with the non-compete, non-solicitation and other restrictive covenants in the Agreement, except that payment of the Accrued Compensation and the Other Benefits is not subject to such a condition. If the termination occurs within two years following a change in control, however, the condition on Mr. Martin to deliver the release agreement will only apply if the Company will have also delivered an agreement to Mr. Martin releasing him from all liability (other than the post-employment obligations contemplated in the Agreement).

In the event that an independent accounting firm designated by the Company with Mr. Martin's written consent determines that any payment to or for Mr. Martin's benefit made by the Company, any of its affiliates, any person who acquires ownership or effective control or ownership of a substantial portion of the Company's assets, or an affiliate of such person (collectively, the "Total Payments") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then the accounting firm will determine whether such payments will be reduced so that no portion of such payment will be subject to the excise tax. Such reduction will occur if and only to the extent that it would result in Mr. Martin retaining a higher amount, on an after-tax basis (taking into account all applicable taxes), than if he received all of the Total Payments.

### *Employment Agreement of Mr. Smith*

Mr. Smith serves as our Chief Financial Officer. Certain terms and conditions of his employment are set forth in an offer letter dated September 21, 2009. Under the terms of his offer letter, Mr. Smith is entitled to an annual base salary of \$400,000, which may be reviewed and adjusted. Mr. Smith is employed at will, and the Company may change the terms of or terminate his employment at any time. Mr. Smith's base salary has subsequently been increased to \$625,000.

### *Employment Agreement of Mr. Karaoglan*

Mr. Karaoglan served as the Executive Vice President and Chief Operating Officer of the Company until March 30, 2018. Certain terms and conditions of his employment were set forth in an offer letter dated April 5, 2011, as amended as of July 25, 2013.

Under the terms of his offer letter, Mr. Karaoglan received an annual base salary of \$650,000 and had the opportunity for certain incentive payments. Mr. Karaoglan was 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 was subject to deferral. Mr. Karaoglan's base salary had subsequently been increased to \$750,000, his target annual incentive award had subsequently been increased to 160% of base salary, and his target long-term incentive award had subsequently been increased to 380% of base salary. In connection with Mr. Karaoglan's departure, he received certain severance payments. See "—Potential Payments upon a Termination or Change in Control."

*Employment Agreement of Ms. Hartsellers*

Ms. Hartsellers serves as the Chief Executive Officer of Investment Management. Certain terms and conditions of her employment are set forth in an offer letter dated September 24, 2004. Under the terms of her offer letter, Ms. Hartsellers is entitled to an annual base salary of \$190,000, which may be reviewed and adjusted. Ms. Hartsellers is employed at will, and the Company may change the terms of or terminate her employment at any time. Ms. Hartsellers' base salary has subsequently been increased to \$600,000.

*Employment Agreement of Mr. Nelson*

Mr. Nelson serves as the Chief Executive Officer of Retirement and Employee Benefits. Certain terms and conditions of his employment are set forth in an offer letter dated April 8, 2015. Under the terms of his offer letter, Mr. Nelson is entitled to an annual base salary of \$700,000, which may be reviewed and adjusted. Mr. Nelson is eligible to receive an annual incentive award with a target bonus opportunity of 125% of his base salary. The offer letter also states that Mr. Nelson is eligible to receive long-term incentive awards of the Company's restricted stock and/or performance shares with a target value of 250% of his base salary. In addition, Mr. Nelson received the following one-time awards upon joining the Company: a) \$200,000 cash award, b) \$700,000 deferred cash award payable in three installments in May 2016, May 2017 and May 2018, c) restricted stock units with an initial grant value of \$1.7 million, of which \$500,000 will vest four years after the grant date and \$500,000 will vest eight years after the grant date, and for the remaining \$700,000, 1/3 of which will vest each year starting a year after the grant date, and d) performance stock units with an initial grant value of \$700,000 that will vest three years after the date of grant, the number of shares of the Company's common stock to be delivered will depend on the achievement of certain performance factors and could range from 0% to 150% of the number of performance stock units granted. Mr. Nelson is employed at will, and the Company may change the terms of or terminate his employment at any time.

*Potential Payments upon a Termination or Change in Control*

On February 22, 2016, we adopted the Voya Financial, Inc. Severance Plan for Senior Managers (the "Severance Plan"), which provides severance benefits for designated senior managers ("Plan Participants") of the Company and its subsidiaries in the event of specified "Qualified Terminations", generally involving terminations not for Cause (as such term is defined in the Severance Plan), or, following certain change of control events, voluntary terminations for Good Reason (as such term is defined in the Severance Plan). The provisions of the Severance Plan do not apply to Mr. Martin, whose employment agreement provides for specific severance benefits and contains non-compete, non-solicitation and other restrictive covenants.

Under the Severance Plan, in the event of a Qualified Termination, Plan Participants would be entitled to specified severance benefits, including (i) a lump sum cash payment equal to the Plan Participant's eligible base salary and target annual cash bonus, multiplied by a specified factor (ranging from one to two, 1.75 for NEOs prior to or more than two years following a change in control, and two within two years of a change in control); (ii) twelve months of continued participation in the Company's health care plan on the terms and conditions available to active employees, which period of participation shall be considered part of the period of continued coverage required to be offered by the Company under the Consolidated Omnibus Budget Reconciliation Act of 1985; and (iii) a pro-rated annual cash bonus with respect to the period of employment prior to the Qualified Termination (which shall be paid based on actual performance for NEOs).

In consideration for receipt of severance benefits, Plan Participants are required to execute a release of claims in favor of the Company, as well as abide by a set of restrictive covenants, which include (i) non-competition with the Company for a period ranging from six months to one year (one year for NEOs); (ii) non-solicitation of the Company's employees and agents for a period of one year; (iii) non-solicitation of the Company's customers and prospective customers for a period of one year; and (iv) certain confidentiality and cooperation provisions.

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The provisions of the Severance Plan do not apply to certain employees of the Company or its subsidiaries who have entered into a written employment agreement with the Company providing for specific severance benefits.

**Potential Payments upon Termination or Change of Control Table (1)**

The following table sets forth, for each NEO, 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, 2017.

<b>Name</b>	<b>Termination Trigger</b>	<b>Severance (2)</b>	<b>Annual Incentive (3)</b>	<b>Health &amp; Welfare Continuation</b>	<b>Equity Vesting (4)</b>	<b>Other Benefits (5)</b>	<b>Total</b>
Rodney O. Martin, Jr	Involuntary Termination without Cause or Voluntary Termination for Good Reason (in Each Case Prior to Change in Control)	\$ 6,400,000	\$ 3,080,000	\$ 13,169	\$22,544,568	\$ 12,500	\$32,050,236
	Involuntary Termination without Cause or Voluntary Termination for Good Reason (in Each Case within 2 Years Following Change in Control) (6)	\$ 6,400,000	\$ 3,080,000	\$ 13,169	\$22,761,889	\$ 12,500	\$32,267,558
	Termination for Cause	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Retirement or Voluntary Termination Other Than Good Reason	\$ —	\$ —	\$ —	\$22,544,568	\$ —	\$22,544,568
	Death and Disability	\$ —	\$ 3,080,000	\$ —	\$22,761,889	\$ —	\$25,841,889
Michael S. Smith	Involuntary Termination without Cause (Prior to Change in Control)	\$ 2,734,375	\$ 1,312,500	\$ 10,308	\$ 4,540,738	\$ 8,500	\$ 8,606,420
	Involuntary Termination without Cause or Voluntary Termination for Good Reason (in Each Case within 2 Years Following Change in Control) (6)	\$ 3,125,000	\$ 1,312,500	\$ 10,308	\$ 7,317,341	\$ 8,500	\$11,773,648
	Voluntary Termination or Termination for Cause	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Retirement	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Death and Disability	\$ —	\$ —	\$ —	\$ 7,317,341	\$ —	\$ 7,317,341
Alain M. Karaoglan	Involuntary Termination without Cause (Prior to Change in Control)	\$ 3,412,500	\$ 1,680,000	\$ 8,779	\$ 6,217,000	\$ 8,500	\$11,326,785(7)
	Involuntary Termination without Cause or Voluntary Termination for Good Reason (in Each Case within 2 Years Following Change in Control) (6)	\$ 3,900,000	\$ 1,680,000	\$ 8,779	\$ 9,480,196	\$ 8,500	\$15,077,476
	Voluntary Termination or Termination for Cause	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Retirement	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Death and Disability	\$ —	\$ —	\$ —	\$ 9,447,150	\$ —	\$ 9,447,150

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Name	Termination Trigger	Severance (2)	Annual Incentive (3)	Health & Welfare Continuation	Equity Vesting (4)	Other Benefits (5)	Total
Christine Hurtsellers	Involuntary Termination without Cause (Prior to Change in Control)	\$ 4,200,000	\$ 2,520,000	\$ 10,363	\$3,798,839	\$ 8,500	\$10,537,701
	Involuntary Termination without Cause or Voluntary Termination for Good Reason (in Each Case within 2 Years Following Change in Control) (6)	\$ 4,800,000	\$ 2,520,000	\$ 10,363	\$6,201,300	\$ 8,500	\$13,540,163
	Voluntary Termination or Termination for Cause	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Retirement	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Death and Disability	\$ —	\$ —	\$ —	\$6,166,225	\$ —	\$ 6,166,225
Charles P. Nelson	Involuntary Termination without Cause (Prior to Change in Control)	\$ 2,756,250	\$ 1,225,000	\$ 10,363	\$5,031,728	\$ 8,500	\$ 9,031,841
	Involuntary Termination without Cause or Voluntary Termination for Good Reason (in Each Case within 2 Years Following Change in Control) (6)	\$ 3,150,000	\$ 1,225,000	\$ 10,363	\$8,332,514	\$ 8,500	\$12,726,378
	Voluntary Termination or Termination for Cause	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Retirement	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	Death and Disability	\$ —	\$ —	\$ —	\$8,314,309	\$ —	\$ 8,314,309

- (1) All amounts assume that the triggering event took place on December 31, 2017, the price per share of Voya common stock was \$42.94, and the price per share of ING Group was \$15.18. As of December 31, 2017, Mr. Martin was the only NEO eligible for retirement. There is no change in control provisions that would affect the level of benefits payable from the pension plans.
- (2) Under the terms of his employment agreement, Mr. Martin would receive a lump sum cash severance payment. Under the terms of the Severance Plan and subject to each executive's execution of a release, the company would make lump sum cash severance payments to Mr. Smith, Mr. Karaoglan, Ms. Hurtsellers and Mr. Nelson.
- (3) Annual Incentive amount equals target award multiplied by Company performance factor of 140% for 2017.
- (4) Treatment and valuation of previously granted equity upon termination or change in control would be in accordance with the terms and conditions of individual equity award agreements.
- (5) All NEOs are eligible for the Company's executive outplacement program which provides a benefit for up to 12 months post-termination at a fixed cost to the company of \$8,500 per executive. The benefit for the CEO is extended for 18 months at a cost of \$12,500.
- (6) Performance-vested stock options granted under the 2014 Omnibus Plan remain exercisable for up to 1 year after a change in control.
- (7) As previously disclosed, Mr. Karaoglan departed the Company effective March 30, 2018. The payments he received in connection with the departure differed from the amounts shown above as of December 31, 2017 in the following ways: the actual 2017 annual incentive award paid in March 2018 equaled \$2,266,000 and was reflective of individual and company performance for 2017; Mr. Karaoglan received a cash payment of \$237,510 in lieu of a 2018 long-term equity award; Mr. Karaoglan received pro-rated vesting of his currently unvested equity awards, in accordance with the terms of such awards; and Mr. Karaoglan is eligible for a 2018 annual incentive award, payable in March 2019, prorated based on his employment in 2018 and adjusted for company performance for 2018.

**CEO PAY RATIO**

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are required to annually disclose the ratio of our median employee's annual total compensation to the annual total compensation of our Chief Executive Officer. The annual total compensation for 2017 for our CEO was \$10,989,072 and for the median employee was \$95,399. The resulting ratio of our CEO's annual total compensation to the annual total compensation of our median employee for 2017 was 115 to 1.

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To identify the median of the annual total compensation of our employees (excluding our CEO), we utilized total direct compensation, which includes salary, target annual cash incentive and target equity incentive, as the consistently applied compensation measure. We included all of our U.S. full-time and part-time employees as well as seasonal and temporary workers whose compensation was determined by us, in each case employed with us as of December 31, 2017. We excluded all of our non-U.S. employees (who represent less than 5% of our entire work force) as permitted under the applicable SEC de minimis rule. Compensation for employees with partial year of service was not annualized and no assumptions, adjustments or estimates were applied.

The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

### REPORT OF OUR COMPENSATION AND BENEFITS COMMITTEE

Our Compensation and Benefits Committee reviewed the Compensation Discussion and Analysis (CD&A), as prepared by the management of Voya Financial, Inc., and discussed the CD&A with the management of Voya Financial, Inc. Based on the Compensation and Benefits Committee's review and discussions, the Committee recommended to the board that the CD&A be included in this proxy statement.

#### Compensation and Benefits Committee:

J. Barry Griswell (Chair)  
Jane P. Chwick  
Ruth Ann M. Gillis  
Joseph V. Tripodi

### NON-EMPLOYEE DIRECTOR COMPENSATION

The Nominating and Governance Committee reviews, with the assistance of Pay Governance, the compensation of our non-employee directors annually and recommends changes to the Board, when it deems appropriate. Based on peer benchmarking by Pay Governance, effective 2018, the annual equity grant to directors was increased from \$115,000 to \$140,000 in the form of time-vested RSUs. Director compensation was last increased in 2014. Our compensation program for our directors is guided by its alignment with long-term shareholder interests and the following elements demonstrate that alignment:

- Hold-through-retirement requirement: non-employee directors must hold all RSUs granted to them during their entire tenure until they retire
- Equity ownership requirement: our non-employee directors are required to own Voya stock in an amount that is five times the annual board cash fees by the later of March 2020 or the fifth anniversary from the director's initial election or appointment to the board
- Restrictions on hedging and pledging: directors are not permitted to hedge or pledge our securities
- Emphasis on equity compensation: a large portion of the annual director compensation is the annual grant of RSUs

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Each of our non-employee directors currently receives the following compensation for their service on our board of directors and its committees. For service periods of less than one year, amounts are prorated.

Element of Compensation	Annual Compensation Amount
Annual Cash Fee	\$105,000 cash payment
Annual Equity Grant	\$140,000, in the form of time-vested RSUs
Committee Membership Fees	\$10,000 cash payment, per committee, for all committee members, excluding committee chairs
Committee Chair Fees	\$25,000 cash payment (Audit Committee) \$20,000 cash payment (Compensation and Benefits Committee)
	\$15,000 cash payment (all other committees)
Lead Director Fee	\$25,000 cash payment

**Director Summary Compensation Table**

The chart below indicates the elements and total value of cash compensation and of RSUs granted to each non-employee director for services performed in 2017. Pursuant to SEC rules, this table includes equity awards granted during 2017, and excludes equity awards granted in 2018 in respect of 2017 service. Cash amounts, however, reflect amounts paid in respect of 2017 service, even if paid during 2018.

Director	Fees Earned or Paid in Cash (1)	Stock Awards (2)	All Other Compensation (3)	Total
Lynne Biggar	\$ 137,137	\$ 114,981	\$ 25,000	\$ 277,118
Jane P. Chwick	\$ 140,000	\$ 114,981	\$ 25,000	\$ 279,981
Ruth Ann M. Gillis	\$ 125,000	\$ 114,981	\$ 25,000	\$ 264,981
J. Barry Griswell	\$ 155,000	\$ 114,981	\$ 25,000	\$ 294,981
Frederick S. Hubbell	\$ 94,477	\$ 114,981(4)	\$ 0	\$ 209,458
Byron H. Pollitt, Jr.	\$ 131,411	\$ 114,981	\$ 25,000	\$ 271,392
Joseph V. Tripodi	\$ 135,000	\$ 114,981	\$ 20,181	\$ 270,162
Deborah C. Wright	\$ 130,000	\$ 114,981	\$ 25,000	\$ 269,981
David Zwiener	\$ 158,549	\$ 114,981	\$ 15,000	\$ 288,530

- (1) On July 27, 2017, Mr. Hubbell resigned from our Board. In connection with Mr. Hubbell's resignation, the Board made the following appointments: Mr. David Zwiener became the Company's Lead Director; Ms. Lynne Biggar became the Chairperson of the Company's Nominating and Governance Committee, a role formerly held by Mr. Hubbell; Mr. Byron Pollitt became the Chairperson of the Company's Audit Committee, a role formerly held by Mr. Zwiener who remained on that committee; and Mr. David Zwiener joined the Nominating and Governance Committee. Their respective fees represent the pro-rated portion of time spent in each role. In addition, certain directors elected to defer the cash portion of their Director Fees for 2017 under the Director Compensation Deferral Plan adopted in 2015 which is described below.
- (2) Amounts in this column represent the grant date fair value calculated in accordance with FASB ASC Topic 718
- (3) Amounts in this column represent matching charitable contributions (maximum of \$25,000 per year) made by Voya on behalf of each Director.
- (4) Forfeited upon departure.

### **Director Compensation Deferral Plan**

In 2015, we adopted a deferred cash fee plan pursuant to which non-employee directors may elect to defer all or a portion of their cash director fees either into a cash account or into an account in the form of our common stock and receive amounts deferred upon the earlier of the in-service distribution date designated by the director and the date on which the director first ceases to be a director of the Company. Directors may elect to receive their distributions either in a single lump sum or in quarterly or annual installments over a period of five or ten years.

### **Director Equity Awards**

The following table sets forth outstanding equity awards held by each non-employee director as of December 31, 2017. All director equity awards are in the form of RSUs and settle in shares of our common stock only after the director's service on the board of directors has come to an end. For RSUs granted in 2013 and 2014, 50% of the RSUs vest on the second anniversary of the grant date, and 25% on each of the third and fourth such anniversaries. For RSUs granted in 2015 and 2016, 1/3 of the RSUs vest on each of the first, second and third anniversaries of the grant date. For RSUs granted in 2017, the full amount vested on the first anniversary of the grant date.

<b>Director</b>	<b>Number of RSUs Outstanding</b>
Lynne Biggar	10,075
Jane P. Chwick	11,362
Ruth Ann M. Gillis	7,906
J. Barry Griswell	15,386
Byron H. Pollitt, Jr.	7,906
Joseph V. Tripodi	8,766
Deborah C. Wright	11,362
David Zwiener	15,386

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

There are no interlocking relationships between any member of our Compensation and Benefits Committee and any of our executive officers that require disclosure under the applicable rules promulgated under the federal securities laws.

## Part III: Audit-Related Matters

### Agenda Item 3: Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee of the board of directors is directly responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accounting firm, which is retained to audit the Company's financial statements.

- The Audit Committee is responsible for determining and approving the audit fees paid to Ernst & Young LLP. Further, our Audit Committee approves in advance all services rendered by Ernst & Young LLP to us and our consolidated subsidiaries, either on an individual basis or pursuant to our pre-approval policy. These services include audit, audit-related services (including attestation reports, employee benefit plan audits, accounting and technical assistance, and risk and control services) and tax services.
- In order to assure continuing auditor independence, the Audit Committee periodically evaluates the qualifications, performance, and independence of the Company's independent registered public accounting firm before determining to renew its engagement. Further, in connection with the rotation of our independent registered public accounting firm's lead engagement partner mandated by the rules of the SEC and the U.S. Public Company Accounting Oversight Board (PCAOB), our Audit Committee is directly involved in the selection of Ernst & Young LLP's lead engagement partner. In particular, our Audit Committee considered the following factors in evaluating Ernst & Young LLP and its lead engagement partner:
  - Knowledge, technical skills of the firm, the lead engagement partner and the audit team, including local engagement teams;
  - Communication with management and the Audit Committee regarding: a) the audit plan and the engagement team, b) potential and emerging issues and risks, c) consultations with the national practice office, if any, d) internal control matters, e) required communications and f) rotation plan for the lead engagement partner;
  - Responsiveness/services related to the Company's business requirements such as quality and timeliness, responsiveness to changes in business and/or risks, assignment of appropriate resources to meet transaction timeliness and competitiveness of fees/value for services rendered; and
  - Demonstration of independence, objectivity and professional skepticism by maintaining respectful but questioning approach, demonstrating independence in fact and in appearance, dealing with issues in a forthright manner and communicating potential independence issues with the Company and the Audit Committee, if any.

In addition, the Audit Committee reviews and approves our policy on external auditor independence. The policy sets forth appointment, independence and responsibilities of the external auditor, as well as permitted services and the procedure for pre-approval of services.

Based on the foregoing, the members of our Audit Committee and our board believe that the continued retention of Ernst & Young LLP as our independent registered public accounting firm is in the best interests of our firm and its stockholders.

In light of this, our Audit Committee has appointed Ernst & Young LLP as our independent registered public accounting firm for 2018. We are asking stockholders to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm, although such ratification is not a legal requirement of, or condition to, such appointment. If our stockholders do not ratify the appointment, our Audit Committee will reconsider its retention of Ernst & Young LLP, but will not necessarily revoke their appointment as the

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Company's independent registered public accounting firm. Similarly, even if ratified by our stockholders, our Audit Committee may determine to appoint a different firm at any time during the year if it determines that such a change would be in the interests of our Company and its stockholders.

A representative of Ernst & Young LLP is expected to participate in our Annual Meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions from stockholders.

Accordingly, the following resolution will be presented at our Annual Meeting:

**RESOLVED**, that the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the purposes of the audit of the Company's financial statements for the year ending December 31, 2018, is hereby APPROVED.

**Board Recommendation:** Our board of directors unanimously recommends that the stockholders vote FOR the ratification of Ernst & Young LLP as the Company's independent registered public accounting firm.

### **MEMBERSHIP OF OUR AUDIT COMMITTEE**

The Audit Committee of our board of directors consists of Byron H. Pollitt, Jr., who serves as chairman, Lynne Biggar, J. Barry Griswell and David Zwiener, each of whom is an independent director. Our board of directors has determined that each member of our Audit Committee is financially literate, as such term is defined under the rules of the NYSE, and that, in addition to other members, Mr. Pollitt qualifies as an "audit committee financial expert", as such term is defined in Item 407(d)(5) of Regulation S-K of the SEC.

### **REPORT OF OUR AUDIT COMMITTEE**

Responsibility for the preparation, presentation and integrity of the Company's financial statements, for its accounting policies and procedures, and for the establishment and effectiveness of internal controls and procedures lies with the Company's management. The Company's independent registered public accounting firm is responsible for performing an independent audit of the Company's annual financial statements and of its internal control over financial reporting in accordance with the standards of the PCAOB, and for expressing an opinion as to the conformity of the Company's financial statements with generally accepted accounting principles and the effectiveness of its internal control over financial reporting. The independent registered public accounting firm has free access to the Audit Committee to discuss any matters it deems appropriate.

In performing its oversight role, the Audit Committee has considered and discussed the audited financial statements with each of management and the independent registered public accounting firm. The Audit Committee has also discussed with the independent registered public accounting firm the matters required to be discussed by applicable requirements of the PCAOB. The Audit Committee has received the written disclosures from the independent registered public accounting firm in accordance with the applicable requirements of the PCAOB regarding the independent registered public accounting firm's independence and has discussed with the independent registered public accounting firm such firm's independence. The Audit Committee approves in advance all audit and any non-audit services rendered by Ernst & Young LLP to us and our consolidated subsidiaries.

