GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

Consolidated Financial Statements

Years Ended December 31, 2017, 2016 and 2015

(With Report of Independent Registered Public Accounting Firm Thereon)

Genworth Life and Annuity Insurance Company and Subsidiaries

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Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of Directors
Genworth Life and Annuity Insurance Company:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Genworth Life and Annuity Insurance Company and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), changes in stockholder's equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("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 and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1996.

Richmond, Virginia
April 20, 2018

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share and per share amounts)

	December 31, 2017	December 31, 2016
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value	$13,035.0	$12,409.7
Equity securities available-for-sale, at fair value	64.2	53.3
Commercial mortgage loans	1,774.6	1,623.1
Policy loans	527.4	529.1
Other invested assets	898.1	1,146.6
Total investments	16,299.3	15,761.8
Cash and cash equivalents	542.1	484.4
Accrued investment income	132.5	130.5
Deferred acquisition costs	1,633.9	1,956.1
Intangible assets	115.6	187.0
Reinsurance recoverable	7,218.4	7,490.0
Other assets	540.9	524.4
Separate account assets	6,659.9	6,704.4
Total assets	$33,142.6	$33,238.6
Liabilities and stockholder's equity		
Liabilities:		
Future policy benefits	$ 8,626.6	$ 8,859.1
Policyholder account balances	12,057.7	11,953.3
Liability for policy and contract claims	298.3	267.6
Unearned premiums	5.1	5.8
Other liabilities	388.7	420.5
Non-recourse funding obligations	310.6	310.4
Deferred tax liability	526.7	902.8
Separate account liabilities	6,659.9	6,704.4
Total liabilities	28,873.6	29,423.9
Commitments and contingencies		
Stockholder's equity:		
Common stock ($1,000 par value, 50,000 shares authorized, 25,651 shares issued and outstanding)	25.6	25.6
Additional paid-in capital	4,960.5	4,900.8
Accumulated other comprehensive income (loss):		
Net unrealized investment gains (losses):		
Net unrealized gains (losses) on securities not other-than-temporarily impaired	268.7	240.6
Net unrealized gains (losses) on other-than-temporarily impaired securities	1.4	1.5
Net unrealized investment gains (losses)	270.1	242.1
Derivatives qualifying as hedges	77.9	72.5
Total accumulated other comprehensive income (loss)	348.0	314.6
Retained deficit	(1,065.1)	(1,426.3)
Total stockholder's equity	4,269.0	3,814.7
Total liabilities and stockholder's equity	$33,142.6	$33,238.6

See Accompanying Notes to Consolidated Financial Statements

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in millions)

	Years ended December 31,		
	2017	2016	2015
Revenues:			
Premiums	$ 310.0	$ 13.6	$ 540.9
Net investment income	680.1	686.5	706.4
Net investment gains (losses)	(7.7)	26.9	(74.8)
Policy fees and other income	713.0	1,444.2	804.1
Total revenues	1,695.4	2,171.2	1,976.6
Benefits and expenses:			
Benefits and other changes in policy reserves	1,107.8	1,098.4	1,195.8
Interest credited	280.3	305.4	318.9
Acquisition and operating expenses, net of deferrals	163.3	542.6	274.8
Amortization of deferred acquisition costs and intangibles	222.6	298.8	670.1
Interest expense	12.8	39.2	94.4
Total benefits and expenses	1,786.8	2,284.4	2,554.0
Loss before income taxes and equity in net income of unconsolidated subsidiary	(91.4)	(113.2)	(577.4)
Benefit for income taxes	(382.3)	(34.6)	(211.2)
Net income (loss) before equity in net income of unconsolidated subsidiary	290.9	(78.6)	(366.2)
Equity in net income of unconsolidated subsidiary	70.3	37.5	18.4
Net income (loss)	$ 361.2	$ (41.1)	$ (347.8)
Supplemental disclosures:			
Total other-than-temporary impairments	$ (1.0)	$ (2.8)	$ (10.7)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	—	(0.3)	—
Net other-than-temporary impairments	(1.0)	(3.1)	(10.7)
Other investment gains (losses)	(6.7)	30.0	(64.1)
Total net investment gains (losses)	$ (7.7)	$ 26.9	$ (74.8)

See Accompanying Notes to Consolidated Financial Statements

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in millions)