Based on the reports and discussions discussed above, the Audit Committee recommended to the board of directors that the audited financial statements of the Company for the year ended December 31, 2017 be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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Additional information about the Audit Committee and its responsibilities may be found beginning on page 14 of this proxy statement and the Audit Committee Charter is available on the Company's website in the Investor Relations section.

**Audit Committee:**  
Byron H. Pollitt, Jr., Chairman  
Lynne Biggar  
J. Barry Griswell  
David Zwiener

**FEEs PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The following table provides information about fees payable by us to Ernst & Young LLP for each of 2017 and 2016.

	2017 fees (in millions)	2016 fees (in millions)
Audit fees	\$ 15.3	\$ 15.2
Audit-related fees (1)	\$ 1.8	\$ 1.6
Tax fees (2)	\$ 1.2	\$ 0.8
All other fees	\$ 0	\$ 0

(1) Includes the audit of the financial statements of employee benefit plans, service organization control reports, and accounting consultations.

(2) Includes tax compliance services provided to the Company and to consolidated investment funds, and routine tax advisory services.

All services were approved by the Audit Committee. The charter of our Audit Committee provides that the Audit Committee pre-approves all audit and any non-audit services rendered to us by our independent registered public accounting firm. The Audit Committee has adopted a pre-approval policy pursuant to which certain categories of engagements have been pre-approved without specific prior identification to the Audit Committee.

## **Part IV: Certain Relationships and Related Party Transactions**

### **RELATED PARTY TRANSACTION APPROVAL POLICY**

Our board of directors has adopted a written related party transaction approval policy pursuant to which the Nominating and Governance Committee of our board of directors reviews and approves or takes 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, executive 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; and
- any other transaction that meets the related party disclosure requirements of the SEC as set forth in Item 404.

The policy provides that an investment by a director or executive officer in a fund or other investment vehicle sponsored or managed by the Company or by one or more of its subsidiaries shall not be deemed to be a related party transaction if:

- such investment is made pursuant to the Company's 401(k) plan, Deferred Compensation Savings Plan or any other similar type of Company-sponsored employee or director plan; or
- such investment is made on terms and conditions that are (i) in all material respects not more favorable to such director or executive officer than are available to investors that are not employed by or affiliated with the Company or any of its subsidiaries or (ii) subject to certain exceptions, are consistent in all material respects with those offered to one or more classes of employees of the Company or any of its subsidiaries who are not executive officers of the Company.

Certain of our directors and executive officers may from time to time invest their personal funds in funds or other investment vehicles that we or one or more of our subsidiaries manage or sponsor. These investments are made on substantially similar terms and conditions as other similarly-situated investors in these funds or investment vehicles who are not employed or affiliated with the Company or any of its subsidiaries. In addition, from time to time our directors and executive officers may engage in transactions in the ordinary course of business involving other services and products we offer, such as insurance and retirement services, on terms similar to those extended to customers that are not employed or affiliated with the Company or any of its subsidiaries.

This policy sets forth factors to be considered by the Nominating and Governance 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.

To simplify the administration of the approval process under this policy, the Nominating and Governance 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 also provides that the following transactions are deemed pre-approved:

- 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

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- 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.

A director on the Nominating and Governance Committee who has an interest in a related party transaction being considered by the Nominating and Governance Committee will not participate in the consideration of that transaction unless requested by the chairperson of the Nominating and Governance Committee.

**BENEFICIAL OWNERSHIP OF CERTAIN HOLDERS**

The following table presents information as of April 6, 2018 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 as of such date; and
- all current executive officers and directors as a group.

Unless otherwise indicated, the address of each beneficial owner presented in the table below is c/o Voya Financial, Inc., 230 Park Avenue, New York, New York 10169.

Name and Address of Beneficial Owners	Shares of Common Stock Beneficially Owned		Additional Underlying Stock Units <sup>(8)</sup>	Total Common Stock and Stock Units
	Number <sup>(7)</sup> of Shares	Percentage of Class		
The Vanguard Group <sup>(1)</sup> 100 Vanguard Blvd. Malvern, PA 19355	15,029,521	8.36%		
Pzena Investment Management, LLC <sup>(2)</sup> 320 Park Avenue, 8th Floor New York, NY 10022	12,390,640	6.9%		
Franklin Mutual Advisers, LLC <sup>(3)</sup> 101 John F. Kennedy Parkway Short Hills, NJ 07078	11,357,081	6.3%		
BlackRock, Inc. <sup>(4)</sup> 55 East 52nd Street New York, NY 10055	10,571,994	5.9%		
<b>Named executive officers and directors (13 persons)</b>				
Rodney O. Martin, Jr. <sup>(5)</sup>	289,158.80	*	421,400.61	710,559.41
Michael S. Smith	85,630	*	131,709	217,339
Alain M. Karaoglan <sup>(6)</sup>	34,756	*	105,898	140,654
Christine Hartsellers	20,643	*	124,807	145,450
Charles P. Nelson	20,515	*	163,249.39	183,764
Lynne Biggar	8,787	*	1,287	10,074
Jane P. Chwick	10,074	*	1,287	11,361
Ruth Ann M. Gillis	12,854	*	2,398.80	15,252.80
J. Barry Griswell	14,098	*	1,287	15,385
Byron Pollitt, Jr.	8,618	*	1,287	9,905
Joseph V. Tripodi	9,478	*	1,287	10,765
Deborah C. Wright	10,074	*	1,287	11,361
David Zwiener	19,198	*	1,287	20,485
<b>All current executive officers and directors (18 persons)</b>	<b>619,188.80</b>	<b>*</b>	<b>1,238,508.80</b>	<b>1,857,697.81</b>

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\* Less than 1%

- (1) Based on information as of December 31, 2017 contained in a Schedule 13G/A filed with the SEC on February 9, 2018 by The Vanguard Group. The Schedule 13G/A indicates that The Vanguard Group has sole voting power with respect to 141,815 of these shares, shared voting power with respect to 39,845 of these shares, sole dispositive power with respect to 14,858,331 of these shares and shared dispositive power with respect to 171,190 of these shares.
- (2) Based on information as of December 31, 2017 contained in a Schedule 13G/A filed with the SEC on February 1, 2018 by Pzena Investment Management, LLC. The Schedule 13G/A indicates that Pzena Investment Management, LLC has sole voting power with respect to 5,273,865 of these shares, and sole dispositive power with respect to all 12,390,640 shares.
- (3) Based on information as of December 31, 2017 contained in a Schedule 13G/A filed with the SEC on February 5, 2018 by Franklin Mutual Advisers, LLC. The Schedule 13G/A indicates that Franklin Mutual Advisers, LLC has sole voting power and sole dispositive power with respect to all 11,357,081 of these shares.
- (4) Based on information as of December 31, 2017 contained in a Schedule 13G/A filed with the SEC on January 23, 2018 by BlackRock, Inc. The Schedule 13G/A indicates that BlackRock, Inc. has sole voting power with respect to 9,243,961 of these shares and sole dispositive power with respect to all 10,571,994 shares.
- (5) Includes 100,000 shares held by the Rodney O. Martin Jr. 2006 Irrevocable Insurance Trust, an estate planning trust for the benefit of certain members of Mr. Martin's family.
- (6) Mr. Karaoglan served as the Company's Chief Operating Officer until March 30, 2018. Beneficial ownership information is based on information contained in the last Form 4 filed by Mr. Karaoglan with the SEC prior to March 30, 2018.
- (7) Amounts include, for directors, vested RSUs awarded as compensation. See "Part II: Compensation Matters—Non-Employee Director Compensation—Director Equity Awards."
- (8) Amounts include, for directors and executive officers, unvested RSUs and deferred stock units issued pursuant to deferred compensation plan arrangements. For executive officers, amounts also include unvested PSUs. The ultimate number of common stock shares earned at vesting of PSUs is formulaically determined, with potential payout value ranging from 0% to 150% depending on the achievement of certain performance factors.

## **Part V: Other Information**

### **Frequently asked questions about our Annual Meeting**

#### **When and where is our Annual Meeting?**

We will hold our Annual Meeting on Wednesday, May 30, 2018, at 11:00 a.m., Eastern Daylight Time. The Annual Meeting will be conducted entirely over an internet website, at the following address: [www.virtualshareholdermeeting.com/VOYA2018](http://www.virtualshareholdermeeting.com/VOYA2018), thus facilitating maximum participation by our stockholders.

#### **Who can participate in our Annual Meeting?**

You are entitled to participate in our Annual Meeting if you were a stockholder of record of Voya Financial, Inc. as of the close of business on April 2, 2018, which we refer to in this proxy statement as the "Record Date", or if you hold a valid proxy for the Annual Meeting. You may attend the Annual Meeting, vote, and submit a question during the Annual Meeting by visiting [www.virtualshareholdermeeting.com/VOYA2018](http://www.virtualshareholdermeeting.com/VOYA2018) and using your 16-digit control number to enter the meeting. If you are not a stockholder of record but hold shares as a beneficial owner in street name, you must request a legal proxy from your broker or nominee to participate and vote at the Annual Meeting.

#### **Why did I receive this proxy statement?**

The board of directors is soliciting proxies to be voted at the Annual Meeting. Under the NYSE rules, the stock exchange on which our common stock is listed, we are required to solicit proxies from our stockholders in connection with any meeting of our stockholders, including the Annual Meeting. Under the rules of the SEC, when our board asks you for your proxy, it must provide you with a proxy statement and certain other materials (including an annual report to stockholders), containing certain required information. These materials will be first made available, sent or given to stockholders on April 12, 2018.

#### **What is included in our proxy materials?**

Our proxy materials include:

- This proxy statement;
- A notice of our 2018 Annual Meeting of Stockholders (which is attached to this proxy statement); and
- Our Annual Report to Stockholders for 2017.

If you received printed versions of these materials by mail (rather than through electronic delivery), these materials also include a proxy card or voting instruction form. If you received or accessed these materials through the Internet, your proxy card or voting instruction form are available to be filled out and executed electronically.

#### **Why didn't I receive a paper copy of these materials?**

SEC rules allow companies to deliver a notice of Internet availability of proxy materials to stockholders and provide Internet access to those proxy materials, in lieu of providing paper materials. Stockholders may obtain paper copies of the proxy materials free of charge by following the instructions provided in the notice of Internet availability of proxy materials.

**What is “householding?”**

We send stockholders of record at the same address one copy of the proxy materials unless we receive instructions from a stockholder requesting receipt of separate copies of these materials.

If you share the same address as multiple stockholders and would like the Company to send only one copy of future proxy materials, please contact Computershare Trust Company, N.A. at 118 Fernwood Avenue, Edison, NJ 08837. You can also contact Computershare to receive individual copies of all documents. You may also contact the Corporate Secretary at Voya Financial, Inc., 230 Park Avenue, New York, New York 10169, Attention: Law Department, Office of the Corporate Secretary or at 212-309-8200.

**What is a proxy?**

It is your legal designation of another person to vote the stock you own. The other person is called a proxy. When you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card. The Company has designated four of the Company’s officers to act as proxies at the Annual Meeting.

**Who can vote by proxy at the Annual Meeting?**

Persons who held stock as of the close of business on the Record Date, April 2, 2018, can vote their stock at the annual meeting, either by participating in the online meeting or by executing (manually, telephonically, or electronically) a proxy card or voting instruction form.

**What will stockholders vote on at the Annual Meeting?**

At the Annual Meeting, our stockholders will be asked to cast votes on the following items of business:

- The election of the nine Directors who make up our board of directors;
- An advisory vote on the approval of executive compensation; and
- A vote to ratify the appointment of Ernst & Young LLP as the Company’s auditors for 2018.

**Will there be any other items of business on the agenda?**

We do not expect any other items of business because the deadline in our by-laws for stockholder director nominations and other proposals has passed. However, if any other matter should properly come before the meeting, the officers we have designated to act as proxies will vote the stock for which they have received a valid proxy according to their best judgment.

**How many votes do I have?**

You will have one vote for every share of common stock of Voya Financial, Inc. that you owned at the close of business on the Record Date, April 2, 2018.

**What constitutes a quorum for the Annual Meeting?**

A majority of the outstanding shares of common stock as of the Record Date must be present, in person or by proxy, at the Annual Meeting for a quorum to exist. On the Record Date, there were 171,526,294 shares of common stock outstanding. A quorum must be present before any action can be taken at the Annual Meeting, except an action to adjourn the meeting.

**What is the difference between holding shares as a stockholder of record and as a beneficial owner of common stock held in “street name”?**

- **Stockholder of Record** : If your shares of common stock are registered directly in your name with our transfer agent, Computershare, you are considered a “stockholder of record” of those shares.

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- **Shares Held in "Street Name"** : If your shares of common stock are held in an account at a brokerage firm, bank, broker-dealer or other similar organization (which we refer to in this proxy statement as a "financial intermediary"), then you are a beneficial owner of shares held in street name. In that case, you will have received these proxy materials from the financial intermediary holding your account and, as a beneficial owner, you have the right to direct your financial intermediary as to how to vote the shares held in your account.

### How do I vote?

The manner in which you cast your vote depends on whether you are a stockholder of record or you are a beneficial owner of shares held in "street name". In order to vote your shares, you may vote:

	<u>If you are a stockholder of record</u>	<u>If you hold your shares in "street name"</u>
 <b>By Internet—Advance Voting:</b>	<a href="http://www.proxyvote.com">www.proxyvote.com</a>	<a href="http://www.proxyvote.com">www.proxyvote.com</a>
 <b>By Internet at our Annual Meeting:</b>	<a href="http://www.virtualshareholdermeeting.com/VOYA2018">www.virtualshareholdermeeting.com/VOYA2018</a>	<a href="http://www.virtualshareholdermeeting.com/VOYA2018">www.virtualshareholdermeeting.com/VOYA2018</a>
 <b>By Telephone:</b>	1-800-690-6903	1-800-690-6903
 <b>By Mail:</b>	Return a properly executed and dated proxy card in the pre-paid envelope we have provided.	Return a properly executed and dated voting instruction form by mail, depending upon the method(s) your financial intermediary makes available.

*To be valid, your vote by Internet, telephone or mail must be received by the deadline specified on the proxy card or voting instruction form, as applicable.*

### How do I revoke my proxy?

If you hold your shares in street name, you must follow the instructions of your broker or bank to revoke your voting instructions. Otherwise, you can revoke your proxy by executing a new proxy or by voting at the meeting.

### How do I vote my shares held in the Company's 401(k) plans?

The trustee of the plans will vote your shares in accordance with the directions you provide by voting on the voting instruction card or the instructions in the email message that notified you of the availability of the proxy materials. If your proxy is not returned or is returned unsigned, the trustee will vote your shares in the same proportion as are all the shares held by the respective plan that are allocated to the participants of such plan for which voting instructions have been received.

### How will my shares be voted if I do not give specific voting instructions?

The voting of shares for which a proxy has been executed, dated and delivered, but for which no specific voting instructions have been provided, depends on whether the shares are held by a stockholder of record or are held beneficially in "street name", and if shares are held in "street name", on the financial intermediary through which beneficial ownership is held.

- **Stockholder of Record** : If you are a stockholder of record and you indicate that you wish to vote as recommended by our board or if you sign, date and return a proxy card but do not give specific voting

instructions, then your shares will be voted in the manner recommended by our board on all matters presented in this proxy statement, and the proxy holders may vote in their discretion with respect to any other matters properly presented for a vote at our Annual Meeting. While our board does not anticipate that any of the director nominees will be unable to stand for election as a director nominee at our Annual Meeting, if that occurs, proxies will be voted in favor of such other person or persons as may be recommended by our Nominating and Governance Committee and nominated by our board.

- **Beneficial Owners of Shares Held in "Street Name"** : If you are a beneficial owner of shares and your brokerage firm, bank, broker-dealer or other similar organization does not receive voting instructions from you, the manner in which your shares may be voted differs, depending on the specific resolution being voted upon.
  - **Ratification of Auditors** . For the resolution to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm, NYSE rules provide that brokers that have not received voting instructions from their customers at least ten days before the meeting date may vote their customers' shares in the brokers' discretion. This is called broker-discretionary voting. The foregoing rule does not apply, however, if your broker is an affiliate of our Company. In such a case, NYSE policy specifies that, in the absence of your specific voting instructions, your shares may be voted only in the same proportion as are the other shares voted with respect to the resolution.
  - **All other matters** . All other resolutions to be presented at our Annual Meeting are considered "non-discretionary matters" under NYSE rules, and your brokerage firm, bank, broker-dealer or other similar organization may not vote your shares without voting instructions from you. Therefore, you must provide voting instructions in order for your vote to be counted.

**What vote is required for adoption or approval of each matter to be voted on?**

The chart below sets forth each item of business that we expect to be put before our stockholders at the Annual Meeting, and for each such item: the voting options available, the vote required to adopt or approve, the voting recommendation of our board, the effect of abstaining from the vote, whether such item is a "discretionary matter" for which brokers may cast discretionary votes, and the effect of broker non-votes.

Proposal	Voting Options	Vote Required	Directors' Recommendation	Effect of Abstentions	Broker Discretionary Votes Allowed?	Effect of Broker Non-Votes
<b>Election of Directors</b>	You may vote FOR, AGAINST, or ABSTAIN for each nominee for director.	For each nominee, election requires a number of FOR votes that represents a majority of the votes cast FOR or AGAINST each nominee for director.	FOR all Director Nominees  Unless a contrary choice is specified, proxies solicited by our board will be voted FOR the election of our director nominees.	Abstentions are not counted as a vote cast and will therefore have no effect on the vote.	No	No effect
<b>Advisory Vote to Approve Executive Compensation</b>	You may vote FOR, AGAINST, or ABSTAIN on the resolution to approve the executive compensation of our NEOs.	Approval requires a number of FOR votes that represents a majority of the shares represented at the Annual Meeting, in person or by proxy, and entitled to vote on the matter.	FOR the resolution.  Unless a contrary choice is specified, proxies solicited by our board will be voted FOR the resolution.	Abstentions will have the same effect as a vote AGAINST the resolution.	No	No effect
<b>Ratification of Appointment of Independent Registered Public Accounting Firm</b>	You may vote FOR, AGAINST, or ABSTAIN on the resolution to ratify the appointment.	Approval requires a number of FOR votes that represents a majority of the shares represented at the Annual Meeting, in person or by proxy, and entitled to vote on the matter.	FOR the ratification of the appointment.  Unless a contrary choice is specified, proxies solicited by our board will be voted FOR the ratification of the appointment.	Abstentions will have the same effect as a vote AGAINST the resolution.	Yes	N/A

**Who counts the votes?**

Votes will be counted by Computershare Trust Company, N.A.

**How will the results of the votes taken at our Annual Meeting be reported?**

We expect to announce the preliminary voting results at the Annual Meeting. The final voting results will be reported in a Current Report on Form 8-K that will be filed with the SEC, and will be available at [www.sec.gov](http://www.sec.gov) and on our website at [www.voya.com](http://www.voya.com).

**How do I inspect the list of stockholders of record?**

A list of the stockholders as of the Record Date of April 2, 2018 will be available for inspection during ordinary business hours at our headquarters at 230 Park Avenue, New York, New York 10169, from May 20, 2018 to May 30, 2018. This list will also be available during the Annual Meeting at [www.virtualshareholdermeeting.com/VOYA2018](http://www.virtualshareholdermeeting.com/VOYA2018).

**How do I submit a stockholder proposal for the 2019 Annual Meeting?**

Stockholders who wish to present proposals pursuant to SEC Rule 14a-8 for inclusion in the proxy materials to be distributed by us in connection with our 2019 Annual Meeting of Stockholders must submit their proposals to the Law Department, Office of the Corporate Secretary, at Voya Financial, Inc., 230 Park Avenue, New York, NY 10169. Proposals must be received on or before December 13, 2018, unless our 2019 Annual Meeting of Stockholders is held more than 30 days before or after the anniversary date of the 2018 Annual Meeting, in which case proposals must be received a reasonable time before we begin to print and send proxy materials for the 2019 Annual Meeting of Stockholders. Submitting a proposal does not guarantee its inclusion, which is governed by SEC rules and other applicable limitations.

In accordance with our by-laws, for a matter not included in our proxy materials to be properly brought before the 2019 Annual Meeting of Stockholders, a notice of the matter that the stockholder wishes to present must be delivered to the Law Department, Office of the Corporate Secretary, at Voya Financial, Inc., 230 Park Avenue, New York, NY 10169, not less than 90 nor more than 120 days prior to the first anniversary of the 2018 Annual Meeting. As a result, any notice given by or on behalf of a stockholder pursuant to these provisions of our by-laws (and not pursuant to the SEC's Rule 14a-8) must be received no earlier than January 30, 2019 and no later than March 1, 2019. If, however, our 2019 Annual Meeting of Stockholders is held before the date that is 30 days before the anniversary date of the 2018 Annual Meeting, or after the date that is 60 days after the anniversary date of the 2018 Annual Meeting, then our by-laws provide that the deadline for such a notice will be the later of the close of business on (i) the date that is 90 days before the date of our 2019 Annual Meeting of Stockholders and (ii) the tenth day following the date on which the date of our 2019 Annual Meeting of Stockholders is first publicly announced or disclosed.

**Who pays the expenses of this proxy solicitation?**

Expenses for the preparation of these proxy materials and the solicitation of proxies for our Annual Meeting are paid by the Company. In addition to the solicitation of proxies over the Internet or by mail, certain of our directors, officers or employees may solicit proxies in person, by telephone, or by other means of communication. Our directors, officers and employees will receive no additional compensation for any such solicitation. The Company has retained MacKenzie Partners, Inc. as proxy solicitor for a fee of \$20,000 plus the reimbursement of any out of pocket expenses. We will reimburse brokers, including our affiliated brokers, and other similar institutions for costs incurred by them in mailing proxy materials to beneficial owners.

**Where can I receive more information about the Company?**

We file reports and other information with the SEC. This information is available on the Company's website at [www.voya.com](http://www.voya.com) and at the Internet site maintained by the SEC at [www.sec.gov](http://www.sec.gov). You may also contact

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the SEC at 1-800-SEC-0330. The charters of our Audit, Compensation and Benefits, Nominating and Governance, Finance and Technology, Innovation and Operations Committees, the Company's Corporate Governance Guidelines, and the Corporate Code of Business Conduct and Ethics are also available on the Company's investor relations website, [investors.voya.com](http://investors.voya.com).

**Communications with our Board**

Any person who wishes to communicate with any of our directors, our Lead Director, our committee chairs or with our independent directors as a group should address communications to the board of directors or the particular director or directors, as the case may be, and mailed to Voya Financial, Inc., 230 Park Avenue, New York, NY 10169, Attention: Law Department, Office of the Corporate Secretary or sent by electronic mail to [VoyaBoard@voya.com](mailto:VoyaBoard@voya.com).

**Section 16(a) Beneficial Ownership Reporting Compliance**

Based on a review of reports filed by our directors, executive officers and 10% stockholder during 2017, and on written representations such reporting persons have provided to us, we believe that all filing requirements under Section 16(a) of the Exchange Act applicable to our directors, executive officers and 10% stockholders were complied with during 2017.

**Code of Ethics and Conduct**

Our board of directors has adopted 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. A copy of our Code of Business Conduct and Ethics is available from our investor relations website at [investors.voya.com](http://investors.voya.com). The Company intends to satisfy any disclosure requirement under Item 5.05 of Form 8-K with respect to its code of ethics through a notice posted at [investors.voya.com](http://investors.voya.com).

## Non-GAAP Financial Measures

In this proxy statement, we present Adjusted Operating Earnings per Share and Ongoing Business Adjusted Operating Return on Equity, each of which is a non-GAAP financial measure. We set forth below definitions and reconciliation of these non-GAAP measures to the most directly comparable GAAP measures.

### *Adjusted Operating Earnings per Share*

Adjusted Operating Earnings per Share (EPS) is defined as Voya's consolidated adjusted operating earnings (tax-effected based on the actual operating effective tax rate for the period) excluding the impacts of DAC, VOBA, and other intangible unlocking divided by the weighted average diluted common shares for the period.

Adjusted operating earnings is calculated by adjusting GAAP income (loss) from continuing operations before income taxes for the following items:

- Net investment gains (losses), net of related amortization of DAC, VOBA, sales inducements and unearned revenue, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. Net investment gains (losses) 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;
- Net guaranteed benefit hedging gains (losses), which are significantly influenced by economic and market conditions and are not indicative of normal operations, 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 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. Other derivative and reserve changes related to guaranteed benefits are excluded from operating results, including the impacts related to changes in nonperformance spread;
- Income (loss) related to businesses exited through reinsurance or divestment that do not qualify as discontinued operations, which includes gains and (losses) associated with transactions to exit blocks of business (including net investment gains (losses) on securities sold and expenses directly related to these transactions) and residual run-off activity; these gains and (losses) are often related to infrequent events and do not reflect performance of operating segments. Excluding this activity better reveals trends in our core business, which would be obscured by including the effects of business exited, and more closely aligns Adjusted operating earnings before income taxes with how we manages our segments;
- Income (loss) attributable to noncontrolling interest, which represents the interest of shareholders, other than those of Voya Financial, Inc., in the gains and (losses) of consolidated entities, or the attribution of results from consolidated VIEs or VOEs to which we are not economically entitled;
- Income (loss) related to early extinguishment of debt, which includes losses incurred as a result of transactions where we repurchase outstanding principal amounts of debt; these losses are excluded from Adjusted operating earnings before income taxes since the outcome of decisions to restructure debt are not indicative of normal operations;
- Impairment of goodwill, value of management contract rights and value of customer relationships acquired, which includes losses as a result of impairment analysis; these represent losses related to infrequent events and do not reflect normal, cash-settled expenses;
- Immediate recognition of net actuarial gains (losses) related to our pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments, which includes actuarial gains and losses as a result of differences between actual and expected experience on pension plan assets or projected

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benefit obligation during a given period. We immediately recognize actuarial gains and (losses) related to pension and other postretirement benefit obligations and gains and losses from plan adjustments and curtailments. These amounts do not reflect normal, cash-settled expenses and are not indicative of current Operating expense fundamentals; and

- Other items not indicative of normal operations or performance of our segments or may be related to infrequent events including capital or organizational restructurings including certain costs related to debt and equity offerings as well as stock and/or cash based deal contingent awards; expenses associated with the rebranding of Voya Financial, Inc.; severance and other third-party expenses associated with the 2016 Restructuring. These items vary widely in timing, scope and frequency between periods as well as between companies to which we are compared. Accordingly, we adjust for these items as we believe that these items distort the ability to make a meaningful evaluation of the current and future performance of our segments. Additionally, with respect to restructuring, these costs represent changes in operations rather than investments in the future capabilities of our operating businesses

**Reconciliation of Net Income per Common Share to Adjusted Operating Earnings per Share**

	<u>2017 Year</u>
Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share (Diluted)	<b>\$ (16.25)</b>
Exclusion of per share impact of:	
Impact of Income related to discontinued operations	14.01
Net investment gains (losses) and related charges and adjustments	0.29
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	(0.16)
Income (loss) related to businesses exited through reinsurance or divestment	0.16
Income (loss) on early extinguishment of debt	0.01
Immediate recognition of net actuarial gains (losses) related to pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments	0.06
Other adjustments to operating earnings	0.33
Effect of assumed tax rate vs actual effective tax rate	3.43
Adjustment due to antidilutive effect	0.04
Adjusted Operating earnings per share (Diluted)	<u>1.92</u>
DAC Unlocking	<u>1.09</u>
Adjusted Operating Earnings, Excluding Unlocking per share (Diluted) as Reported in Investor Supplement	<u>3.01</u>
Add back: Effect of discontinued operations	1.27
Add back: DAC/VOBA Unlocking in discontinued operations	(0.11)
Adjusted Operating Earnings per Share	<u><b>\$ 4.16</b></u>

Ongoing Business Adjusted Operating Return on Equity (ROE) and Return on Capital (ROC)

**Voya Financial**  
**Calculation and Reconciliation of Return on Equity and Return on Capital – Trailing Twelve Months <sup>3</sup>**

(\$ in millions, unless otherwise indicated)	Year ended December 31, 2017
<b>GAAP Return on Equity</b>	
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$ (600)
Voya Financial, Inc. shareholders' equity: end of period	\$ 12,402
Voya Financial, Inc. shareholders' equity: average for period	\$ 13,148
<b>GAAP Return on Equity</b>	<b>4.6%</b>
<b>Ongoing Business Adjusted Operating Return on Capital and Adjusted Operating Return on Equity</b>	
Ongoing Business adjusted operating earnings before income taxes	\$ 1,463
Income taxes on adjusted operating earnings, excluding unlocking <sup>1</sup>	(468)
Ongoing Business adjusted operating earnings after income taxes	995
Interest expense after-tax <sup>2</sup>	(70)
<b>Ongoing Business adjusted operating earnings after income taxes and interest expense</b>	<b>\$ 925</b>
End of period capital for Ongoing Business	7,573
Average capital for Ongoing Business	7,606
Average debt (based on 25% debt-to-capital ratio)	(1,902)
<b>Average equity for Ongoing Business</b>	<b>\$ 5,704</b>
<b>Adjusted Operating Return on Capital for Ongoing Business</b>	<b>13.1%</b>
<b>Adjusted Operating Return on Equity for Ongoing Business <sup>2</sup></b>	<b>16.2%</b>

<sup>1</sup> Assumes a 32% tax rate on operating earnings described as "after tax".

<sup>2</sup> Assumes debt-to capital ratio of approximately 25% and the actual weighted average pre-tax interest rate for all periods presented.

<sup>3</sup> These numbers are based on the organization structure that existed prior to the 12/21/17 announcement to sell the Closed Block Variable Annuity and Annuities business, which triggered discontinued operations accounting on a GAAP basis.

**Voya Financial**  
**Reconciliation of Ongoing Business Adjusted Operating Earnings to Net Income (Loss) –**  
**Trailing Twelve Months <sup>3</sup>**

(\$ in millions)	Year ended December 31, 2017
<b>Net income (loss)</b>	<b>\$ (400)</b>
Net income (loss) attributable to noncontrolling interest	200
<b>Net income (loss) available to Voya Financial, Inc.'s common shareholders</b>	<b>(600)</b>
Closed Block Variable Annuity	(697)
Net investment gains (losses) and related charges and adjustments	(100)
Other adjustments	(115)
Total adjustments to operating earnings, before tax effect	(912)
Income taxes on adjustments to operating earnings <sup>1</sup>	319
Total adjustments to operating earnings, after tax <sup>1</sup>	(593)
Difference between actual tax (expense) benefits and assumed tax rate	(602)
<b>Adjusted operating earnings, after tax <sup>1</sup></b>	<b>595</b>
Income taxes <sup>1</sup>	(280)
<b>Total adjusted operating earnings before income taxes</b>	<b>875</b>
Corporate	(320)
<b>Adjusted operating earnings before income taxes for ongoing business</b>	<b>1,195</b>
DAC/VOBA and other intangibles unblocking <sup>2</sup>	(268)
Lehman bankruptcy/LIHTC loss, net of DAC	—
<b>Ongoing Business adjusted operating earnings before income taxes</b>	<b>\$ 1,463</b>

<sup>1</sup> Assumes a 32% tax rate on operating earnings and all components of operating earnings described as "after-tax." A 35% tax rate is applied to all non-operating items. The 32% tax rate for operating earnings and components reflects the estimated benefit of the dividend received deduction related to Ongoing Business.

<sup>2</sup> DAC/VOBA and other intangibles unblocking excludes unblocking on net investment income from Lehman Recovery/LIHTC.

<sup>3</sup> These numbers are based on the organization structure that existed prior to the 12/21/17 announcement to sell the Closed Block Variable Annuity and Annuities business, which triggered discontinued operations accounting on a GAAP basis.

**Voya Financial**  
**Reconciliation of End of Period Capital for Ongoing Business to Shareholders' Equity <sup>1</sup>**

(\$ in millions)	As of December 31, 2017
<b>Voya Financial, Inc. shareholders' equity: end of period</b>	<b>\$ 12,402</b>
AOCI	2,832
Voya Financial, Inc. shareholders' equity excluding AOCI end of period	9,570
Long-Term Debt	3,460
<b>End of Period Capital</b>	<b>13,030</b>
Closed Block Variable Annuity, Corporate, and Other Closed Blocks	5,457
<b>End of Period Capital for Ongoing Business</b>	<b>\$ 7,573</b>

<sup>1</sup> These numbers are based on the organization structure that existed prior to the 12/21/17 announcement to sell the Closed Block Variable Annuity and Annuities business, which triggered discontinued operations accounting on a GAAP basis.

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**Distributable Cash Flow**

In this proxy statement, we present distributable cash flow as a performance measure upon which compensation decisions are subject to.

**Distributable Cash Flow** is the sum of the following amounts:

- The change (positive or negative) during the period in “excess capital over 425% RBC”, where “excess capital over 425% RBC” is calculated as:
  - Combined statutory Total Adjusted Capital of the Applicable Insurance Subsidiaries, where “Applicable Insurance Subsidiaries” means the Company’s insurance subsidiaries that (i) are direct subsidiaries of Voya Financial, Inc. or Voya Holdings Inc. and (ii) prepare financial statements on a statutory accounting basis; MINUS
  - 4.25 times the combined Company Action Level Risk-Based Capital for the Applicable Insurance Subsidiaries.

**Plus**

- The change (positive or negative) during the period of the cash balance held at the holding company, where “holding company” means Voya Financial, Inc. and Voya Holdings Inc. consolidated together but excluding any other subsidiary, and “cash balance” means cash, cash equivalents, and other general working capital investments (as defined for balance sheet purposes)

**Excluded from Distributable Cash Flow is the effect of the following items during the period:**

- payments of principal, interest, or premium made on financial debt or hybrid instruments issued by Voya Financial, Inc., Voya Holdings Inc. or their subsidiaries (including option premiums payable on contingent instruments and similar amounts), and payments on interest rate swap contracts used to hedge interest payable on such debt or hybrid instruments;
- proceeds received from the issuance of financial debt or holding company equity securities, including warrants;
- dividends paid on equity capital of the holding company;
- net amounts used for acquisitions;
- Impacts of any changes in RBC instructions;
- amounts used to redeem or repurchase holding company equity securities, including warrants; and,
- amounts borrowed from or repaid to subsidiaries pursuant to intercompany loans.

**Voya Financial**  
**Calculation of Distributable Cash Flow**

(\$ in millions, unless otherwise indicated)	Year ended December 31, 2017
<b>Change in Excess Capital over 425% RBC</b>	
Change in Total Adjusted Capital	\$ (229)
Less Change in 425% Risk-Based Capital	\$ (5)
<b>Change in Excess Capital over 425% RBC</b>	<b>\$ (234)</b>
<b>Change in Holding Company Cash</b>	<b>\$ (222)</b>
<b>Total Before Exclusions</b>	<b>\$ (456)</b>
<b>Exclusions</b>	
Payments of principal, interest, or premium made on financial debt or hybrid instruments	\$ 180
Proceeds received from issuance of financial debt or holding company equity securities, including warrants	\$ 95
Dividends paid on equity capital of the holding company	\$ 7
Net amounts used for or net amounts produced by acquisitions and/or divestitures of CBVA	\$ —
Impacts of any changes in RBC instructions and/or effect on admitted DTAs due to changes in federal tax policy	\$ 122
Amounts used to redeem or repurchase holding company equity securities, including warrants	\$ 923
Amounts borrowed from or repaid to subsidiaries pursuant to intercompany loans	\$ (148)
<b>Subtotal of Exclusions</b>	<b>\$ 1,179</b>
<b>Total Distributable Cash Flow</b>	<b>\$ 723</b>
Management Discretionary Adjustment	\$ 2
<b>Adjusted Total Distribution Cash Flow</b>	<b>\$ 725</b>



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**VOYA FINANCIAL, INC.**  
 230 PARK AVENUE  
 NEW YORK, NY 10169

**VOTE BY INTERNET**

*Before The Meeting* - Go to [www.proxyvote.com](http://www.proxyvote.com)

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 pm, Eastern Daylight Time the day before meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

*During The Meeting* - Go to [www.virtuaharvoldermeeting.com/VOYA2018](http://www.virtuaharvoldermeeting.com/VOYA2018)

You may attend the Meeting via the Internet and vote during the Meeting. Have the information that is printed in the box marked by the arrow available and follow the instructions.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 pm, Eastern Daylight Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

If you vote your proxy by Internet or telephone, you do NOT need to mail back your proxy card. To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E43694-P05189

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**VOYA FINANCIAL, INC.**

The Board of Directors recommends a vote **FOR** all nominees and **FOR** Items 2 and 3.

**I. Election of Directors**

**Nominees:**

	For	Against	Abstain
1a. Lynne Biggar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1b. Jane P. Chvick	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1c. Ruth Ann M. Gillis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1d. J. Barry Griswell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1e. Rodney O. Martin, Jr.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1f. Byron H. Pollitt, Jr.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1g. Joseph V. Tripodi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	For	Against	Abstain
1h. Deborah C. Wright	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1i. David Zwiener	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval, in a non-binding advisory vote, of the compensation paid to the named executive officers, as disclosed and discussed in the Proxy Statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2018	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

For address changes and/or comments, please check this box and write them on the back where indicated.

All shares will be voted as instructed above. In the absence of instructions, all shares will be voted with respect to registered stockholders that return a signed proxy card, FOR all nominees listed in Item 1, FOR Items 2 and 3. With respect to participants in the Voya 401(k) Savings Plan or the Voya 401(k) Plan for VRIAC Agents (the "Plans"), in the absence of instructions, the Trustee will vote your shares in the same proportion as all the shares held by the respective plan that are allocated to the participants of such plan for which voting instructions have been received.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature [PLEASE SIGN WITHIN BOX]	Date

Signature (Joint Owners)	Date

**VOYA FINANCIAL, INC.**  
**2018 ANNUAL MEETING OF STOCKHOLDERS**  
**May 30, 2018**  
**11:00 am, Eastern Daylight Time**  
  
[www.virtualshareholdermeeting.com/VOYA2018](http://www.virtualshareholdermeeting.com/VOYA2018)

**WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING.  
BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.**

Internet and telephone voting are available through 11:59 pm, Eastern Daylight Time on May 29, 2018.

Your Internet or telephone vote authorizes the named proxies to vote the shares in the same manner as if you marked, signed and returned your proxy card.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**  
The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

E43695-P05189

**PROXY**  
**FOR ANNUAL MEETING OF STOCKHOLDERS**  
**VOYA FINANCIAL, INC.**  
**SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned appoints Rodney O. Martin, Jr., Michael S. Smith and Patricia J. Walsh, and each of them, as proxies, each with full power of substitution, and authorizes them to represent and to vote, as designated on the reverse side of this form, all shares of common stock of Voya Financial, Inc. held of record by the undersigned as of April 2, 2018, at the 2018 Annual Meeting of Stockholders to be held on May 30, 2018, beginning at 11:00 am, Eastern Daylight Time, at [www.virtualshareholdermeeting.com/VOYA2018](http://www.virtualshareholdermeeting.com/VOYA2018), and in their discretion, upon any matter that may properly come before the meeting or any adjournment of the meeting, in accordance with their best judgment.

**If no other indication is made on the reverse side of this form, the proxies shall vote FOR all nominees listed in Item 1, FOR Items 2 and 3.**

This proxy may be revoked at any time prior to the time voting is declared closed by giving the Corporate Secretary of Voya Financial, Inc. written notice of revocation or a subsequently dated proxy, or by casting a ballot at the meeting.

If the undersigned is a participant in the Voya 401(k) Savings Plan or the Voya 401(k) Plan for VRIAC Agents (the "Plans"), then the undersigned hereby directs Voya Institutional Trust as Trustee of the Plans to vote all the shares of Voya Financial common stock credited to the undersigned's account as indicated on the reverse side at the meeting and at any adjournment(s) thereof. If your proxy is not returned or is returned unsigned, the Trustee will vote your shares in the same proportion as all the shares held by the respective plan that are allocated to the participants of such plan for which voting instructions have been received.

Address Changes/Comments: \_\_\_\_\_  
\_\_\_\_\_

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**





## Change of Ownership

Voya Financial, Inc. has not been involved in any recent acquisitions, mergers or alliances.

Voya Employee Benefits is a member of the Voya® family of companies. It has been offering group insurance products for more than 90 years and worksite voluntary insurance products for more than 60 years. Its pedigree includes roots in Northwestern Aid Association, established in 1885, which merged with National Mutual Life Association to form Northwestern National Life Insurance Company in 1901. That company went public in 1995 as ReliaStar Life Insurance Company, and was purchased in 2000 by ING Groep N.V. Voya Financial, Inc., which rebranded from ING U.S., announced its Initial Public Offering (IPO) price on May 1, 2013, and began trading under the NYSE ticker symbol VOYA as a standalone company on May 2, 2013.



# Voya Employee Benefits Office Location

**Voya Employee Benefits Home Office is located at 20 Washington Ave S, Minneapolis, MN 55401.**



## Relationship with the State

**Voya Employee Benefits has no known current relationship with the State of Nebraska.**



## Employee Relations to State

**Voya Employee Benefits' employees have no known current relationships with the State of Nebraska.**



## Contract Performance

**Voya Employee Benefits is a prominent financial services company with very strong ratings and brand recognition. We are proud of our size, strength and financial stability. You can be confident that the company you entrust to design, implement and administer your employee benefit programs meets strict financial standards. We seek to understand human resource challenges and offer solutions that support your overall benefit goals. Voya Employee Benefits has not had any contract terminations due to convenience, non-performance, non-allocation of funds, or any other reason within the past three years.**



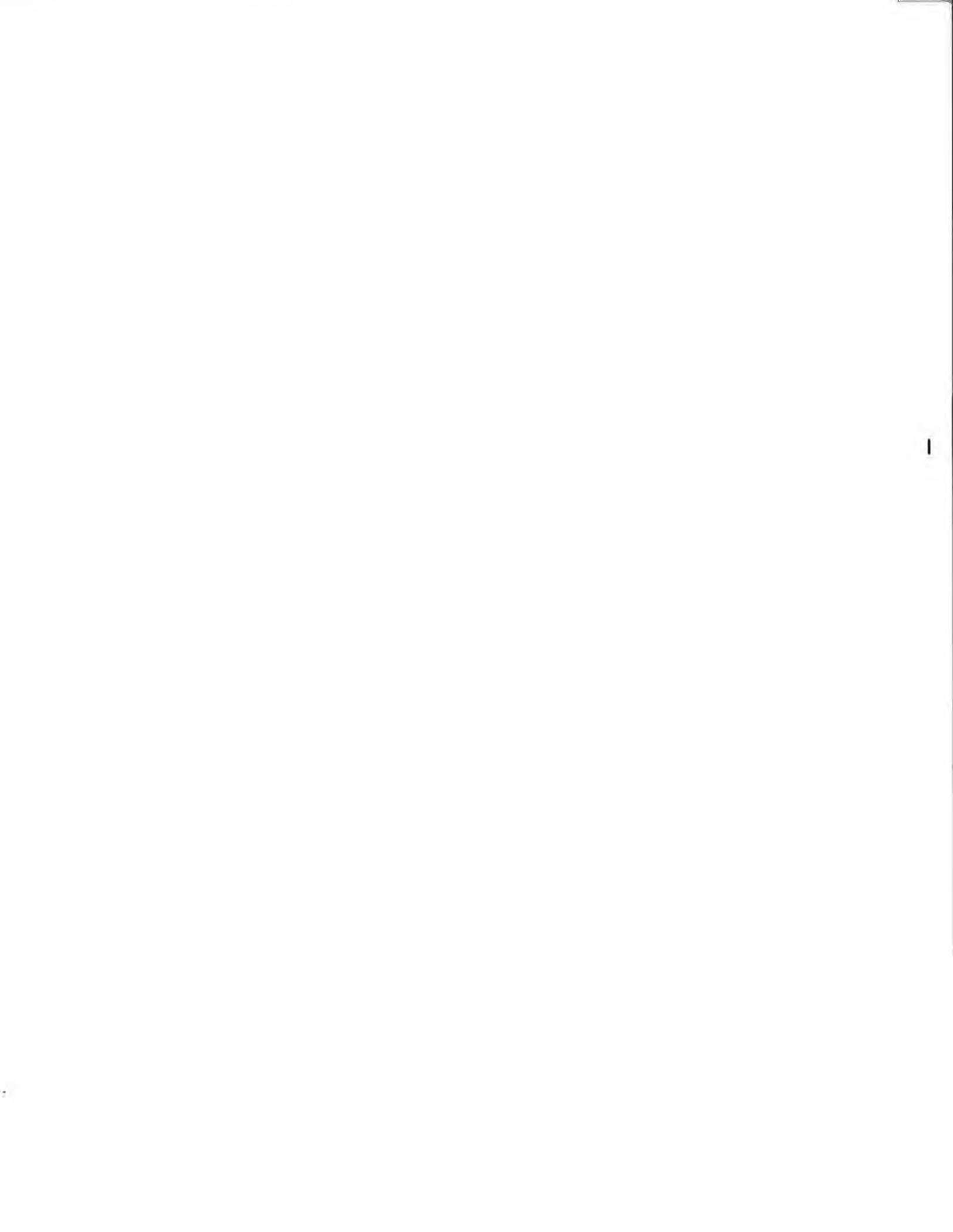
## Summary of Bidder's Corporate Experience

ReliaStar Life Insurance Company has more than 90 years of experience in the design, implementation and administration of employee benefit plans. The first Life Insurance policies were written in May 1925.

Voya Employee Benefits is a prominent financial services company with very strong ratings and brand recognition. We are proud of our size, strength and financial stability. You can be confident that the company you entrust to design, implement and administer your employee benefit programs meets strict financial standards. We offer a broad array of products and services to meet the varied financial needs of our customers and their employees. We also have the right technology and tools in place to ensure ease in product delivery. Just as important is our tradition of providing exceptional localized services and building long-term relationships. We bring a problem-solving approach to offering employee benefits products and services to mid-sized and large employers. We seek to understand human resource challenges and offer solutions that support your overall benefit goals. We have ample experience managing plans from as few as 100 employees to 50,000 employees across all industries. Voya Employee Benefits currently has contracts with 125+ employer groups that are considered public entities, with over 363,000 enrolled lives.

Voya Employee Benefits is dedicated to delivering customized solutions that are backed by integrity, meet the needs of producers, and offer simplicity to employers and equity to employees. The State of Nebraska has been classified as a national account within Voya. As such, The State will receive an extra level of service and dedication. The State of Nebraska will also have a dedicated National Account Executive to assist in all aspects of the implementation and ongoing service of their account. Voya recognizes the importance of additional dedicated resources for our national account clients.

In order to protect the confidentiality of our current clients, Voya Employee Benefits will be pleased to provide references should we be selected as a finalist.



# Summary of Bidders Proposed Personnel/Management Approach

The State of Nebraska has been classified as a national account within Voya. As such, the State of Nebraska will receive an extra level of service and dedication. The State of Nebraska will have a dedicated National Account Executive to assist in all aspects of the implementation and ongoing service of their account. Voya recognizes the importance of additional dedicated resources for our national account clients.

## **Ben LaBathe, Director of Life & Disability National Account Sales**

20 Washington Ave South  
Minneapolis, MN 55401  
952-738-1603  
[Ben.LaBathe@voya.com](mailto:Ben.LaBathe@voya.com)

Ben LaBathe has over 15 years of Employee Benefits sales and management experience. Ben has extensive expertise in the group life and disability large and national case market. Ben has been a perennial sales leader throughout his career and has received numerous awards and recognitions as a result. After many successful years with other carriers, Ben became the Director of National Account Sales for Voya's East Region in 2018. Ben directs all Life & Disability national account sales (5000+ lives) for the eastern half of the United States and works very closely with Voya's field offices supporting our teams through the sales, implementation, and renewal process for our largest and most complex clients.

Ben graduated from the University of St. Thomas in St. Paul, MN with a degree in Business Management. He lives in Minneapolis, MN with his wife, Sumiyah and two sons Cameron & Zach.

## **Jimmy Edwards, Executive Regional Manager**

10740 Nall Avenue, Ste. 120  
Overland Park KS 66211  
913-661-3775  
[Jimmy.Edwards@voya.com](mailto:Jimmy.Edwards@voya.com)

Jimmy has been with Voya Financial® since 2012 but has 10 years of overall employee benefits experience. He has had prior work experience as an account executive in Commercial Sales focusing on Sales and Retention and on the consulting side. This experience gives Jimmy an extensive background in all group products, including medical, dental, vision, life, disability, stop loss and voluntary worksite products.

Jimmy graduated from University of Missouri with a Bachelor of Science degree in business-marketing.

## **Brett Lane, Senior Sales Representative**

10740 Nall Avenue, Ste. 120

Overland Park KS 66211

913-661-3746

[Brett.Lane@voya.com](mailto:Brett.Lane@voya.com)

Brett Lane has been with Voya Financial™ since April 2015 and has worked as a Sales Representative servicing the Kansas City area, as well as the states of Kansas and Nebraska. Prior to joining Voya™, he spent nine years in a consulting role with a large employee benefits broker, focusing on strategic planning with regard to employee benefit packages and total cost control. Brett's primary focus was working with self-funded health plans between 500 and 5,000 employees, as well as integrating all ancillary benefits into the total employee benefits strategy. As a direct result of his time on the brokerage/consulting side of the business, his approach to sales is to find a way to make the consultant's job easier.

Brett obtained his Certified Employee Benefits Specialist (CEBS) certification through the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania, and holds a Bachelor of Science degree in Business Administration from The University of Missouri-Kansas City.

## **Heather Banks, National Account Executive**

1290 Broadway, Suite 1200

Denver, CO 80203

303-566-4251

[Heather.Banks@voya.com](mailto:Heather.Banks@voya.com)

Heather serves as a National Account Executive for Employee Benefits at Voya Financial®. In this role, Heather is the relationship steward for our designated National Account clients and is responsible for managing all aspects of the customer relationship, leading ongoing stewardship management efforts, and supporting Voya's relationships with our key national consulting partners.

Prior to joining Voya Employee Benefits, Heather had over 10 years of Human Resources experience in the financial services industry. As a former client of Voya's, she joined us in 2003 to focus her career on employee benefits. Heather's success started in the Denver Sales office, where her exceptional focus on the client experience drove sales, persistency and operational efforts. Heather developed nationally recognized best practices for implementing and managing large, complex and dynamic policyholders. Today, she continues to be a resource for the client management and sales team, recognized by senior management for leadership, innovation, and creativity in key strategic initiatives for the sales field and operations.

Heather holds a B.S., Business Administration, Management & Marketing, from Baker University. She is a two-time recipient of the Voya Client Representative of the Year Award for outstanding performance in servicing her customers and internal Voya contributions and the 2015 Unsung Hero's Award. In addition to her work at Voya Financial, Heather is active with Colorado's I Have A Dream Foundation, Habitat for Humanity, Ronald McDonald House, and Douglas County Public Schools.



## Subcontractors

Voya Employee Benefits uses the following subcontractors in the servicing of our insurance products.

### **Cognizant**

1155 Avenue of the Americas, 4th Floor

New York, NY 10036

P: 1-212-896-660

Business Hours: M-F 8am-6pm ET

### **Genpact**

500 Frank W. Burr Boulevard – World Headquarters

Teaneck, NJ 07666

P: 1-201-801-0233

Business Hours: M-F 8am-6pm ET

Voya Employee Benefits engages Cognizant as a subcontractor to provide business processing support for back-office administrative functions as well as limited amount of customer facing service and IT Support. The scope of services includes the routing and identification of service request documents, premium accounting functions, policy administrative functions to include inforce policy administration and claims set-up as well as the handling of some customer calls. IT support includes support of Infrastructure, Application Maintenance, Application Development, QA, and IT Security. They are contractually required to follow all Voya Employee Benefits data security requirements and are subject to on-going audit and process governance by Voya Employee Benefits. Cognizant has been providing business processing support to Voya Employee Benefits since August of 2012. Genpact supports back office accounting processes for all business units. Processes include but are not limited: Accounts payable; Expense-related functions; Compensation and benefits accounting; General accounting; -Ledger maintenance-related activities; Basic account reconciliations and verification; Basic reinsurance administration; SOX testing; Transactional cash management and bank maintenance activities. Genpact has been providing accounting processing support since 2015.



## Part 2 Technical Proposal

**Attachment A – Contractor Requirements matrix**  
**Customized Implementation Timeline**  
**Conversion Application Sample**  
**Sample Life Performance Guarantee Scorecard**  
**Voya Premium Billing Process Description**



# Attachment A – Contractor Requirements Matrix

**Attachment A**  
**Contractor Requirements Matrix**  
**Request for Proposal Number 5953 Z1**

**Bidder Name: ReliaStar Life Insurance Company**

Bidders should provide a response to each of the following Contractor requirements below.

*The proposed insurance products are issued by ReliaStar Life Insurance Company (Minneapolis, MN) which is a member of the Voya® family of companies. Voya Employee Benefits is a division of ReliaStar Life Insurance Company.*

<b>CONTRACT ADMINISTRATION</b>	
1.	<p>Contractor must include a Waiver of Premium provision for employees becoming disabled on or after the program effective date of July 1, 2019.</p> <p>Response:</p> <p><b>Confirmed. Our standard waiver of premium provision states the following: Voya Employee Benefits waives your Life Insurance premium that becomes due when you are totally disabled. The premium will be waived if you satisfy certain conditions. When premium is waived, the amount of Life Insurance equals the amount that would have been provided if you had not become totally disabled. That amount will reduce or stop according to the Schedule of Benefits in effect on the date total disability begins. Waiver of Premium standardly covers both Employee Basic and Supplemental Life coverage.</b></p>
2.	<p>Provide the Schedule of Life Insurance Benefits including all options (.5x, 1x, 1.5x, 2x, 3x, 4x and 5x annual salary) and the Basic and Supplemental Aggregate Maximum and Minimum coverage. State if you allow exceptions in excess of the maximum amount of 5x. Example: An employee may elect 5x their salary which exceeds the maximum coverage.</p> <p>Response:</p> <p><b>Please refer to the Voya Formal proposal attachment for the Schedule of Life Insurance Benefit options.</b></p> <p><b>Individual exception requests towards accepting benefit amounts above the contractual maximum would be considered &amp; reviewed on a case-by-case individual basis for approval.</b></p>
3.	<p>Provide coverage on a discontinuance and replacement basis (no loss, no gain) for eligible employees participating in the current plans on the effective date of the new coverage.</p> <p>Response:</p> <p><b>Confirmed. Voya Employee Benefits offers the simplest take over in the industry. We have a no loss/no gain take over and standardly offer Actively at Work language to include those that are sick and injured (unless Totally Disabled).</b></p>
4.	<p>Adhere to the inclusion of provisions to protect the State from multiple deaths in a single occurrence.</p> <p>Response:</p> <p><b>Quote provided is on a Non-Participating basis where liability is all on a carrier. If elected as a finalist, Voya would request to see specific language towards provisions that would protect the State on a Non-Participating contract basis prior to agreement.</b></p>

5.	Refrain from issuing any external communications material that mentions the State's benefit plans without written approval from the State. This includes newsletters and publications to agents, brokers and consultants.
5.	Response: <b>Confirmed.</b>
6.	Provide ongoing assistance in administration, claim adjudication, and general problem solving. Periodic account servicing meetings will be held with the account manager and claims support group.
6.	Response: <b>Confirmed.</b>
7.	Accept the current enrollment files and beneficiary designations for the State's employees.
8.	Response: <b>Voya Employee Benefits is proposing a self-administered plan. For self-administered groups, the employer maintains all eligibility and enrollment data and provides to Voya Employee Benefits at time of claim. We will accept current enrollment lists, absolute assignments, and beneficiary designations for an existing enrolled group. We will work directly with the employer to set-up any data transfer processes necessary to provide any special administrative support including evidence of insurability processing. Anyone with a current absolute assignment needs to complete a Statement of Intent at the time Voya Employee Benefits takes over the case so there is no break in the assignment.</b>
8.	Describe proof of loss required before a life or AD&D claim is filed. Response: <b>Completed proof of loss claim forms or other written proof of loss detailing how the loss occurred must be sent to ReliaStar Life within 91 days after the loss or as soon as reasonably possible. Voya Employee Benefits strives for the prompt payment of all insurance benefits. To assist us in the timely processing of claim payments, we greatly appreciate cooperation in making sure all claim forms are completed properly before mailing to Voya Employee Benefits. Incomplete and unsigned forms will delay processing.</b> <b>We will now accept clear and legible copies of the death certificate for all Group claims up to \$500,000. There's no need to wait for a certified death certificate. This makes it easier for some of our employer groups to submit claims, speeds up payments, and reduces frustration by allowing claimants to fax or email a copy of the death certificate.</b>
9.	Maintain an internal audit program and provide the State with a copy of the most recent internal audit report upon request. Response: <b>Five percent of all processed claims are selected for audit each month. Verifying timeliness, accuracy, and compliance are part of each audit. Any procedural or financial errors are noted and the Claim Examiner is instructed to make any necessary corrections to the claim and to modify procedures on future claims. Also, all claims above \$20,000 are audited a second time. Auditing results are an integral part of the performance management criteria that is reviewed on a quarterly basis and is considered proprietary information.</b>
10.	Review all plans, draft plan abstracts, and confirm plan provisions with the State. Response: <b>Confirmed.</b>
11.	Draft, revise, and finalize the policy and benefit summaries (Summary Plan Descriptions (SPB)/booklets) for review by the State before February 12 of each calendar year.

	<p>Response:</p> <p><b>At implementation, Voya Employee Benefits will provide a draft of the booklet for review within 31 days of receipt of all the case set-up information. A final booklet will be provided within 5 days of the client draft approval. We would be pleased to discuss annual distributions of summary plan descriptions/booklets during implementation.</b></p>
12.	<p>Provide SPDs in an electronic format for access via internet or intranet.</p> <p>Response:</p> <p><b>An electronic version is our standard option to clients. This is in compliance with our "Going Green" environmental initiatives.</b></p>
13.	<p>Provide one claim office with a dedicated unit and an assigned account executive to assist the State in the ongoing administration of the program.</p> <p>Response:</p> <p><b>The State of Nebraska has been classified as a national account within Voya. As such, the State of Nebraska will receive an extra level of service and dedication. The State of Nebraska will have a dedicated National Account Executive to assist in all aspects of the implementation and ongoing service of their account. Voya recognizes the importance of additional dedicated resources for our national account clients.</b></p> <p><b>Claim examiners are assigned to specific sales territories, and they are fully cross-trained so that absences do not impact our turnaround time.</b></p>
14.	<p>Design, submit for approval, and print enrollment forms with the State's logo for use by plan participants to enroll, designate beneficiaries, and change their coverages, in accordance with plan provisions.</p> <p>Response:</p> <p><b>To assist employers, Voya Employee Benefits has created a multi-phased communication approach to help raise awareness of the need for insurance, educate employees on their benefits, and help make the enrollment experience easier. Each employer may select the tools that best meet the needs of their employee population. Our goal is to maximize the number of employees participating in employer sponsored benefit programs.</b></p> <p><b>Some of the tools available include an email campaign, Personalized Enrollment Packets, and Enrollment materials.</b></p> <p><b>The email campaign is designed to build awareness/entice, educate the need for life insurance, and encourage employees to enroll. An additional email is available to aid the employer in communicating enrollment eligibility to newly hired or newly benefit eligible employees.</b></p> <p><b>Personalized Enrollment Packets include a personalized Cover Letter detailing benefit options specific to the employee, Insurance Needs Calculator Form, Brochure, Enrollment Form, and Evidence of Insurability Form.</b></p> <p><b>The Enrollment-at-a-Glance brochure is designed to provide a summary of the benefits and rates offered by the employer. The document also contains a worksheet to assist employees with the calculation of their monthly premium. There is an Electronic Version and a Paper Printed Version available. The Enrollment Form and Evidence of Insurability (EOI) form are also customized to match the employer's plan design.</b></p> <p><b>Voya Employee Benefits' standard communication materials are available at no additional cost. If customized materials are requested Voya Employee Benefits will work with the State of Nebraska and the level of customization required will be dependent on if additional charges will apply.</b></p>
15.	<p>When customized printing is requested by the State, present a complete draft and subsequent proof to the State for sign-off. The Contractor must ensure that logo placement and color requirements are met. Contractor will be responsible for costs of printing booklets, certificates, or SPDs as required.</p>

	Response: <b>Voya Employee Benefits' standard communication materials are available at no additional cost. If customized materials are requested, Voya Employee Benefits will work with the State of Nebraska. The level of customization requested will determine whether additional charges will apply.</b>
	Provide routine underwriting and actuarial services.
16.	Response: <b>Confirmed.</b>
	Deliver an Administration Manual containing all user guidelines on such matters as eligibility, reports, plan summaries and procedures 60 days prior to plan year.
17.	Response: <b>Confirmed.</b>
	Offer web-based enrollment and termination.
18.	Response: <b>Voya Employee Benefits is proposing a self-administered plan. The State will maintain all eligibility and enrollment data. Voya Employee Benefits will work directly with The State to set-up any data transfer processes necessary to provide any special administrative support including evidence of insurability processing.</b>
	Communications (phone calls, emails) should be responded to within 24 hours. Describe your customer service process, including the hours of operation and methods of contact.
19.	Response: <b>The call center receives calls through a toll free number. The caller hears a menu that allows them to choose the appropriate department and is then connected to a customer service representative. If a transfer is required during a call, our standard service is to provide warm transfers. During high call volumes we will ask the caller if they are agreeable to a direct transfer.</b> <b>During after-business hours, the caller may leave a message in a voice mailbox. Messages are retrieved and responded to within 24 hours. IVR is not available.</b> <b>At this time, we do not have a toll-free number that includes the ability to serve the hearing impaired; however, Customer Service can also be reached via e-mail at <a href="mailto:pdservice@voya.com">pdservice@voya.com</a>. All inquiries are responded to within 24-48 hours.</b> <b>Hours are Monday through Friday, between 8:00am to 5:30pm Central Time.</b>
	Maintain claim files to support payment, denials and appeals. Documentation must be legally acceptable and readily accessible.
20.	Response: <b>Confirmed.</b>
	Indicate settlement processes and options available to beneficiaries. Specify the interest credit on claims from the date of death or proof of death until payment to beneficiary.
21.	Response: <b>Voya Employee Benefits routinely pays interest on all death claims from the date proof of death is received to the date of payment of proceeds. Interest is calculated using the greatest of 0.5% or any state-mandated calculation.</b>

	<p>Lump-sum benefits of \$5,000 or more are paid by issuing a personal draft book to the beneficiary. The beneficiary can use this personal transition account to obtain their full benefit or a lesser amount at any time by simply writing a draft. The account balance earns a competitive rate of interest until it is withdrawn. A toll free phone number is provided for questions. When the benefit is less than \$5,000, a lump-sum benefit check is issued to the beneficiary.</p> <p><b><u>Settlement Options:</u></b> If a beneficiary does not wish to receive the life insurance benefit in a lump sum the following settlement options are available (some restrictions may apply):</p> <p><b><u>Proceeds Held at Interest</u></b> Proceeds are left with the Company at interest with the right of withdrawal. Interest at the declared rate is credited annually. Beneficiary may withdraw from the principal (\$100 minimum) as often as needed until the proceeds and interest are exhausted.</p> <p><b><u>Annuity Options without Life Contingency:</u></b> <b>Installments for a Specified Amount</b> Beneficiary receives installments for a chosen amount at equal intervals until the proceeds and interest are exhausted.</p> <p><b><u>Installments for a Specified Period</u></b> Beneficiary receives equal installments at equal intervals for a specified number of years. Excess interest payments may be made if the current rate is higher than the guaranteed rate.</p> <p><b><u>Annuity Options with Life Contingency:</u></b> <b>Single Life / Life Income Annuity</b> Beneficiary receives equal installments for a specified amount at equal intervals for life. If beneficiary should die, no further payments are made. Payments are issued based on age.</p> <p><b><u>Fixed Period / Period Certain Annuity</u></b> Beneficiary receives equal installments for a specified amount at equal intervals for life. If beneficiary dies before the end of the guarantee period, the designated beneficiary will receive the balance of the guaranteed payments. Payments of principal and interest are based on age.</p>
22.	<p>Make determinations with respect to submitted claims, including claim investigation and analysis prior to payment.</p> <p>Response: <b>Confirmed.</b></p>
23.	<p>100% of life claims will be processed within 15 business days of the receipt of required documentation.</p> <p>Response: <b>Confirmed.</b></p>
24.	<p>Contractor must have a process for finding missing beneficiaries.</p> <p>Response: <b>We have multiple steps we take to locate the beneficiary. If we cannot locate the primary beneficiary, and there is no evidence the primary beneficiary is deceased, we escheat the funds to the last known state of residence of the primary beneficiary according to the RSA guidelines.</b></p>
25.	<p>Provide the exact same current plan to the NDOL employees due to NDOL employees being grandfathered into the Plan.</p> <p>Response: <b>Confirmed.</b></p>

<b>IMPLEMENTATION</b>	
26.	<p>Provide a detailed timeline and implementation plan including deadlines set forth in this RFP including State resources and personnel required.</p> <p>Response:</p> <p><b>Please refer to the attached sample Customized Implementation Timeline.</b></p>
27.	<p>Load, audit and insure clean eligibility data a minimum of 30 days prior to program effective date of July 1, 2019.</p> <p>Response:</p> <p><b>An internal audit will be completed after the initial case set-up and a test billing process will be completed. An internal case-set up tracking system is in place to ensure that all activities are completed prior to the go-live date. All case set-up activities will be monitored by your dedicated National Account Executive.</b></p> <p><b>Voya Employee Benefits is proposing a self-administered plan for the State of Nebraska. The State of Nebraska's and/or the State's benefit administrator database and record keeping will be the source of truth for all eligibility data for the State of Nebraska.</b></p>
28.	<p>Identify any programs, systems, or administrative opportunities that your organization can provide during the implementation process that would be beneficial to the State.</p> <p>Response:</p> <p><b>The State of Nebraska has been classified as a national account within Voya. As such, the State of Nebraska will receive an extra level of service and dedication. The State of Nebraska will have a dedicated National Account Executive to assist in all aspects of the implementation and ongoing service of their account. Voya recognizes the importance of additional dedicated resources for our national account clients.</b></p> <p><b>In addition to the dedicated service team, Voya Employee Benefits offers the following Enrollment tools. We have created a multi-phased communication approach to help raise awareness of the need for insurance, educate employees on their benefits, and help make the enrollment experience easier. Each employer may select the tools that best meet the needs of their employee population. Our goal is to maximize the number of employees participating in employer sponsored benefit programs.</b></p> <p><b>Some of the tools available include:</b></p> <ul style="list-style-type: none"> <li>• <b>The email campaign is designed to build awareness/entice, educate the need for life insurance, and encourage employees to enroll. An additional email is available to aid the employer in communicating enrollment eligibility to newly hired or newly benefit eligible employees.</b></li> <li>• <b>Personalized Enrollment Packets include a personalized Cover Letter detailing benefit options specific to the employee, Insurance Needs Calculator Form, Brochure, Enrollment Form, and Evidence of Insurability Form.</b></li> <li>• <b>The Enrollment-at-a-Glance brochure is designed to provide a summary of the benefits and rates offered by the employer. The document also contains a worksheet to assist employees with the calculation of their monthly premium. There is an Electronic Version and a Paper Printed Version available. The Enrollment Form and Evidence of Insurability (EOI) form are also customized to match the employer's plan design.</b></li> </ul> <p><b>Voya Employee Benefits' standard communication materials are available at no additional cost. If customized materials are requested, Voya Employee Benefits will work with the State of Nebraska. The level of customization requested will determine whether additional charges will apply.</b></p>
29.	<p>Attach a description of your conversion process and include a copy of your conversion request form, if applicable.</p>

	<p>Response:</p> <p>The following is the Conversion language in our standard Group Life Certificate:  You may convert your life insurance, without Evidence of Insurability, to an Individual life insurance policy if any part of your life insurance under the Policy stops for one of the following reasons:</p> <ul style="list-style-type: none"> <li>• Your coverage ends according to the TERMINATION OF COVERAGE provision other than your voluntary cancellation of your Contributory coverage.</li> <li>• Any continuation of insurance under the Policy ends.</li> <li>• Your coverage reduces due to BENEFIT REDUCTIONS as described on the SCHEDULE OF BENEFITS.</li> <li>• Your coverage reduces due to your change from one eligible class to another.</li> <li>• Your coverage reduces due to a Policy change.</li> </ul> <p>To convert your life insurance, you must apply and pay the first premium to us within 31 days of the date any part of your life insurance under the Policy terminates (the "conversion period"). You will be given written notice at your last known address, of your conversion right at least 15 days before the date any part of your life insurance ends. Your right to convert will expire on the later of 16 days after you are given such notice or the end of the conversion period, but in no event will your right to convert extend beyond 60 days after the expiration of the conversion period. Any extension of time allowed for returning the completed application and first premium will not change the length of the conversion period itself.</p> <p>For conversions, Voya Employee Benefits' standard charge to experience is \$100 per thousand of face amount continued.</p> <p>Please refer to the attached <i>Conversion Application Sample</i>.</p>
<b>REPORTING</b>	
30.	<p>Monthly and quarterly claims paid/denied reports must be available no later than the end of the month following the close of the period in question.</p> <p>Response:</p> <p>The State of Nebraska HR team or Benefits Administrator will have the ability to view the State's experience data using the on-line reporting system at their convenience 24/7/365. If the State of Nebraska would prefer reports to be e-mailed on a quarterly basis, this can be accommodated as well. Access to the online reporting system is available at no additional cost.</p> <p>Life reporting examples include:</p> <ul style="list-style-type: none"> <li>• Life Claim History Report- Tracks a life claim from the time received by us to the time the claim is paid; include both pended and paid claims.</li> <li>• Life Paid Claim Report- Lists all life claims that have been paid or partially paid for a time period you designate.</li> <li>• Life Pended Claim Report- Lists all pended claims as of the time period you designate.</li> <li>• Medical Underwriting Status Report- Provides a summary of all underwriting activity within a time period you designate.</li> <li>• Ported Individuals Report- Lists all individuals who have ported their life insurance coverage and displays any port charges that may apply.</li> <li>• Converted Individuals Report- Lists all individuals who have converted and displays the conversion charge.</li> </ul> <p>Clients are able to manipulate information on our online reporting system to create custom reports. Ad hoc reports may be provided. Turnaround and cost are dependent upon the complexity of the reports.</p>
31.	<p>A year-end financial accounting for the program within 60 days of the contract anniversary date.</p>

	<p>Response:</p> <p>The average turnaround time is 160 days; all premium reconciliation must be completed prior to the delivery of the final accounting.</p> <p>Voya Employee Benefits will be happy to explore alternative timelines that best fits the State of Nebraska's needs upon being named a finalist.</p>
	<p>Annual generation of eligibility listing in hard copy or online reporting. Describe your online reporting function(s).</p>
32.	<p>Response:</p> <p>The Online Reporting System provides immediate access to claims data and experience reports via the Internet 24 hours a day and 7 days a week. Available reports include a variety of claim reports. Our online reports are updated as of close of business the prior business day. HR staff or Benefit Administrator will have access to claim status via the online reporting website. Our reporting system has the functionality to schedule ongoing reports at the clients' convenience, view summary or detailed information with robust filtering capabilities, and export data for client use.</p> <p>We have the capability to set up distinct "accounts" based on location or other criteria and each user can be granted access to one or more of them.</p>
<b>PERFORMANCE GUARANTEES</b>	
	<p>Do you have a formal performance guarantee program? If so, please provide a copy.</p>
33.	<p>Response:</p> <p>Voya Employee Benefits is willing to offer up to 2% of employer paid premium at risk for the implementation year; against those measures that are of most importance to the State of Nebraska. Upon implementation, the designated account executive will work directly with the State of Nebraska to determine those specific categories and metrics.</p> <p>Please see attached <i>SAMPLE Life Performance Guarantee Scorecard</i> for additional details.</p>
<b>BILLING</b>	
	<p>Attach a description of premium billing procedures. Include information on the timing of billing, billing-payment reconciliations, and ability to provide for client self-billing</p>
34.	<p>Response:</p> <p>You can find the information below in the attached <i>Billing Procedures Document</i>.</p> <p>Voya Employee Benefits is proposing a self-billed premium process where the State of Nebraska may choose to view and/or update their premium online through our website or elect to receive a paper invoice each month. Bill generation is dependent upon the billing frequency that the employer chooses. This usually coincides with the employer's payroll cycles. This is determined during implementation.</p> <p>Online Billing Option - The Online Billing process takes advantage of the Voya Employee Benefits website and allows for the submission of head counts and volumes online. The system will re-calculate the amount owed and submit the associated invoice via the web. Employers may choose to pay premium by check or Electronic Funds Transfer (EFT).</p> <p>The online billing system is accessible Monday through Friday, except "stock market" holidays, from 6:00 AM to 7:00 PM Central Standard Time.</p> <p>You will be given an overview of the system and will be provided with an Online Services Client User Guide that provides instructions and details for Online Billing transaction processing. If you have questions at any time, your designated Billing Administrator or Account Representative will be available to provide assistance.</p>

**Paper Invoice Option - A monthly Premium Invoice including a pre-addressed return remittance envelope will be sent via U.S. mail. The invoice will display estimated lives, volume, and premium numbers based on previous invoice data. Each month the head counts and volumes are updated as needed and the invoice is sent back along with the newly calculated premium.**



# Customized Implementation Timeline

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## Voya Implementation Timeline – State of Nebraska

ACTION	State of Nebraska	Ben Admin Partner	Voya	Target Completion Date
1) Notification of Sale				Week 1
2) Implementation Kick-Off Meeting	X	X	X	Week 3
✓ Review New Case forms				
✓ Review HR Structure/Locations				
✓ Review Plan Design Details and Rates				
✓ Review EOI, Port/Convert and Claim Processes				
✓ Collect plan information for internal new case paperwork				
✓ Discuss enrollment communications				
✓ Discuss Electronic Requirements and Specific Data Needs				
✓ Review Implementation Schedule				
✓ Determine meeting schedule through Policy Effective Date				
3) Provide Group Application Documents			X	Week 3
4) Distribute contact list for Implementation Team			X	Week 3
5) Technical conference call(s) to discuss enrollment system build, EOI Integration file specifications, testing, and data encryption	X	X	X	Week 4
6) Provide Voya Enrollment Communication Materials - Drafts			X	February 2019 <i>(may change based on annual enrollment dates / communication calendar)</i>
7) Submit internal new case paperwork			X	February 2019 <i>(pending confirmation of all plan details and paperwork)</i>
8) Provide W9 for State of Nebraska to set up Voya/RellaStar Life Insurance in AP system			X	March 2019
9) Finalize Enrollment Communication Materials	X		X	TBD based on enrollment dates
10) Annual Enrollment Occurs	X			April/May - TBD
11) Provide Initial Booklet Drafts for review			X	May, 2019
12) Deliver Post-Enrollment EOI Production File to Voya <i>(if applicable)</i>		X		Within 2 weeks after enrollment

## Voya Implementation Timeline – State of Nebraska

13) Confirm process for EOI applications in process with prior carrier(s)	X	X	X	May, 2019
14) State of Nebraska to sign off on final Booklet draft	X			June, 2019
15) Confirm enrollment results	X	X		June, 2019
16) <b>Policy Effective Date</b> - Risk transfers from prior carrier to RellaStar Life Insurance Company, a member of the Voya® family of companies			X	<b>July 1, 2019</b>
17) Deliver 1st Port/Convert Production File for terminated employees to Voya (if applicable)		X		July, 2019
18) Deliver Final Booklet(s) & Group Contract (s)			X	July, 2019
19) Final Booklet(s) and value-add service flyers are posted to State of Nebraska Intranet site where employees can access them	X			July, 2019
20) Post-Implementation Meeting – to discuss: <ul style="list-style-type: none"> <li>✓ Implementation Review</li> <li>✓ Enrollment Results</li> <li>✓ Administrative Procedures</li> <li>✓ Online Services/Billing Training</li> <li>✓ Stewardship meetings moving forward</li> </ul>	X		X	July, 2019
21) Provide updated census to Voya -- to include 2019 enrollments	X			August, 2019
22) State of Nebraska remits July 2019 premium to Voya	X			August 15, 2019



# Conversion Application Sample

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# Application For Conversion of Group Insurance to Whole Life Insurance

ReliaStar Life Insurance Company  
 P.O. Box 20, Minneapolis, Minnesota 55440  
 A member of the ING family of companies

## Group Information

Name of Employer/Group	Group Policy Number	Certificate Number
Employer/Group Address (street, city, state, ZIP)		

## Proposed Insured Information

Proposed Insured's Name	Social Security Number	Date of Birth (month, day, year)	<input type="checkbox"/> Male <input type="checkbox"/> Female
Proposed Insured's Address (street, city, state, ZIP)			
Owner's Name and Mailing Address (complete if proposed insured is a minor)			

## Life Insurance Amount

Amount of insurance protection desired \$
--

(Amount of insurance applied for may not exceed the amount you presently have through the group policy and certificate described above.)

## Premium Amount Enclosed

\$
----

## Billing Choice

Please bill me for my premiums as follows:  Quarterly  Semi-annual  Annual

## Automatic Premium Loan

Do you want the automatic premium loan if available?  Yes  No

## Beneficiary Information (Any percentage must be a whole percentage and total 100%)

Name		<input type="checkbox"/> Primary <input type="checkbox"/> Contingent
Relationship	Percentage _____ %	Social Security Number
Address (street, city, state, ZIP)		

Name		<input type="checkbox"/> Primary <input type="checkbox"/> Contingent
Relationship	Percentage _____ %	Social Security Number
Address (street, city, state, ZIP)		

Additional Information:
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## Remarks and Special Request Section

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## FRAUD WARNING STATEMENT

**Arkansas, Louisiana, Maine, New Mexico, Ohio, Oklahoma, Tennessee, Washington, West Virginia:** Any person who, knowingly with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime, and may subject such person to criminal and civil penalties, and denial of insurance benefits.

**Colorado:** It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies.

**District of Columbia: WARNING:** It is a crime to provide false or misleading information to an insurer for the purpose of defrauding the insurer or any other person. Penalties include imprisonment and/or fines. In addition, an insurer may deny insurance benefits if false information materially related to a claim was provided by the applicant.

**Florida:** Any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony of the third degree.

**Kentucky:** Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

**Maryland:** Any person who knowingly and willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly and willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**New Jersey:** Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

**Pennsylvania:** Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

**Puerto Rico:** Any person who, knowingly and with the intent to defraud, presents false information in an insurance request form, or who presents, helps or has presented a fraudulent claim for the payment of a loss or other benefit, or presents more than one claim for the same damage or loss, will incur a felony, and upon conviction will be penalized for each violation with a fine no less than five thousand (5,000) dollars nor more than ten thousand (10,000) dollars, or imprisonment for a fixed term of three (3) years, or both penalties. If aggravated circumstances prevail, the fixed established imprisonment may be increased to a maximum of five (5) years; if attenuating circumstances prevail, it may be reduced to a minimum of two (2) years.

### Conversion Agreement

To the best of my knowledge and belief all statements and answers provided on this application are full, complete, and true whether written by me or not.

I understand that no changes in amount, classification, plan of insurance or benefits shall be made without the written consent of the owner.

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Signature of Owner

Date (month, day, year)

### For Home Office Use Only

Date received	Premium paid	Date returned	Effective date	Certificate number	Issued	Conversion charge



# Sample Life Performance Guarantee Scorecard

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**VOYA**<sup>®</sup>  
FINANCIAL

# Sample Life Performance Guarantee State of Nebraska

Voya Financial® is willing to place up to **2%** of the annual employer paid premium at risk against achieving specified performance measures most important to **State of Nebraska** (see examples of performance guarantee categories below, all of which will be averaged and monitored according to the indicated measurement period). Once **State of Nebraska** defines the specific expectations and priority measures of most importance, Voya will be able to further tailor performance guarantees that best fit **State of Nebraska's** benefit objectives.

Check the appropriate box that applies.	Weight	Satisfied	Dissatisfied
Plan Installation	10%	<input type="checkbox"/>	<input type="checkbox"/>
Quality, Timeliness and Accuracy of Employee Communications	15%	<input type="checkbox"/>	<input type="checkbox"/>
Enrollment Support	5%	<input type="checkbox"/>	<input type="checkbox"/>
Processing of Evidence of Insurability Requests	15%	<input type="checkbox"/>	<input type="checkbox"/>
Life Claim Processing	25%	<input type="checkbox"/>	<input type="checkbox"/>
Billing and Premium Administration Support	25%	<input type="checkbox"/>	<input type="checkbox"/>
Other	5%	<input type="checkbox"/>	<input type="checkbox"/>

The credit amount should be equal to the sum of the weights of those categories identified as Dissatisfied multiplied by agreed upon percentage. Only one credit will be allowed at the end of the first anniversary upon renewal.



# Voya Premium Billing Process Description

# Billing Procedures

**Voya Employee Benefits is proposing a self-billed premium process where the State of Nebraska may choose to view and/or update their premium online through our website or elect to receive a paper invoice each month. Bill generation is dependent upon the billing frequency that the employer chooses. This usually coincides with the employer's payroll cycles. This is determined during implementation.**

**Online Billing Option - The Online Billing process takes advantage of the Voya Employee Benefits website and allows for the submission of head counts and volumes online. The system will re-calculate the amount owed and submit the associated invoice via the web. Employers may choose to pay premium by check or Electronic Funds Transfer (EFT).**

**The online billing system is accessible Monday through Friday, except "stock market" holidays, from 6:00 AM to 7:00 PM Central Standard Time.**

**You will be given an overview of the system and will be provided with an Online Services Client User Guide that provides instructions and details for Online Billing transaction processing. If you have questions at any time, your designated Billing Administrator or Account Representative will be available to provide assistance.**

**Paper Invoice Option - A monthly Premium Invoice including a pre-addressed return remittance envelope will be sent via U.S. mail. The invoice will display estimated lives, volume, and premium numbers based on previous invoice data. Each month the head counts and volumes are updated as needed and the invoice is sent back along with the newly calculated premium.**





**Signed Addendum No. 1**  
**Signed Addendum No. 2**  
**Signed Addendum No. 3**  
**Signed Addendum No. 4**  
**Terms and Conditions/RFP sections II through VII**  
**Certificate of Liability**  
**W9- ReliaStar Life Insurance Company**  
**Form A- Bidder Contact Sheet**  
**Request for Proposal for Contractual Services Form**





## ADDENDUM ONE, REVISED SCHEDULE OF EVENTS

Date: November 19, 2018  
 To: All Bidders  
 From: Teresa Fleming, Buyer  
 AS Materiel Purchasing  
 RE: Addendum for RFP Number 5953 Z1

### Schedule of Events

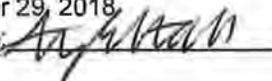
The State expects to adhere to the tentative procurement schedule shown below. It should be noted, however, that some dates are approximate and subject to change. It is the Bidder's responsibility to check the State Purchasing Bureau website for all addenda or amendments.

ACTIVITY	DATE/TIME
3. State responds to written questions through RFP "Addendum" and/or "Amendment" to be posted to the Internet at: <a href="http://das.nebraska.gov/materiel/purchasing.html">http://das.nebraska.gov/materiel/purchasing.html</a>	<del>November 19, 2018</del> TBD
4. Proposal opening Location: State Purchasing Bureau 1526 K Street, Suite 130 Lincoln, NE 68508	December 5, 2018 2:00 PM Central Time
5. Review for conformance to RFP requirements	December 5, 2018
6. Evaluation period	December 6, 2018 – December 20, 2018
7. "Oral Interviews/Presentations and/or Demonstrations" (if required)	TBD
8. Post "Intent to Award" to Internet at: <a href="http://das.nebraska.gov/materiel/purchasing.html">http://das.nebraska.gov/materiel/purchasing.html</a>	December 20, 2018
9. Contract finalization period	December 20, 2018 through January 5, 2019
10. Contract award	January 8, 2019
11. Contractor start date	January 8, 2019
12. Plan Start Date	July 1, 2019

This addendum will become part of the proposal and should be acknowledged with the RFP.

Amy Hall, Vice President

November 29, 2018

Signature: 





## ADDENDUM TWO QUESTIONS and ANSWERS

Date: November 20, 2018

To: All Bidders

From: Teresa Fleming, Buyer  
AS Materiel State Purchasing

RE: Addendum for Request for Proposal Number 5953 Z1 be opened December 5, 2018 at 2:00 p.m. Central Time

### Questions and Answers

Following are the questions submitted and answers provided for the above mentioned Request for Proposal. The questions and answers are to be considered as part of the Request for Proposal. It is the Bidder's responsibility to check the State Purchasing Bureau website for all addenda or amendments.

Question Number	RFP Section Reference	RFP Page Number	Question	State Response
1.	II Terms and conditions	6	<p>Please clarify the order of the RFP response.</p> <p>Can the Technical and Cost sections be in the same binder?</p> <p><b>Bidders should complete Sections II through VI as part of their proposal.</b></p> <p>Was this meant to say Sections II through IV?</p>	<p>Yes but should be presented in separate sections. Refer to Section I. Procurement Procedure, I. Submission of Proposals.</p> <p>Refer to Section I. Procurement Procedure, O. Request for Proposal/Proposal Requirements which compromises Section II through VI.</p>
2.	VI. Proposal Instructions	24 & 26	<p><b>Bidders should identify the subdivisions of "Project Description and Scope of Work"</b></p>	<p>Bidders must complete Attachment A Contractor Requirements Matrix.</p>

			<p><b>clearly in their proposals.</b></p> <p>We're not clear on what is expected for this. Please advise.</p>	
3.	Attachment A Contractor Requirements Matrix	1 & 2	<p>Regarding: <b>7. Accept the current enrollment files and beneficiary designations for the State's employees.</b></p> <p>Regarding: <b>18. Offer web-based enrollment and termination.</b></p> <p>1. Are they looking for a Full Ben Admin system?</p> <p>2. Are they looking for an employee enrollment portal or an employer portal or both?</p> <p>3. How do they currently enroll in their benefits?</p> <p>4. Please clarify if they are looking for year-round employee enrollment portal or annual enrollment.</p> <p>5. Are they looking for carriers to provide a list of preferred vendors that provide enrollment/ben admin platforms?</p>	<p>1. The State will send the premiums to the Contractor and the Contractor will administer the benefits when claims are filed.</p> <p>2. Employer portal to monitor the status of claims, EOI, etc. An employee portal is not needed.</p> <p>3. Employees use the State's online system to enroll.</p> <p>4. No employee portal.</p> <p>5. No.</p> <p>REVISED Attachment A. Contractors Requirements Matrix, Question 7 has been replaced with the following:</p> <p>"Accept the current enrollment and beneficiary designations for the State's employees."</p> <p>REVISED Attachment A. Contractors Requirements Matrix, Question 18 has been replaced with the following:</p> <p>"Provide employer</p>

				portal to monitor the status of claims, EOI, etc.”
4.	Attachment A Contractor Requirements Matrix	2	Regarding: <b>15. When customized printing is requested by the State, present a complete draft and subsequent proof to the State for sign-off. The Contractor must ensure that logo placement and color requirements are met. Contractor will be responsible for costs of printing booklets, certificates, or SPDs as required.</b>  Please advise approximate number of copies, and if the mailing should be to the State for distribution or to employee homes.	Flyers or informational materials to provide during Open Enrollment process. The quantity would be approximately 600 pieces.  The certificate booklet or other items can be sent electronically to the State to post on the website.  The distribution will not be sent to employee’s homes.
5.	V. Project Description and Scope of Work	32	Please provide Aetna Certificates and Summary of Benefits for all plans and classes including Basic Life, Supplemental Life, Basic AD&D, Dependent Life and Retiree Life.	Refer to REVISED Attachment B Current Plan Structure.  Refer to Attachment F and Attachment G for Certificate Book for the Department of Labor.
6.	V. Project Description and Scope of Work	32	Supplemental Life Open Enrollment History – has the State allowed late entrants to buy new coverage without evidence of insurability or allowed current participants to increase coverage	The current provider does not allow late entrants or increases of more than one increment without evidence of insurability. The State would be open to allow late entrants as a one-time opportunity with the

			<p>more than one increment without evidence of insurability?</p> <p>Has the State allowed Dependent late entrants into the plan without evidence of insurability?</p> <p>If so, please provide dates and special enrollment guarantee issue amounts.</p>	<p>new Contractor.</p> <p>No.</p> <p>N/A</p>
7.	V. Project Description and Scope of Work	32	Life Experience – Please provide complete Aetna reports.	<p>The State is unclear on what you are asking.</p> <p>Please refer to all attachments for the reports provided.</p>
8.	V. Project Description and Scope of Work	32	Please provide an individual paid claim list	Refer to NEW Attachment E Life and AD&D Review Package.
9.	Attachment E		The document is missing retiree lives, premium and volume for 07/01/2016 to 6/31/2017. Please provide.	Refer to NEW Attachment E Life and AD&D Review Package.
10.	Attachment E		Basic Term & Retiree Life and Sup Term: premium and volume for 7/1/2013 appear to be incorrect. Please provide the correct figures.	Refer to NEW Attachment E Life and AD&D Review Package.
11.	Attachment E		Basic Term & Retiree Life premium inconsistencies found for 11/01/2015, 01/01/2016, 02/01/2016 and 03/01/2016. Please explain.	Refer to NEW Attachment E Life and AD&D Review Package.
12.	Cost Proposal		AD&D: The table does not include the	The State does not need the current plan

			current AD&D benefit amount \$5,200. Please verify the State does is not requesting the current plan design.	design of \$5,200.
13.	Cost Proposal		Basic Life: The Aetna rate basis is per \$1,000 of covered volume. The cost proposal is per employee per month. Please verify-Is the intent to change the rate basis from per \$1,000 volume to per employee per month?	Refer to REVISED Cost Proposal.
14.	Cost Proposal	1	For Basic Life, please confirm bidders should enter a cost per employee per month instead of the rate per \$1,000 of coverage.	Refer to REVISED Cost Proposal.
15.	Cost Proposal	1	For the AD&D section, will one of the coverage levels requested (\$5,000, \$7,500 and \$10,000) replace the current benefit of \$5,200 or will they all be offered in addition to the current benefit of \$5,200?	Yes, one of the coverage levels requested will replace the current benefit.
16.	Attachment E Claim Experience and Premium History	All	Please provide the following data on any Waiver of Premium claims incurred 7/1/2013 and after: date of birth, gender, date of disability, face amount (please report Basic and Optional separately), reserve amount (please report Basic and Optional separately).	Refer to Attachment I Waiver Claim Listing.

17.	Attachment E Claim Experience and Premium History	All	Please provide any Conversion charges and Claim Interest payments that have been assessed against the plan experience.	Refer to NEW Attachment E Life and AD&D Review Package.
18.	Attachment E Claim Experience and Premium History	All	Please provide coverage indicator and coverage amount for any known pending claims.	At this time, the pending claims for Basic is \$60,000, Supplemental is \$156,000, and Dependent is \$20,000.
19.	Attachment E Claim Experience and Premium History	2	Please provide the missing monthly lives, premium and volume for the Basic Life for Active employees for the period 7/1/16 through 6/30/17.	Refer to NEW Attachment E Life and AD&D Review Package.
20.	Attachment E Claim Experience and Premium History	5	Please provide the missing monthly lives, premium and volume for the Basic Life for Retirees for the period 7/1/16 through 6/30/17.	Refer to NEW Attachment E Life and AD&D Review Package.
21.	Attachment E Claim Experience and Premium History	1 - 5	Please explain how the data under the heading "TERM and Retiree LF" relates to the data under the heading "Term LF" and the data under the heading "Retirees". For example, our assumption was that the data under "TERM and Retiree LF" was a combination of the data under "Term LF" and "Retirees;" however, we notice that for the periods 7/1/13 through 6/30/17, this	LF is the abbreviation for Term Life.  Refer to NEW Attachment E Life and AD&D Review Package.

			does not seem to be an accurate assumption. Please advise.	
22.	Attachment E Claim Experience and Premium History	1 – 5	Regarding the paid claim data under the heading "Retirees", we notice that the total claim amounts for the periods 7/1/16 – 6/30/17 and 7/1/17 – 6/30/18 are drastically different than the claim totals for the periods 7/1/13 through 6/30/16. Please confirm that the data is accurate.  Also, were there plan changes that may have affected the claim amounts for the periods 7/1/16 – 6/30/18?	Refer to NEW Attachment E Life and AD&D Review Package.  No.
23.	Attachment C Census Report	All	Please provide gender for all Retirees.	Refer to REVISED Attachment C Census Report.
24.	Attachment C Census Report	All	There are 446 records which are missing Optional Life amounts. Please advise.	These are employees that applied during open enrollment but had not gone through EOI as of 7/1/18 so the plan was not active.
25.	Attachment C Census Report	All	There are 267 records which are missing Dependent Life amounts. Please advise.	See the response to Question 24.
26.	Plan Design Documents	All	Please provide complete certificates for both the Active and Retirees Dept of Labor plans.	See the response to Question 5.
27.	Plan Design Documents	All	Have there been any plan changes and/or	No.

			rate changes to any of the coverages for the time period 7/1/13 through 6/30/18?	
28.	Attachment D Current Rates	1	The attachment indicates that permanent Part-Time employees can purchase \$20,000 of Basic Life coverage by contributing 50% of the cost which is stated as \$.48 per employee per month; however, the total monthly cost would appear to be \$1.92 based on the reported rate of \$.096 / \$1,000. If permanent Part-Time employees contribute 50% of the cost, our calculation would be a monthly contribution of \$.96 instead of \$.48. Please clarify.	The total cost is \$1.92. Half of the total cost of the \$20,000 coverage is paid through a different fund. This leaves \$10,000 to be paid for by the employee and agency for part-time employees. Half of that cost is \$.48 for the employee and \$.48 for the agency.
29.	Attachment A Contractor Requirements Matrix	Multiple	Please describe the current enrollment and medical evidence of insurability submission processes. Are they completed on paper, on a/your website, through the carrier, or a Third Party Administrator (TPA)? If a TPA, please provide the TPA's name so we can determine if we have existing protocols in place with them.	Enrollment is on-line in the State's system and EOI is on paper which is submitted to the State and forwarded to the Contractor for processing.
30.	Attachment A Contractor Requirements Matrix	1	Please confirm who maintains the beneficiary	The State maintains the beneficiary designation records electronically.

			designation records, and if they are stored on paper (including images) or electronically.	
31.	Attachment A Contractor Requirements Matrix	1	Please confirm who distributes claim forms to beneficiaries, and how the carrier is notified of a claim.	The agency Human Resource representative works with the beneficiary and sends the claim to Benefits. Benefits reviews and forwards to Contractor for processing.
32.	Plan Design Documents	All	Please clarify if AD&D coverage includes a conversion option (not typical).	Yes.
33.			Please provide the current carrier certificates for Retiree class(es).	See the response to Question 5.
34.			Please confirm Retiree class(es) are closed class(es) & no more Retirees will come on in the future.	Correct.
35.			Please describe the Annual Enrollment on the Supplemental Life that the state currently allows and the expectations of a potential new carrier.	See the response to Question 6.
36.			Please clarify any Benefit Admin Platforms the state uses.	Currently, no platforms are used.
37.			From the census, please clarify what "Optional Supplemental Life" amounts the 446 individuals have that are noted with blank	See the response to Question 24.

			amounts for "Coverage" when "Optional Supplemental Life" is noted in "Benefit Type".	
38.			Please provide an individual claim listing for Basic Life Actives, Retiree Basic Life, Employee Supplemental Life and Dependent Supplemental Life noting incurred date and benefit amount.	Refer to NEW Attachment E Life and AD&D Review Package.
39.			Please provide Waiver of Premium claim information for both Basic Life and Supplemental Life noting Date of Birth, Gender, Date of Disability and Benefit Face Amount.	Attachment I Waiver Claim Listing.
40.			Please provide Rate History going back to 7/1/13.	Rates have not changed since 2013.
41.			Please note any plan design changes going back to 7/1/13.	None.
42.			Please provide the lives, premium and volume for Retirees information missing for 7/1/16 through 6/1/17.	Refer to NEW Attachment E Life and AD&D Review Package.
43.	Attachment A Contractor Requirements	RFP number 5953 Z1 #18	Please clarify the following: "Offer web-based enrollment and termination".  When you refer to termination is this for Termination of employment?	See the response to Question 3.

			Or portability/conversion?	
44.	Attachment A	1	Please verify what the inforce maximum and minimum Dollar coverage limits are for the Basic and Supplemental Aggregate.	Basic Life is \$20,000 for active employees. The Supplemental Aggregate does not have a minimum and a maximum of \$750,000 without an EOI.
45.	Attachment A	1-2	Please provide a copy of the any inforce provisions that protect the State from multiple deaths in a single occurrence.	The State does not have a provision in place for multiple deaths in a single occurrence.
46.	Attachment E	1	TERM & Retiree LF 07/01/2013 Why are the lives and the volume for 07/01/2013 so different that the rest of the months?	Refer to NEW Attachment E Life and AD&D Review Package.
47.	Attachment E	N/A	Why is the premium for the following months different from the other months 11/01/2015 01/01/2016 02/01/2016 03/01/2016	Refer to NEW Attachment E Life and AD&D Review Package.
48.	Attachment E	N/A	Term LF Please provide the monthly Lives, Premium and Volume for the period 7/01/2016 to 03/01/2017	Refer to NEW Attachment E Life and AD&D Review Package.
49.	Attachment E	N/A	Retirees Please provide the monthly Lives, Premium and Volume	Refer to NEW Attachment E Life and AD&D Review Package.

			for the period 7/01/2016 to 03/01/2017	
50.	RFP Final	Page 23	Please explain why roughly 1, 000 employees don't participate in the basic life. Are they part of the eligible permanent part time that contribute premium?	Yes.
51.	Attachment C	N/A	The census numbers don't match the 3 classes. Is class 1& 2 in labor retirees under 65 and over 65?	See Excel version of REVISED Attachment C Census Report tabs.
52.	Request for Proposal document	Page 13 and Page 33	On page 13, we are asked to complete sections II through VI of the RFP. On page 33, we are asked to complete sections II through VII. Can you confirm which is correct?	Refer to Section I. Procurement Procedure, Request for Proposal/Proposal Requirements.
53.	N/A	N/A	Can you provide the Life SOB and cert for all classes ( Aetna splits up SOB and Cert)?	See the response to Question 5.
54.	N/A	N/A	Can you provide a recent invoice?	Refer to Attachment H Invoice.
55.	N/A	N/A	Can you provide open waiver or premium claims information (date of disability, face amount, open)?	The State does not have any waiver of premium claims pending.
56.	Attachment B	1	What are "high age reductions" as indicated on the NDOL group?	Refer to Attachment F and Attachment G for Certificate Book for the Department of Labor.
57.	Attachment B	1-6	Please clarify the AD&D to be quoted for the non-NDOL	AD&D is Supplemental.

			<p>active employees. The Life cost proposal sheet shows flat \$5,000, \$7,500 or \$10,000. The "attachment B ,plan structure" shows \$5,200</p> <p>Also, Is there Basic AD&amp;D, or just Supplemental?</p>	See REVISED Attachment B Plan Structure - Basic and Supplemental.
58.	N/A	N/A	<p>Please verify Basic Life rates for the 3 classes as the only data we have is from 2013 website info :</p> <p>Class 1 – Active NDOL = Basic Life : .167 and .013 Basic AD&amp;D</p> <p>Class 2 – All other active employees = .096 Basic Life and No Basic AD&amp;D</p> <p>Class 3 – Retired NDOL = .19 Basic Life</p>	Rates have not changed since 2013
59.	I. Procurement Procedure i. Submission of Proposals	3	Please confirm that only one (1) original hard copy binder is requested?	Confirmed.
60.	I. Procurement Procedure i. Submission of Proposals	3	Regarding the "Technical" and "Cost" sections of the response, please confirm that we can put both within the 1 requested binder but separated into separate sections?	Confirmed.
61.	VI. Proposal Instructions 2. Corporate Overview h. Summary of Bidder's	25 & 26	Please confirm if the incumbent carrier would need to provide references?	All bidders must respond to the Corporate Overview section of the RFP.

	Corporate Experience and, i. Summary of Bidder's Proposed Personnel/Management Approach			
62.	Attachment A - Contractor Requirements Matrix	4	Question 34 asks to attach a description of premium billing procedures. Please confirm if it is acceptable to provide an overview in the "Response" section or if a separate attachment/document is necessary.	Please provide a separate attachment/document.
63.	Attachment B - Plan Structure - Basic and Supplemental		The current plan design we have listed in our system for the Closed NDOL active employee group is a minimum benefit of \$10,000. The Attachment B-Plan Structure document lists it as \$20,000. Is this a plan change you would like to see in the quote? Or is this a miscommunication of the current plan design?	Refer to REVISED Attachment B Plan Structure and REVISED Cost Proposal.
64.	Attachment D - Current Rates		Attachment D shows that Part-Time active employees have a 50% contributory rate of \$0.48 if they would like to elect Basic Life. We do not have this currently listed in our system. Is this something you would like quoted in the RCF?	See the response to Question 28.
65.	5953 Z1 Attachment C	State-active-	Can the first two	The State is unable to

	Census Report	AX01	census tabs for active employees be set up to include one row for each employee with separate columns for Basic Life, Supp Employee Life, Supp Dependent Life, and Supp AD&D?	provide due to the system does not deliver the information this way.  Refer to REVISED Attachment C Census Report.
66.	5953 Z1 Attachment C Census Report	State-active-AX01	If the census cannot be set up as requested in question no. 1 above, can a unique identifier be added to each row for the first two census tabs for active employees such as employee number or employee name?	Refer to REVISED Attachment C Census Report.
67.	5953 Z1 Attachment C Census Report	State-active-AX01	Can a column be added to the first two census tabs to designate if the active employees are permanent full time or permanent part time?	Refer to REVISED Attachment C Census Report.
68.	5953 Z1 Attachment C Census Report	State-active-AX01	What are the total number of eligible permanent full time and part time employees, including the permanent part time employees who have waived Basic Life coverage?	16,125 employees
69.	5953 Z1 Attachment C Census Report	State-active-AX01	Regarding the State-active-AX01 census tab, the census has 8,172 employees with a Supp Employee Life election and 446 employees with a "blank" volume. There are several thousand employees who are waiving Supp Employee Life	See the response to Question 24.

			coverage. Are these 446 employees with "blanks" on the census also waiving Supp Employee Life coverage?	
70.	5953 Z1 Attachment C Census Report	State-active-AX01	Regarding the State-active-AX01 census tab, there are 468 employees with \$5,000 Supp Dependent Life, 4,701 employees with \$10,000 Supp Dependent Life, and 267 employees with "blank" for a total of 5,438 employees on the census that show a Benefit Type of Dependent Life. Are the "blanks" on the census waiving Supp Dependent Life coverage?	See the response to Question 24.
71.	5953 Z1 Attachment C Census Report	Labor-Retirees under age 65 RX04/Labor-Retirees over age 65 RX04	Can gender be added to both retiree census tabs?	Refer to REVISED Attachment C Census Report.
72.			Are Aetna's current Life and AD&D booklets available along with any amendments from 7/1/2013 to present?	See the response to Question 5. No changes since 7/1/2013.
73.			If Aetna's current Life and AD&D booklets are not available, can we obtain all benefit changes from 7/1/2013 to present?	See the response to Question 5.
74.	5953 Z1 Attachment B Plan Structure - Basic	Page 1 & 3	What is the Supp Employee Life	\$750,000 without EO!

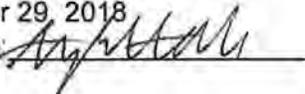
	and Supplemental		maximum?	
75.	5953 Z1 Attachment B Plan Structure - Basic and Supplemental	Page 1 & 3	Does Aetna currently offer Basic Life portability?	No.
76.	5953 Z1 Attachment B Plan Structure - Basic and Supplemental	Page 1 & 3	Does Aetna currently offer Supp Life portability?	No.
77.	5953 Z1 Attachment B Plan Structure - Basic and Supplemental	Page 3	Permanent part time employees must work 20 hours to be eligible for the Life and AD&D benefits. How many hours must employees work to be considered permanent full time employees?	40 hours per week.
78.	5953 Z1 Attachment B Plan Structure - Basic and Supplemental	Page 1	What are the "high age reductions" for Basic Life on page 1 of Attachment B?	Refer to Attachment F and Attachment G for Certificate Book for the Department of Labor.
79.	5953 Z1 Attachment B Plan Structure - Basic and Supplemental	Page 3	What is the benefit schedule and age reduction schedule for the Labor-Retirees over 65 RX04 census tab?	Refer to Attachment F and Attachment G for Certificate Book for the Department of Labor.
80.			Is a recent premium bill from the current carrier available?	Refer to Attachment H Invoice
81.	5953 Z1 Attachment E Claim Experience and Premium History		Please provide a list of the approved waivers that includes DOB, DOD, Gender, Basic Employee Life Volume, and Supp Employee Life Volume.	Refer to Attachment I Waiver Claim Listing
82.	5953 Z1 Attachment E Claim Experience and Premium History		If the Supp Term experience includes dependent experience, can it be separated from the employee experience?	Refer to NEW Attachment E Life and AD&D Review Package.

83.	5953 Z1 Attachment E Claim Experience and Premium History		If the Supp Term experience does not include dependent experience, can we obtain the dependent experience in the same format and with the same time periods?	Refer to NEW Attachment E Life and AD&D Review Package.
84.			PT designations on the census so that we know which EEs are paying for the basic life.	Refer to REVISED Attachment C Census Report.
85.			Detailed claims listing of each claimant and cert amount	Refer to NEW Attachment E Life and AD&D Review Package.
86.			Is the state comfortable if we cross-subsidize? When quoting, we will use much of the optional life excess to cover the Basic Life losses, also known as cross-subsidation. The State may be highly sensitive to this.	No, the State will not accept cross-subsidizing.

This addendum will become part of the proposal and should be acknowledged with the Request for Proposal response.

Amy Hall, Vice President

November 29, 2018

Signature: 





## ADDENDUM THREE, REVISED SCHEDULE OF EVENTS

Date: November 20, 2018  
 To: All Bidders  
 From: Teresa Fleming, Buyer  
 AS Materiel Purchasing  
 RE: Addendum for RFP Number 5953 Z1

### Schedule of Events

The State expects to adhere to the tentative procurement schedule shown below. It should be noted, however, that some dates are approximate and subject to change. It is the Bidder's responsibility to check the State Purchasing Bureau website for all addenda or amendments.

ACTIVITY	DATE/TIME
3. State responds to written questions through RFP "Addendum" and/or "Amendment" to be posted to the Internet at: <a href="http://das.nebraska.gov/materiel/purchasing.html">http://das.nebraska.gov/materiel/purchasing.html</a>	<del>November 19, 2018</del> November 20, 2018
4. Last day to submit written questions Round 2	November 26, 2018
5. State responds to written questions Round 2 through RFP "Addendum" and/or "Amendment" to be posted to the Internet at: <a href="http://das.nebraska.gov/materiel/purchasing.html">http://das.nebraska.gov/materiel/purchasing.html</a>	November 28, 2018
6. Proposal opening Location: State Purchasing Bureau 1526 K Street, Suite 130 Lincoln, NE 68508	<del>December 5, 2018</del> December 12, 2018 2:00 PM Central Time
7. Review for conformance to RFP requirements	<del>December 5, 2018</del> December 12, 2018
8. Evaluation period	<del>December 6, 2018 – December 20, 2018</del> December 13, 2018 through December 31, 2018
9. "Oral Interviews/Presentations and/or Demonstrations" (if required)	TBD
10. Post "Intent to Award" to Internet at: <a href="http://das.nebraska.gov/materiel/purchasing.html">http://das.nebraska.gov/materiel/purchasing.html</a>	<del>December 20, 2018</del> December 31, 2018
11. Contract finalization period	<del>December 20, 2018 through January 5, 2019</del> December 31, 2018 through January 15, 2019
12. Contract award	<del>January 8, 2019</del> January 15, 2019
13. Contractor start date	<del>January 8, 2019</del> January 15, 2019
14. Plan Start Date	July 1, 2019

This addendum will become part of the proposal and should be acknowledged with the RFP.

Amy Hall, Vice President  
 November 29, 2018

Signature: 





## ADDENDUM FOUR, QUESTIONS and ANSWERS

Date: November 28, 2018

To: All Bidders

From: Teresa Fleming, Buyer  
AS Materiel State Purchasing

RE: Addendum for Request for Proposal Number 5953 Z1 to be opened December 12, 2018 at 2:00 p.m. Central Time

### Questions and Answers

Following are the questions submitted and answers provided for the above mentioned Request for Proposal. The questions and answers are to be considered as part of the Request for Proposal. It is the Bidder's responsibility to check the State Purchasing Bureau website for all addenda or amendments.

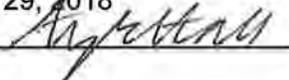
Question Number	RFP Section Reference	RFP Page Number	Question	State Response
1.	Scope of Service	1	The requested rate guarantee appears to be for 4 years, with 2 separate 1-year renewal years. Is pricing for the 2 optional years considered as part of the evaluation criteria for this RFP?	No
2.	Project Description	23	Are PT employees automatically enrolled and subsequently must take action to drop the coverage or are PT employees defaulted to no basic life coverage and must take action to elect?	Employees must take action to elect coverage
3.	Project Description	23	PT employees currently pay 50% of coverage cost for basic life – is that percentage open to change in the proposed rate guarantee period?	No
4.	Project Description	23	For PT premiums, the Q&A indicates that half of the total cost is paid through a "different fund." Are contributions from this other fund open to changing in the proposed rate guarantee period?	No

5.	Plan Design		While certificates were provided for NDOL actives and retirees, no certificate was provided for other State of Nebraska employees. Please provide a certificate for these individuals.	Refer to REVISED Attachment B "Current Plan Structure – Basic and Supplemental Eligible Permanent Employees" Page 4 *follow the link provided
6.	Plan Design		Please provide the Aetna life policy (not certs) or please describe the provisions for waiver of premium – eligibility, elimination period, termination provisions.	Refer to REVISED Attachment B "Current Plan Structure – Basic and Supplemental Eligible Permanent Employees" Page 4 *follow the link provided
7.	Plan Design		Additionally, please provide Supplemental AD&D additional benefits	Refer to REVISED Attachment B "Current Plan Structure – Basic and Supplemental Eligible Permanent Employees" Page 4 *follow the link provided
8.	Census		Please provide zip code for individuals listed on the census.	See REVISION 2 Attachment C: Zip codes have been added to the census for active employees. A small number of employee zip codes cannot be provided due to retiree status and no longer being in the NDOL system
9.	General		Is an implementation credit requested?	No. The Contractor is required to meet the deadlines as noted in the RFP.
10.			Please provide the Aetna Life Certificate Book for "All Other State Employees who routinely work at least 20 hrs/week on average."	Refer to REVISED Attachment B "Current Plan Structure – Basic and Supplemental Eligible Permanent Employees" Page 4 *follow the link provided

This addendum will become part of the proposal and should be acknowledged with the Request for Proposal response.

Amy Hall, Vice President

November 29, 2018

Signature: 





**II. TERMS AND CONDITIONS**

Bidders should complete Sections II through VI as part of their proposal. Bidder is expected to read the Terms and Conditions and should initial either accept, reject, or reject and provide alternative language for each clause. The bidder should also provide an explanation of why the bidder rejected the clause or rejected the clause and provided alternate language. By signing the RFP, bidder is agreeing to be legally bound by all the accepted terms and conditions, and any proposed alternative terms and conditions submitted with the proposal. The State reserves the right to negotiate rejected or proposed alternative language. If the State and bidder fail to agree on the final Terms and Conditions, the State reserves the right to reject the proposal. The State of Nebraska is soliciting proposals in response to this RFP. The State of Nebraska reserves the right to reject proposals that attempt to substitute the bidder's commercial contracts and/or documents for this RFP.

The bidders should submit with their proposal any license, user agreement, service level agreement, or similar documents that the bidder wants incorporated in the Contract. The State will not consider incorporation of any document not submitted with the bidder's proposal as the document will not have been included in the evaluation process. These documents shall be subject to negotiation and will be incorporated as addendums if agreed to by the Parties.

If a conflict or ambiguity arises after the Addendum to Contract Award have been negotiated and agreed to, the Addendum to Contract Award shall be interpreted as follows:

1. If only one Party has a particular clause then that clause shall control;
2. If both Parties have a similar clause, but the clauses do not conflict, the clauses shall be read together;
3. If both Parties have a similar clause, but the clauses conflict, the State's clause shall control.

**A. GENERAL**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	<b>As a filed and approved contract with the state, any issued insurance contract will govern the parties' relationship and will supersede any other agreements as it specifically relates to the vendor's insurance obligations.</b>

The contract resulting from this RFP shall incorporate the following documents:

1. Request for Proposal and Addenda;
2. Amendments to the RFP;
3. Questions and Answers;
4. Contractor's proposal (RFP and properly submitted documents);
5. The executed Contract and Addendum One to Contract, if applicable ; and,
6. Amendments/Addendums to the Contract.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a future contract amendment, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to the executed Contract with the most recent dated amendment having the highest priority, 2) executed Contract and any attached Addenda, 3) Amendments to RFP and any Questions and Answers, 4) the original RFP document and any Addenda, and 5) the Contractor's submitted Proposal.

Any ambiguity or conflict in the contract discovered after its execution, not otherwise addressed herein, shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.

**B. NOTIFICATION**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

Contractor and State shall identify the contract manager who shall serve as the point of contact for the executed contract.

**C. GOVERNING LAW (Statutory)**

Notwithstanding any other provision of this contract, or any amendment or addendum(s) entered into contemporaneously or at a later time, the parties understand and agree that, (1) the State of Nebraska is a sovereign state and its authority to contract is therefore subject to limitation by the State's Constitution, statutes, common law, and regulation; (2) this contract will be interpreted and enforced under the laws of the State of Nebraska; (3) any action to enforce the provisions of this agreement must be brought in the State of Nebraska per state law; (4) the person signing this contract on behalf of the State of Nebraska does not have the authority to waive the State's sovereign immunity, statutes, common law, or regulations; (5) the indemnity, limitation of liability, remedy, and other similar provisions of the final contract, if any, are entered into subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity; and, (6) all terms and conditions of the final contract, including but not limited to the clauses concerning third party use, licenses, warranties, limitations of liability, governing law and venue, usage verification, indemnity, liability, remedy or other similar provisions of the final contract are entered into specifically subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity.

The Parties must comply with all applicable local, state and federal laws, ordinances, rules, orders, and regulations.

**D. BEGINNING OF WORK**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The bidder shall not commence any billable work until a valid contract has been fully executed by the State and the successful Contractor. The Contractor will be notified in writing when work may begin.

**E. CHANGE ORDERS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	N/A to the insurance relationship.

The State and the Contractor, upon the written agreement, may make changes to the contract within the general scope of the RFP. Changes may involve specifications, the quantity of work, or such other items as the State may find necessary or desirable. Corrections of any deliverable, service, or work required pursuant to the contract shall not be deemed a change. The Contractor may not claim forfeiture of the contract by reasons of such changes.

The Contractor shall prepare a written description of the work required due to the change and an itemized cost sheet for the change. Changes in work and the amount of compensation to be paid to the Contractor shall be determined in accordance with applicable unit prices if any, a pro-rated value, or through negotiations. The State

shall not incur a price increase for changes that should have been included in the Contractor's proposal, were foreseeable, or result from difficulties with or failure of the Contractor's proposal or performance.

No change shall be implemented by the Contractor until approved by the State, and the Contract is amended to reflect the change and associated costs, if any. If there is a dispute regarding the cost, but both parties agree that immediate implementation is necessary, the change may be implemented, and cost negotiations may continue with both Parties retaining all remedies under the contract and law.

**F. NOTICE OF POTENTIAL CONTRACTOR BREACH**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

If Contractor breaches the contract or anticipates breaching the contract, the Contractor shall immediately give written notice to the State. The notice shall explain the breach or potential breach, a proposed cure, and may include a request for a waiver of the breach if so desired. The State may, in its discretion, temporarily or permanently waive the breach. By granting a waiver, the State does not forfeit any rights or remedies to which the State is entitled by law or equity, or pursuant to the provisions of the contract. Failure to give immediate notice, however, may be grounds for denial of any request for a waiver of a breach.

**G. BREACH**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	Termination of the parties' relationship will be governed by the terms of any issued insurance policy.

Either Party may terminate the contract, in whole or in part, if the other Party breaches its duty to perform its obligations under the contract in a timely and proper manner. Termination requires written notice of default and a thirty (30) calendar day (or longer at the non-breaching Party's discretion considering the gravity and nature of the default) cure period. Said notice shall be delivered by Certified Mail, Return Receipt Requested, or in person with proof of delivery. Allowing time to cure a failure or breach of contract does not waive the right to immediately terminate the contract for the same or different contract breach which may occur at a different time. In case of default of the Contractor, the State may contract the service from other sources and hold the Contractor responsible for any excess cost occasioned thereby.

The State's failure to make payment shall not be a breach, and the Contractor shall retain all available statutory remedies and protections.

**H. NON-WAIVER OF BREACH**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The acceptance of late performance with or without objection or reservation by a Party shall not waive any rights of the Party nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

**I. SEVERABILITY**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

If any term or condition of the contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the provision held to be invalid or illegal.

**J. INDEMNIFICATION**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	We will agree to an indemnification clause that is reasonable in scope for the anticipated relationship. Sample language: "Contractor shall indemnify and hold the other harmless against any and all losses, claims, damages, costs or expenses (including reasonable attorneys' fees) which the indemnified party may become obligated to pay resulting from 1) the indemnifying party's error or omission in performing obligations under this Agreement, except to the extent that the indemnified party has caused or significantly contributed to such error or omission, and 2) any breach by the indemnifying party of any of its obligations under this Agreement regardless of whether such breach is either willful or negligent."

**1. GENERAL**

The Contractor agrees to defend, indemnify, and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials ("the indemnified parties") from and against any and all third party claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses ("the claims"), sustained or asserted against the State for personal injury, death, or property loss or damage, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the Contractor, its employees, Subcontractors, consultants, representatives, and agents, resulting from this contract, except to the extent such Contractor liability is attenuated by any action of the State which directly and proximately contributed to the claims.

**2. INTELLECTUAL PROPERTY**

The Contractor agrees it will, at its sole cost and expense, defend, indemnify, and hold harmless the indemnified parties from and against any and all claims, to the extent such claims arise out of, result from, or are attributable to, the actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark, or confidential information of any third party by the Contractor or its employees, Subcontractors, consultants, representatives, and agents; provided, however, the State gives the Contractor prompt notice in writing of the claim. The Contractor may not settle any infringement claim that will affect the State's use of the Licensed Software without the State's prior written consent, which consent may be withheld for any reason.

If a judgment or settlement is obtained or reasonably anticipated against the State's use of any intellectual property for which the Contractor has indemnified the State, the Contractor shall, at the Contractor's sole cost and expense, promptly modify the item or items which were determined to be infringing, acquire a license or licenses on the State's behalf to provide the necessary rights to the State to eliminate the infringement, or provide the State with a non-infringing substitute that provides the State the same functionality. At the State's election, the actual or anticipated judgment may be treated as a breach of warranty by the Contractor, and the State may receive the remedies provided under this RFP.

**3. PERSONNEL**

The Contractor shall, at its expense, indemnify and hold harmless the indemnified parties from and against

any claim with respect to withholding taxes, worker's compensation, employee benefits, or any other claim, demand, liability, damage, or loss of any nature relating to any of the personnel, including subcontractor's and their employees, provided by the Contractor.

**4. SELF-INSURANCE**

The State of Nebraska is self-insured for any loss and purchases excess insurance coverage pursuant to Neb. Rev. Stat. § 81-8,239.01 (Reissue 2008). If there is a presumed loss under the provisions of this agreement, Contractor may file a claim with the Office of Risk Management pursuant to Neb. Rev. Stat. §§ 81-8,829 – 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (Section 81-8,294), Tort (Section 81-8,209), and Contract Claim Acts (Section 81-8,302), as outlined in Neb. Rev. Stat. § 81-8,209 et seq. and under any other provisions of law and accepts liability under this agreement to the extent provided by law.

5. The Parties acknowledge that Attorney General for the State of Nebraska is required by statute to represent the legal interests of the State, and that any provision of this indemnity clause is subject to the statutory authority of the Attorney General.

**K. ATTORNEY'S FEES**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	Each party will be responsible for its own fees.

In the event of any litigation, appeal, or other legal action to enforce any provision of the contract, the Parties agree to pay all expenses of such action, as permitted by law and if order by the court, including attorney's fees and costs, if the other Party prevails.

**L. ASSIGNMENT, SALE, OR MERGER**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

Either Party may assign the contract upon mutual written agreement of the other Party. Such agreement shall not be unreasonably withheld.

The Contractor retains the right to enter into a sale, merger, acquisition, internal reorganization, or similar transaction involving Contractor's business. Contractor agrees to cooperate with the State in executing amendments to the contract to allow for the transaction. If a third party or entity is involved in the transaction, the Contractor will remain responsible for performance of the contract until such time as the person or entity involved in the transaction agrees in writing to be contractually bound by this contract and perform all obligations of the contract.

**M. CONTRACTING WITH OTHER NEBRASKA POLITICAL SUB-DIVISIONS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The Contractor may, but shall not be required to, allow agencies, as defined in Neb. Rev. Stat. §81-145, to use this contract. The terms and conditions, including price, of the contract may not be amended. The State shall not be contractually obligated or liable for any contract entered into pursuant to this clause. A listing of Nebraska political subdivisions may be found at the website of the Nebraska Auditor of Public Accounts.

**N. FORCE MAJEURE**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

Neither Party shall be liable for any costs or damages, or for default resulting from its inability to perform any of its obligations under the contract due to a natural or manmade event outside the control and not the fault of the affected Party ("Force Majeure Event"). The Party so affected shall immediately make a written request for relief to the other Party, and shall have the burden of proof to justify the request. The other Party may grant the relief requested; relief may not be unreasonably withheld. Labor disputes with the impacted Party's own employees will not be considered a Force Majeure Event.

**O. CONFIDENTIALITY**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

All materials and information provided by the Parties or acquired by a Party on behalf of the other Party shall be regarded as confidential information. All materials and information provided or acquired shall be handled in accordance with federal and state law, and ethical standards. Should said confidentiality be breached by a Party, the Party shall notify the other Party immediately of said breach and take immediate corrective action.

It is incumbent upon the Parties to inform their officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (i)(1), which is made applicable by 5 U.S.C. 552a (m)(1), provides that any officer or employee, who by virtue of his/her employment or official position has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

**P. EARLY TERMINATION**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	Please see edit below.

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract at any time.
2. ~~In the event of policy termination, either on or off policy anniversary date, Contractor will fully account for all reserves and return to The State any unused portion.~~
3. The State, in its sole discretion, may terminate the contract for any reason upon thirty (30) calendar day's written notice to the Contractor. Such termination shall not relieve the Contractor of warranty or other service obligations incurred under the terms of the contract. In the event of termination the Contractor shall be entitled to payment, determined on a pro rata basis, for products or services satisfactorily performed or provided.
4. The State may terminate the contract immediately for the following reasons:
  - a. if directed to do so by statute;
  - b. Contractor has made an assignment for the benefit of creditors, has admitted in writing its inability

to pay debts as they mature, or has ceased operating in the normal course of business;

- c. a trustee or receiver of the Contractor or of any substantial part of the Contractor's assets has been appointed by a court;
- d. fraud, misappropriation, embezzlement, malfeasance, misfeasance, or illegal conduct pertaining to performance under the contract by its Contractor, its employees, officers, directors, or shareholders;
- e. an involuntary proceeding has been commenced by any Party against the Contractor under any one of the chapters of Title 11 of the United States Code and (i) the proceeding has been pending for at least sixty (60) calendar days; or (ii) the Contractor has consented, either expressly or by operation of law, to the entry of an order for relief; or (iii) the Contractor has been decreed or adjudged a debtor;
- f. a voluntary petition has been filed by the Contractor under any of the chapters of Title 11 of the United States Code;
- g. Contractor intentionally discloses confidential information;
- h. Contractor has or announces it will discontinue support of the deliverable; and,
- i. In the event funding is no longer available.

**Q. CONTRACT CLOSEOUT**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	<b>All policy documents developed during the administration of the policy will remain the property of Contractor. We will provide reasonable assistance in the event services are transferred to a new carrier.</b>

Upon contract closeout for any reason the Contractor shall within 30 days, unless stated otherwise herein:

1. Transfer all completed or partially completed deliverables to the State;
2. Transfer ownership and title to all completed or partially completed deliverables to the State;
3. Return to the State all information and data, unless the Contractor is permitted to keep the information or data by contract or rule of law. Contractor may retain one copy of any information or data as required to comply with applicable work product documentation standards or as are automatically retained in the course of Contractor's routine back up procedures;
4. Cooperate with any successor Contractor, person or entity in the assumption of any or all of the obligations of this contract;
5. Cooperate with any successor Contractor, person or entity with the transfer of information or data related to this contract;
6. Return or vacate any state owned real or personal property; and,
7. Return all data in a mutually acceptable format and manner.

Nothing in this Section should be construed to require the Contractor to surrender intellectual property, real or personal property, or information or data owned by the Contractor for which the State has no legal claim.

**III. CONTRACTOR DUTIES**

**A. INDEPENDENT CONTRACTOR / OBLIGATIONS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	Please see edit below.

It is agreed that the Contractor is an independent contractor and that nothing contained herein is intended or should be construed as creating or establishing a relationship of employment, agency, or a partnership.

The Contractor is solely responsible for fulfilling the contract. The Contractor or the Contractor's representative shall be the sole point of contact regarding all contractual matters.

The Contractor shall secure, at its own expense, all personnel required to perform the services under the contract. The personnel the Contractor uses to fulfill the contract shall have no contractual or other legal relationship with the State; they shall not be considered employees of the State and shall not be entitled to any compensation, rights or benefits from the State, including but not limited to, tenure rights, medical and hospital care, sick and vacation leave, severance pay, or retirement benefits.

By-name personnel commitments made in the Contractor's proposal shall not be changed without the prior written approval of the State. Replacement of these personnel, if approved by the State, shall be with personnel of equal or greater ability and qualifications.

All personnel assigned by the Contractor to the contract shall be employees of the Contractor or a subcontractor, and shall be fully qualified to perform the work required herein. Personnel employed by the Contractor or a subcontractor to fulfill the terms of the contract shall remain under the sole direction and control of the Contractor or the subcontractor respectively.

With respect to its employees, the Contractor agrees to be solely responsible for the following:

1. Any and all pay, benefits, and employment taxes and/or other payroll withholding;
2. Any and all vehicles used by the Contractor's employees, including all insurance required by state law;
3. Damages incurred by Contractor's employees within the scope of their duties under the contract;
4. Maintaining Workers' Compensation and health insurance that complies with state and federal law and submitting any reports on such insurance to the extent required by governing law; and
5. Determining the hours to be worked and the duties to be performed by the Contractor's employees.
6. All claims on behalf of any person arising out of employment or alleged employment (including without limit claims of discrimination alleged against the Contractor, its officers, agents, or subcontractors or subcontractor's employees)

If the Contractor intends to utilize any subcontractor, the subcontractor's level of effort, tasks, and time allocation should be clearly defined in the bidder's proposal. The Contractor shall agree that it will not utilize any subcontractors not specifically included in its proposal in the performance of the contract without the prior written authorization of the State.

~~The State reserves the right to require the Contractor to resign or remove from the project any Contractor or subcontractor employee.~~

Contractor shall insure that the terms and conditions contained in any contract with a subcontractor does not conflict with the terms and conditions of this contract.

The Contractor shall include a similar provision, for the protection of the State, in the contract with any Subcontractor-engaged to perform work on this contract.

**B. EMPLOYEE WORK ELIGIBILITY STATUS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of an employee.

If the Contractor is an individual or sole proprietorship, the following applies:

1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at <http://das.nebraska.gov/materiel/purchasing.html>  
The completed United States Attestation Form should be submitted with the RFP response.
2. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation required to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.
3. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

**C. COMPLIANCE WITH CIVIL RIGHTS LAWS AND EQUAL OPPORTUNITY EMPLOYMENT / NONDISCRIMINATION (Statutory)**

The Contractor shall comply with all applicable local, state, and federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits Contractors of the State of Nebraska, and their Subcontractors, from discriminating against any employee or applicant for employment, with respect to hire, tenure, terms, conditions, compensation, or privileges of employment because of race, color, religion, sex, disability, marital status, or national origin (Neb. Rev. Stat. §48-1101 to 48-1125). The Contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The Contractor shall insert a similar provision in all Subcontracts for services to be covered by any contract resulting from this RFP.

**D. COOPERATION WITH OTHER CONTRACTORS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	N/A

Contractor may be required to work with or in close proximity to other contractors or individuals that may be working on same or different projects. The Contractor shall agree to cooperate with such other contractors or individuals, and shall not commit or permit any act which may interfere with the performance of work by any other contractor or individual. Contractor is not required to compromise Contractor's intellectual property or proprietary information unless expressly required to do so by this contract.

**E. PERMITS, REGULATIONS, LAWS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The contract price shall include the cost of all royalties, licenses, permits, and approvals, whether arising from patents, trademarks, copyrights or otherwise, that are in any way involved in the contract. The Contractor shall obtain and pay for all royalties, licenses, and permits, and approvals necessary for the execution of the contract. The Contractor must guarantee that it has the full legal right to the materials, supplies, equipment, software, and other items used to execute this contract.

**F. OWNERSHIP OF INFORMATION AND DATA / DELIVERABLES**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	All policy documents remain the property of Contractor.

The State shall have the unlimited right to publish, duplicate, use, and disclose all information and data developed or obtained by the Contractor on behalf of the State pursuant to this contract.

The State shall own and hold exclusive title to any deliverable developed as a result of this contract. Contractor shall have no ownership interest or title, and shall not patent, license, or copyright, duplicate, transfer, sell, or exchange, the design, specifications, concept, or deliverable.

**G. INSURANCE REQUIREMENTS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The Contractor shall throughout the term of the contract maintain insurance as specified herein and provide the State a current Certificate of Insurance/Acord Form (COI) verifying the coverage. The Contractor shall not commence work on the contract until the insurance is in place. If Contractor subcontracts any portion of the Contract the Contractor must, throughout the term of the contract, either:

1. Provide equivalent insurance for each subcontractor and provide a COI verifying the coverage for the subcontractor;
2. Require each subcontractor to have equivalent insurance and provide written notice to the State that the Contractor has verified that each subcontractor has the required coverage; or,
3. Provide the State with copies of each subcontractor's Certificate of Insurance evidencing the required coverage.

The Contractor shall not allow any Subcontractor to commence work until the Subcontractor has equivalent insurance. The failure of the State to require a COI, or the failure of the Contractor to provide a COI or require subcontractor insurance shall not limit, relieve, or decrease the liability of the Contractor hereunder.

In the event that any policy written on a claims-made basis terminates or is canceled during the term of the contract or within one (1) year of termination or expiration of the contract, the contractor shall obtain an extended discovery

or reporting period, or a new insurance policy, providing coverage required by this contract for the term of the contract and one (1) year following termination or expiration of the contract.

If by the terms of any insurance a mandatory deductible is required, or if the Contractor elects to increase the mandatory deductible amount, the Contractor shall be responsible for payment of the amount of the deductible in the event of a paid claim.

Notwithstanding any other clause in this Contract, the State may recover up to the liability limits of the insurance policies required herein.

**1. WORKERS' COMPENSATION INSURANCE**

The Contractor shall take out and maintain during the life of this contract the statutory Workers' Compensation and Employer's Liability Insurance for all of the contractors' employees to be engaged in work on the project under this contract and, in case any such work is sublet, the Contractor shall require the Subcontractor similarly to provide Worker's Compensation and Employer's Liability Insurance for all of the Subcontractor's employees to be engaged in such work. This policy shall be written to meet the statutory requirements for the state in which the work is to be performed, including Occupational Disease. **The policy shall include a waiver of subrogation in favor of the State. The COI shall contain the mandatory COI subrogation waiver language found hereinafter.** The amounts of such insurance shall not be less than the limits stated hereinafter. For employees working in the State of Nebraska, the policy must be written by an entity authorized by the State of Nebraska Department of Insurance to write Workers' Compensation and Employer's Liability Insurance for Nebraska employees.

**2. COMMERCIAL GENERAL LIABILITY INSURANCE AND COMMERCIAL AUTOMOBILE LIABILITY INSURANCE**

The Contractor shall take out and maintain during the life of this contract such Commercial General Liability Insurance and Commercial Automobile Liability Insurance as shall protect Contractor and any Subcontractor performing work covered by this contract from claims for damages for bodily injury, including death, as well as from claims for property damage, which may arise from operations under this contract, whether such operation be by the Contractor or by any Subcontractor or by anyone directly or indirectly employed by either of them, and the amounts of such insurance shall not be less than limits stated hereinafter.

The Commercial General Liability Insurance shall be written on an **occurrence basis**, and provide Premises/Operations, Products/Completed Operations, Independent Contractors, Personal Injury, and Contractual Liability coverage. **The policy shall include the State, and others as required by the contract documents, as Additional Insured(s). This policy shall be primary, and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory. The COI shall contain the mandatory COI liability waiver language found hereinafter.** The Commercial Automobile Liability Insurance shall be written to cover all Owned, Non-owned, and Hired vehicles.

<b>REQUIRED INSURANCE COVERAGE</b>	
<b>COMMERCIAL GENERAL LIABILITY</b>	
General Aggregate	\$1,000,000 per occurrence / \$2,000,000 aggregate
Products/Completed Operations Aggregate	\$2,000,000
Personal/Advertising Injury	\$1,000,000 per occurrence
Bodily Injury/Property Damage	\$1,000,000 per occurrence
Medical Payments	\$10,000 any one person
Damage to Rented Premises (Fire)	\$300,000 each occurrence
Contractual	Included
Independent Contractors	Included
<i>If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.</i>	
<b>WORKER'S COMPENSATION</b>	
Employers Liability Limits	\$500K/\$500K/\$500K
Statutory Limits- All States	Statutory - State of Nebraska
Voluntary Compensation	Statutory
<b>COMMERCIAL AUTOMOBILE LIABILITY</b>	
Bodily Injury/Property Damage	\$1,000,000 combined single limit
Include All Owned, Hired & Non-Owned Automobile liability	Included
Motor Carrier Act Endorsement	Where Applicable
<b>UMBRELLA/EXCESS LIABILITY</b>	
Over Primary Insurance	\$3,000,000 per occurrence
<b>PROFESSIONAL LIABILITY</b>	
Professional liability (Medical Malpractice)	Limits consistent with Nebraska Medical Malpractice Cap
Qualification Under Nebraska Excess Fund	
All Other Professional Liability (Errors & Omissions)	\$10,000,000 Per Claim / \$20,000,000 Aggregate
<b>COMMERCIAL CRIME</b>	
Crime/Employee Dishonesty Including 3rd Party Fidelity	\$2,000,000
<b>CYBER LIABILITY</b>	
Breach of Privacy, Security Breach, Denial of Service, Remediation, Fines and Penalties	\$2,000,000
<b>MANDATORY COI SUBROGATION WAIVER LANGUAGE</b>	
"Workers' Compensation policy shall include a waiver of subrogation in favor of the State of Nebraska."	
<b>MANDATORY COI LIABILITY WAIVER LANGUAGE</b>	
"Commercial General Liability & Commercial Automobile Liability policies shall name the State of Nebraska as an Additional Insured and the policies shall be primary and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory as additionally insured."	

If the mandatory COI subrogation waiver language or mandatory COI liability waiver language on the COI states that the waiver is subject to, condition upon, or otherwise limit by the insurance policy, a copy of the relevant sections of the policy must be submitted with the COI so the State can review the limitations imposed by the insurance policy.

### 3. EVIDENCE OF COVERAGE

The Contractor shall furnish the Contract Manager, with a certificate of insurance coverage complying with the above requirements prior to beginning work at:

Department of Administrative Services  
Employee Wellness and Benefits  
Attn: Contract Manager  
1526 K Street, Suite 110  
Lincoln, NE 68508

These certificates or the cover sheet shall reference the RFP number, and the certificates shall include the name of the company, policy numbers, effective dates, dates of expiration, and amounts and types of coverage afforded. If the State is damaged by the failure of the Contractor to maintain such insurance, then the Contractor shall be responsible for all reasonable costs properly attributable thereto.

Reasonable notice of cancellation of any required insurance policy must be submitted to the contract manager as listed above when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

**4. DEVIATIONS**

The insurance requirements are subject to limited negotiation. Negotiation typically includes, but is not necessarily limited to, the correct type of coverage, necessity for Workers' Compensation, and the type of automobile coverage carried by the Contractor.

**H. ANTITRUST**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The Contractor hereby assigns to the State any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under antitrust laws of the United States and the antitrust laws of the State.

**I. CONFLICT OF INTEREST**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

By submitting a proposal, bidder certifies that there does not now exist a relationship between the bidder and any person or entity which is or gives the appearance of a conflict of interest related to this RFP or project. The bidder certifies that it shall not take any action or acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its services hereunder or which creates an actual or an appearance of conflict of interest. The bidder certifies that it will not knowingly employ any individual known by bidder to have a conflict of interest.

The Parties shall not knowingly, for a period of two years after execution of the contract, recruit or employ any employee or agent of the other Party who has worked on the RFP or project, or who had any influence on decisions affecting the RFP or project.

**J. SITE RULES AND REGULATIONS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The Contractor shall use its best efforts to ensure that its employees, agents, and Subcontractors comply with site rules and regulations while on State premises. If the Contractor must perform on-site work outside of the daily operational hours set forth by the State, it must make arrangements with the State to ensure access to the facility

and the equipment has been arranged. No additional payment will be made by the State on the basis of lack of access, unless the State fails to provide access as agreed to in writing between the State and the Contractor.

**K. ADVERTISING**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The Contractor agrees not to refer to the contract award in advertising in such a manner as to state or imply that the company or its services are endorsed or preferred by the State. Any publicity releases pertaining to the project shall not be issued without prior written approval from the State.

**L. NEBRASKA TECHNOLOGY ACCESS STANDARDS (Statutory)**

Contractor shall review the Nebraska Technology Access Standards, found at <http://nitc.nebraska.gov/standards/2-201.html> and ensure that products and/or services provided under the contract are in compliance or will comply with the applicable standards to the greatest degree possible. In the event such standards change during the Contractor's performance, the State may create an amendment to the contract to request the contract comply with the changed standard at a cost mutually acceptable to the parties.

**M. DISASTER RECOVERY/BACK UP PLAN**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The Contractor shall have a disaster recovery and back-up plan, of which a copy should be provided upon request to the State, which includes, but is not limited to equipment, personnel, facilities, and transportation, in order to continue services as specified under the specifications in the contract in the event of a disaster.

**N. DRUG POLICY**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

Contractor certifies it maintains a drug free work place environment to ensure worker safety and workplace integrity. Contractor agrees to provide a copy of its drug free workplace policy at any time upon request by the State.

**IV. PAYMENT**

**A. PROHIBITION AGAINST ADVANCE PAYMENT (Statutory)**

Payments shall not be made until contractual deliverable(s) are received and accepted by the State.

**B. TAXES (Statutory)**

The State is not required to pay taxes and assumes no such liability as a result of this solicitation. Any property tax payable on the Contractor's equipment which may be installed in a state-owned facility is the responsibility of the Contractor.

**C. INVOICES**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment. Invoices should be sent to Department of Administrative Services, Employee Wellness and Benefits, 1526 K Street, Suite 110, Lincoln, NE 68508.

The invoice must contain the State's Account number and or ID number and the Coverage Period being billed. The invoice must list each plan and rates for the plans. Premiums are deducted via payroll on a Bi-Weekly and/or Monthly basis. After the close of business each month the total premiums deducted are paid to the Contractor via ACH payment. Premiums are not paid in advance. Example, August premiums would not be paid to the Contractor until after close of business on August 31st. In the example above, the 45 days starts on September 1st. As premiums are sent via ACH an Excel or PDF Report will be generated and provided to the Contractor by the State as backup documentation for the premiums paid. The report is produced manually and date of completion may vary from month to month.

The terms and conditions included in the Contractor's invoice shall be deemed to be solely for the convenience of the parties. No terms or conditions of any such invoice shall be binding upon the State, and no action by the State, including without limitation the payment of any such invoice in whole or in part, shall be construed as binding or estopping the State with respect to any such term or condition, unless the invoice term or condition has been previously agreed to by the State as an amendment to the contract.

**D. INSPECTION AND APPROVAL**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

Final inspection and approval of all work required under the contract shall be performed by the designated State officials.

The State and/or its authorized representatives shall have the right to enter any premises where the Contractor or Subcontractor duties under the contract are being performed, and to inspect, monitor or otherwise evaluate the work being performed. All inspections and evaluations shall be at reasonable times and in a manner that will not unreasonably delay work.

**E. PAYMENT**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

State will render payment to Contractor when the terms and conditions of the contract and specifications have been satisfactorily completed on the part of the Contractor as solely determined by the State. (Neb. Rev. Stat. Section 73-506(1)) Payment will be made by the responsible agency in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408). The State may require the Contractor to accept payment by electronic means such as ACH deposit. In no event shall the State be responsible or liable to pay for any services provided by the Contractor prior to the Effective Date of the contract, and the Contractor hereby waives any claim or cause of action for any such services.

**F. LATE PAYMENT (Statutory)**

The Contractor may charge the responsible agency interest for late payment in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2401 through 81-2408).

**G. SUBJECT TO FUNDING / FUNDING OUT CLAUSE FOR LOSS OF APPROPRIATIONS**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
AH			

The State's obligation to pay amounts due on the Contract for a fiscal years following the current fiscal year is contingent upon legislative appropriation of funds. Should said funds not be appropriated, the State may terminate the contract with respect to those payments for the fiscal year(s) for which such funds are not appropriated. The State will give the Contractor written notice thirty (30) calendar days prior to the effective date of termination. All obligations of the State to make payments after the termination date will cease. The Contractor shall be entitled to receive just and equitable compensation for any authorized work which has been satisfactorily completed as of the termination date. In no event shall the Contractor be paid for a loss of anticipated profit.

**H. RIGHT TO AUDIT (First Paragraph is Statutory)**

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		AH	Your audit of our records will be limited to financial and administrative records directly related to the Policies and will not include any employee personal health information or other information to which access is limited by applicable law, nor will it include any onsite audits.

The State shall have the right to audit the Contractor's performance of this contract upon a 30 days' written notice. Contractor shall utilize generally accepted accounting principles, and shall maintain the accounting records, and other records and information relevant to the contract (Information) to enable the State to audit the contract. The State may audit and the Contractor shall maintain, the Information during the term of the contract and for a period of five (5) years after the completion of this contract or until all issues or litigation are resolved, whichever is later. The Contractor shall make the Information available to the State at Contractor's place of business or a location acceptable to both Parties during normal business hours. If this is not practical or the Contractor so elects, the Contractor may provide

electronic or paper copies of the Information. The State reserves the right to examine, make copies of, and take notes on any Information relevant to this contract, regardless of the form or the Information, how it is stored, or who possesses the Information. Under no circumstance will the Contractor be required to create or maintain documents not kept in the ordinary course of contractor's business operations, nor will contractor be required to disclose any information, including but not limited to product cost data, which is confidential or proprietary to contractor.

~~The Parties shall pay their own costs of the audit unless the audit finds a previously undisclosed overpayment by the State. If a previously undisclosed overpayment exceeds one half of one percent (.5%) of the total contract billings, or if fraud, material misrepresentations, or non-performance is discovered on the part of the Contractor, the Contractor shall reimburse the State for the total costs of the audit. Overpayments and audit costs owed to the State shall be paid within ninety days of written notice of the claim. The Contractor agrees to correct any material weaknesses or condition found as a result of the audit.~~

## V. PROJECT DESCRIPTION AND SCOPE OF WORK

### A. PROJECT OVERVIEW

The State of Nebraska ("the State"), through Administrative Services, provides State employees access to life insurance. The State is seeking proposals from qualified life insurance companies to provide a fully-insured Life Insurance Plans for the State of Nebraska employees for approximately 16,125 eligible state employees effective on July 1, 2019. The State is committed to offering a life insurance program which promotes cost-effective services. The current provider is Aetna under Contract 55660 Q4.

The State's objectives are:

1. Minimize the cost and rate of future rate increases.
2. Improve employee satisfaction with the life insurance program.
3. Establish performance targets to assess and monitor carrier's performance.
4. Provide portability and conversion provisions to employees.

### B. PROJECT ENVIRONMENT

The State provides eligible permanent full-time employees with a basic life insurance benefit of \$20,000 at no cost to the employee and to eligible permanent part-time employees for a minimal monthly charge. It is mandatory for all full-time employees to enroll for the \$20,000 basic life insurance. Part-time employees have the option to choose to enroll in the coverage.

At the employees' expense, the State makes Supplemental Life Insurance (Employee), Supplemental Life Insurance (Dependent) and Accidental Death and Dismemberment (AD&D) insurance available to all eligible permanent and part-time employees.

Employees currently may purchase supplemental life in the amount of .5x, 1x, 1.5x, 2x, 3x, 4x and 5x their annual salary.

Eligible employees may elect supplemental life insurance for their spouse and dependent child(ren) up to age 26. The plan must offer two dependent life options to choose from and both include coverage for spouse and or child(ren). Eligible employees must be enrolled in Basic Life to elect Supplemental Life and AD&D insurance.

Currently a Waiver of Premium is in place. Contractor must provide a conversion option available for any employee that leaves employment and wants to take their current coverage with them. The employee will be responsible for the cost. (The cost will not be related to group coverage with the State.)

Employees who have been approved for the life waiver of premium prior to the effective date of July 1, 2019, will remain the liability of the current life insurance company.

The current insurance plan includes coverage for three State of Nebraska employee groups: Active Nebraska Department of Labor (NDOL) employees employed prior to July 1, 1991; Retired NDOL employees; and all other Eligible Permanent Employees with the State of Nebraska. Group life benefits vary by these groups as described in Attachment B: Plan Structure – Basic and Supplemental.

The Contractor must offer the exact same current plan to the NDOL employees due to NDOL employees being grandfathered into the Plan. There will not be any new enrollees added to this group.

Of the State's approximately 16,125 eligible permanent employees, approximately 15,158 are enrolled in the current basic life plan. The State maintains the same life insurance plans for employees under the labor contract as it does for those who are not covered under the labor contract. The premium contribution for Supplemental Life Insurance (Employee), Supplemental Life Insurance (Dependent) and Accidental Death and Dismemberment (AD&D) insurance is 100% by the employee.

A census with the current participation in both basic and supplemental life is available in Attachment C: Census Report. The current rates have been in effect since July 1, 2013. The Current Rate Structure – Supplemental Life, Dependent Life and AD&D can be found in Attachment D: Current Rates. Claim Experience and Premium History can be found in Attachment E.

### C. CONTRACTOR REQUIREMENTS

Bidder to complete Attachment A: Contractor Requirements Matrix

## **VI. PROPOSAL INSTRUCTIONS**

This section documents the requirements that should be met by bidders in preparing the Technical and Cost Proposal. Bidders should identify the subdivisions of "Project Description and Scope of Work" clearly in their proposals; failure to do so may result in disqualification. Failure to respond to a specific requirement may be the basis for elimination from consideration during the State's comparative evaluation.

Proposals are due by the date and time shown in the Schedule of Events. Content requirements for the Technical and Cost Proposal are presented separately in the following subdivisions; format and order:

### **A. PROPOSAL SUBMISSION**

#### **1. REQUEST FOR PROPOSAL FORM**

By signing the "RFP for Contractual Services" form, the bidder guarantees compliance with the provisions stated in this RFP, agrees to the Terms and Conditions stated in this RFP unless otherwise agreed to, and certifies bidder maintains a drug free work place environment.

The RFP for Contractual Services form must be signed using an indelible method (not electronically) and returned per the schedule of events in order to be considered for an award.

Sealed proposals must be received in the State Purchasing Bureau by the date and time of the proposal opening per the Schedule of Events. No late proposals will be accepted. No electronic, e-mail, fax, voice, or telephone proposals will be accepted.

It is the responsibility of the bidder to check the website for all information relevant to this solicitation to include addenda and/or amendments issued prior to the opening date. Website address is as follows: <http://das.nebraska.gov/materiel/purchasing.html>

Further, Sections II through VII must be completed and returned with the proposal response.

#### **2. CORPORATE OVERVIEW**

The Corporate Overview section of the Technical Proposal should consist of the following subdivisions:

##### **a. BIDDER IDENTIFICATION AND INFORMATION**

The bidder should provide the full company or corporate name, address of the company's headquarters, entity organization (corporation, partnership, proprietorship), state in which the bidder is incorporated or otherwise organized to do business, year in which the bidder first organized to do business and whether the name and form of organization has changed since first organized.

##### **b. FINANCIAL STATEMENTS**

The bidder should provide financial statements applicable to the firm. If publicly held, the bidder should provide a copy of the corporation's most recent audited financial reports and statements, and the name, address, and telephone number of the fiscally responsible representative of the bidder's financial or banking organization.

If the bidder is not a publicly held corporation, either the reports and statements required of a publicly held corporation, or a description of the organization, including size, longevity, client base, areas of specialization and expertise, and any other pertinent information, should be submitted in such a manner that proposal evaluators may reasonably formulate a determination about the stability and financial strength of the organization. Additionally, a non-publicly held firm should provide a banking reference.

The bidder must disclose any and all judgments, pending or expected litigation, or other real or potential financial reversals, which might materially affect the viability or stability of the organization, or state that no such condition is known to exist.

The State may elect to use a third party to conduct credit checks as part of the corporate overview evaluation.

##### **c. CHANGE OF OWNERSHIP**

If any change in ownership or control of the company is anticipated during the twelve (12) months following the proposal due date, the bidder should describe the circumstances of such change

and indicate when the change will likely occur. Any change of ownership to an awarded vendor(s) will require notification to the State.

**d. OFFICE LOCATION**

The bidder's office location responsible for performance pursuant to an award of a contract with the State of Nebraska should be identified.

**e. RELATIONSHIPS WITH THE STATE**

The bidder should describe any dealings with the State over the previous three (3) years. If the organization, its predecessor, or any Party named in the bidder's proposal response has contracted with the State, the bidder should identify the contract number(s) and/or any other information available to identify such contract(s). If no such contracts exist, so declare.

**f. BIDDER'S EMPLOYEE RELATIONS TO STATE**

If any Party named in the bidder's proposal response is or was an employee of the State within the past two (2) years, identify the individual(s) by name, State agency with whom employed, job title or position held with the State, and separation date. If no such relationship exists or has existed, so declare.

If any employee of any agency of the State of Nebraska is employed by the bidder or is a Subcontractor to the bidder, as of the due date for proposal submission, identify all such persons by name, position held with the bidder, and position held with the State (including job title and agency). Describe the responsibilities of such persons within the proposing organization. If, after review of this information by the State, it is determined that a conflict of interest exists or may exist, the bidder may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

**g. CONTRACT PERFORMANCE**

If the bidder or any proposed Subcontractor has had a contract terminated for default during the past three (3) years, all such instances must be described as required below. Termination for default is defined as a notice to stop performance delivery due to the bidder's non-performance or poor performance, and the issue was either not litigated due to inaction on the part of the bidder or litigated and such litigation determined the bidder to be in default.

It is mandatory that the bidder submit full details of all termination for default experienced during the past three (3) years, including the other Party's name, address, and telephone number. The response to this section must present the bidder's position on the matter. The State will evaluate the facts and will score the bidder's proposal accordingly. If no such termination for default has been experienced by the bidder in the past three (3) years, so declare.

If at any time during the past three (3) years, the bidder has had a contract terminated for convenience, non-performance, non-allocation of funds, or any other reason, describe fully all circumstances surrounding such termination, including the name and address of the other contracting Party.

**h. SUMMARY OF BIDDER'S CORPORATE EXPERIENCE**

The bidder should provide a summary matrix listing the bidder's previous projects similar to this RFP in size, scope, and complexity. The State will use no more than three (3) narrative project descriptions submitted by the bidder during its evaluation of the proposal.

The bidder should address the following:

**i.** Provide narrative descriptions to highlight the similarities between the bidder's experience and this RFP. These descriptions should include:

- a)** The time period of the project;
- b)** The scheduled and actual completion dates;
- c)** The Contractor's responsibilities;
- d)** For reference purposes, a customer name (including the name of a contact person, a current telephone number, a facsimile number, and e-mail address); and
- e)** Each project description should identify whether the work was performed as the prime Contractor or as a Subcontractor. If a bidder performed as the prime Contractor, the description should provide the originally scheduled completion

date and budget, as well as the actual (or currently planned) completion date and actual (or currently planned) budget.

- ii. Contractor and Subcontractor(s) experience should be listed separately. Narrative descriptions submitted for Subcontractors should be specifically identified as Subcontractor projects.
- iii. If the work was performed as a Subcontractor, the narrative description should identify the same information as requested for the Contractors above. In addition, Subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a Subcontractor.

**i. SUMMARY OF BIDDER'S PROPOSED PERSONNEL/MANAGEMENT APPROACH**

The bidder should present a detailed description of its proposed approach to the management of the project.

The bidder should identify the specific professionals who will work on the State's project if their company is awarded the contract resulting from this RFP. The names and titles of the team proposed for assignment to the State project should be identified in full, with a description of the team leadership, interface and support functions, and reporting relationships. The primary work assigned to each person should also be identified.

The bidder should provide resumes for all personnel proposed by the bidder to work on the project. The State will consider the resumes as a key indicator of the bidder's understanding of the skill mixes required to carry out the requirements of the RFP in addition to assessing the experience of specific individuals.

Resumes should not be longer than three (3) pages. Resumes should include, at a minimum, academic background and degrees, professional certifications, understanding of the process, and at least three (3) references (name, address, and telephone number) who can attest to the competence and skill level of the individual. Any changes in proposed personnel shall only be implemented after written approval from the State.

**j. SUBCONTRACTORS**

If the bidder intends to Subcontract any part of its performance hereunder, the bidder should provide:

- i. name, address, and telephone number of the Subcontractor(s);
- ii. specific tasks for each Subcontractor(s);
- iii. percentage of performance hours intended for each Subcontract; and
- iv. total percentage of Subcontractor(s) performance hours.

**3. TECHNICAL APPROACH**

The technical approach section of the Technical Proposal should consist of the following subsections:

- a. Understanding of the project requirements;
- b. Proposed development approach;
- c. Technical considerations;
- d. Detailed project work plan; and
- e. Deliverables and due dates.

## **VII. COST PROPOSAL REQUIREMENTS**

This section describes the requirements to be addressed by bidders in preparing the State's Cost Sheet. The bidder must use the State's Cost Sheet. The bidder should submit the State's Cost Sheet in accordance with Section I Submission of Proposal.

**THE STATE'S COST SHEET AND ANY OTHER COST DOCUMENT SUBMITTED WITH THE PROPOSAL SHALL NOT BE CONSIDERED CONFIDENTIAL OR PROPRIETARY AND IS CONSIDERED A PUBLIC RECORD IN THE STATE OF NEBRASKA AND WILL BE POSTED TO A PUBLIC WEBSITE.**

### **A. COST SHEET**

This summary shall present the total fixed price to perform all of the requirements of the RFP. The bidder must include details in the State's Cost Sheet supporting any and all costs.

The State reserves the right to review all aspects of cost for reasonableness and to request clarification of any proposal where the cost component shows significant and unsupported deviation from industry standards or in areas where detailed pricing is required.

### **B. PRICES**

Prices quoted shall be net, including transportation and delivery charges fully prepaid by the bidder, F.O.B. destination named in the RFP. No additional charges will be allowed for packing, packages, or partial delivery costs. When an arithmetic error has been made in the extended total, the unit price will govern.

# Certificate of Liability

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**ADDITIONAL REMARKS SCHEDULE**

AGENCY MARSH USA, INC.		NAMED INSURED Voya Financial, Inc. 230 Park Avenue New York, NY 10169	
POLICY NUMBER		EFFECTIVE DATE:	
CARRIER	NAIC CODE		

**ADDITIONAL REMARKS**

**THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,  
 FORM NUMBER: 25 FORM TITLE: Certificate of Liability Insurance**

Policy Period: 05/02/2018 - 05/02/2019

Primary Coverage

Network Security & Privacy Liability

Carrier: Illinois National Insurance Company

Policy Number: 01-420-03-80

Limit: \$15,000,000 each claim & in the aggregate

Retention: \$2,500,000

Policy Period: 05/02/2018 - 05/02/2019

Excess Network Security & Privacy Liability Coverage

Carrier: Greenwich Insurance Company

Policy No.: MTE 9032207 03

Limit: \$10,000,000 each claim and in the aggregate (\$10M x \$15M)

Carrier: Axis Insurance Company

Policy No.: MNN 787272/01/2018

Limit: \$10,000,000 each claim and in the aggregate (\$10M x \$25M)

Carrier: Berkshire Hathaway Specialty Insurance Company

Policy No. 47-EPP-302483-03

Effective Date: May 2, 2018 - May 2, 2019

Limit: \$10,000,000 each claim and in the aggregate

Carrier: Freedom Specialty Insurance Company

Policy No. XMF1602277

Effective Date: May 2, 2018 - May 2, 2019

Limit: \$10,000,000 each claim and in the aggregate

Carrier: Markel American Insurance Company

Policy No. MKLM7PL0001540

Effective Date: May 2, 2018 - May 2, 2019

Limit: \$10,000,000 each claim and in the aggregate

Carrier: Illinois National Insurance Company

Policy No. 01-417-83-78

Effective Date: May 2, 2018 - May 2, 2019

Limit: \$10,000,000 each claim and in the aggregate

Carrier: Berkley Insurance Company

Policy No. BCRS2-2000006-01

Effective Date: May 2, 2018 - May 2, 2019

Limit: \$5,000,000 each claim and in the aggregate

Carrier: Lloyd's Of London

Policy No. TBD

Effective Date: May 2, 2018 - May 2, 2019

Limit: \$20,000,000 each claim and in the aggregate





## Request for Taxpayer Identification Number and Certification

**Give Form to the  
 requester. Do not  
 send to the IRS.**

▶ Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

**1** Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.  
**ReliaStar Life Insurance Company**

**2** Business name/disregarded entity name, if different from above

**3** Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

Individual/sole proprietor or single-member LLC     C Corporation     S Corporation     Partnership     Trust/estate

Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ \_\_\_\_\_

**Note:** Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

Other (see instructions) ▶ \_\_\_\_\_

**4** Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) 5

Exemption from FATCA reporting code (if any) \_\_\_\_\_

(Applies to accounts maintained outside the U.S.)

**5** Address (number, street, and apt. or suite no.) See instructions.  
**5780 Powers Ferry Rd, NW**

**6** City, state, and ZIP code  
**Atlanta, GA 30327**

**7** List account number(s) here (optional)

Requester's name and address (optional)

Print or type.  
See Specific Instructions on page 3.

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

**Note:** If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

**Social security number**

				-			-				
--	--	--	--	---	--	--	---	--	--	--	--

**or**

**Employer identification number**

4	1	-	0	4	5	1	1	4	0
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### Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

**Sign Here**    Signature of U.S. person ▶ *Tommy Aul*    Date ▶ 12/29/17

### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9).

### Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

*If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.*



# Form A – Bidder Contact Sheet

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**Form A**  
**Bidder Contact Sheet**  
**Request for Proposal Number 5953 Z1**

Form A should be completed and submitted with each response to this RFP. This is intended to provide the State with information on the bidder's name and address, and the specific person(s) who are responsible for preparation of the bidder's response.

Preparation of Response Contact Information	
Bidder Name:	<b>ReliaStar Life Insurance Company</b>
Bidder Address:	<b>20 Washington Avenue South Minneapolis, MN 55401</b>
Contact Person & Title:	<b>Brett Lane, Senior Sales Representative Ben LaBathe, Director of National Account Sales Eastern Region</b>
E-mail Address:	<a href="mailto:Brett.Lane@Voya.com">Brett.Lane@Voya.com</a> <a href="mailto:Ben.LaBathe@Voya.com">Ben.LaBathe@Voya.com</a>
Telephone Number (Office):	<b>Brett Lane: (913) 661-3746 Ben LaBathe (612) 342-7944</b>
Telephone Number (Cellular):	<b>Brett Lane: (913) 991-1133 Ben LaBathe: (952)738-1603</b>
Fax Number:	<b>(913) 661-3740</b>

Each bidder should also designate a specific contact person who will be responsible for responding to the State if any clarifications of the bidder's response should become necessary. This will also be the person who the State contacts to set up a presentation/demonstration, if required.

Communication with the State Contact Information	
Bidder Name:	<b>ReliaStar Life Insurance Company</b>
Bidder Address:	<b>20 Washington Avenue South Minneapolis, MN 55401</b>
Contact Person & Title:	<b>Brett Lane, Senior Sales Representative Ben LaBathe, Director of National Account Sales Eastern Region</b>
E-mail Address:	<a href="mailto:Brett.Lane@Voya.com">Brett.Lane@Voya.com</a> <a href="mailto:Ben.LaBathe@Voya.com">Ben.LaBathe@Voya.com</a>
Telephone Number (Office):	<b>Brett Lane: (913) 661-3746 Ben LaBathe (612) 342-7944</b>
Telephone Number (Cellular):	<b>Brett Lane: (913) 991-1133 Ben LaBathe: (952)738-1603</b>
Fax Number:	<b>(913) 661-3740</b>



# Request for Proposal for Contractual Services Form

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## REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES FORM

### BIDDER MUST COMPLETE THE FOLLOWING

By signing this Request for Proposal for Contractual Services form, the bidder guarantees compliance with the procedures stated in this Request for Proposal, and agrees to the terms and conditions unless otherwise indicated in writing and certifies that bidder maintains a drug free work place.

Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

\_\_\_\_ NEBRASKA CONTRACTOR AFFIDAVIT: Bidder hereby attests that bidder is a Nebraska Contractor. "Nebraska Contractor" shall mean any bidder who has maintained a bona fide place of business and at least one employee within this state for at least the six (6) months immediately preceding the posting date of this RFP.

\_\_\_\_ I hereby certify that I am a Resident disabled veteran or business located in a designated enterprise zone in accordance with Neb. Rev. Stat. § 73-107 and wish to have preference, if applicable, considered in the award of this contract.

\_\_\_\_ I hereby certify that I am a blind person licensed by the Commission for the Blind & Visually Impaired in accordance with Neb. Rev. Stat. §71-8611 and wish to have preference considered in the award of this contract.

### FORM MUST BE SIGNED USING AN INDELIBLE METHOD (NOT ELECTRONICALLY)

FIRM:	ReliaStar Life Insurance Company
COMPLETE ADDRESS:	20 Washington Avenue South Minneapolis, MN 55401
TELEPHONE NUMBER:	(913) 661-3746
FAX NUMBER:	(913) 661-3740
DATE:	11-29-2018
SIGNATURE:	
TYPED NAME & TITLE OF SIGNER:	Amy Hall, Vice President