	Years ended December 31,		
	2017	2016	2015
Net income (loss)	$361.2	$(41.1)	$(347.8)
Other comprehensive income (loss), net of taxes:			
Net unrealized gains (losses) on securities not other-than-temporarily impaired	28.1	64.8	(222.6)
Net unrealized gains (losses) on other-than-temporarily impaired securities	(0.1)	(0.4)	(0.3)
Derivatives qualifying as hedges	5.4	4.2	4.7
Total other comprehensive income (loss)	33.4	68.6	(218.2)
Total comprehensive income (loss)	$394.6	$ 27.5	$(566.0)

See Accompanying Notes to Consolidated Financial Statements

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(Amounts in millions)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained deficit	Total stockholder's equity
Balances as of December 31, 2014	$25.6	$4,840.9	$ 464.2	$ (935.8)	$4,394.9
Comprehensive income (loss):					
Net loss	—	—	—	(347.8)	(347.8)
Net unrealized gains (losses) on securities not other- than-temporarily impaired	—	—	(222.6)	—	(222.6)
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	—	(0.3)	—	(0.3)
Derivatives qualifying as hedges	—	—	4.7	—	4.7
Total comprehensive income (loss)					(566.0)
Dividends	—	—	—	(40.5)	(40.5)
Other transactions with stockholder	—	—	—	(24.5)	(24.5)
Balances as of December 31, 2015	25.6	4,840.9	246.0	(1,348.6)	3,763.9
Comprehensive income (loss):					
Net loss	—	—	—	(41.1)	(41.1)
Net unrealized gains (losses) on securities not other- than-temporarily impaired	—	—	64.8	—	64.8
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	—	(0.4)	—	(0.4)
Derivatives qualifying as hedges	—	—	4.2	—	4.2
Total comprehensive income (loss)					27.5
Reinsurance recaptures with stockholder	—	59.9	—	—	59.9
Other transactions with stockholder	—	—	—	(36.6)	(36.6)
Balances as of December 31, 2016	25.6	4,900.8	314.6	(1,426.3)	3,814.7
Comprehensive income (loss):					
Net income	—	—	—	361.2	361.2
Net unrealized gains (losses) on securities not other- than-temporarily impaired	—	—	28.1	—	28.1
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	—	(0.1)	—	(0.1)
Derivatives qualifying as hedges	—	—	5.4	—	5.4
Total comprehensive income (loss)					394.6
Reinsurance transactions with stockholder	—	57.2	—	—	57.2
Other transactions with stockholder	—	2.5	—	—	2.5
Balances as of December 31, 2017	$25.6	$4,960.5	$ 348.0	$(1,065.1)	$4,269.0

See Accompanying Notes to Consolidated Financial Statements

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)

	Years ended December 31,		
	2017	2016	2015
Cash flows from (used by) operating activities:			
Net income (loss)	$ 361.2	$ (41.1)	$ (347.8)
Adjustments to reconcile net income (loss) to net cash from (used by) operating activities:			
Amortization of fixed maturity discounts and premiums and limited partnerships	(14.7)	(11.7)	(2.6)
Equity in net income of unconsolidated subsidiary	(70.3)	(37.5)	(18.4)
Gain on sale of business	—	(0.5)	—
Net investment (gains) losses	7.7	(26.9)	74.8
Charges assessed to policyholders	(712.7)	(1,420.8)	(700.5)
Acquisition costs deferred	(9.0)	(58.8)	(142.6)
Amortization of deferred acquisition costs and intangibles	222.6	298.8	670.1
Deferred income taxes	(430.5)	(156.4)	(186.1)
Trading securities, held-for-sale investments and derivative instruments	252.3	79.0	(323.6)
Change in certain assets and liabilities:			
Accrued investment income and other assets	(15.9)	(17.3)	(5.2)
Insurance reserves	787.6	578.6	476.1
Current taxes	31.4	(11.9)	(73.0)
Other liabilities, policy and contract claims and other policy-related balances	16.9	14.1	40.0
Net cash from (used by) operating activities	426.6	(812.4)	(538.8)
Cash flows from (used by) investing activities:			
Proceeds from maturities and repayments of investments:			
Fixed maturity securities	1,027.2	730.9	1,530.2
Commercial mortgage loans	137.4	220.0	252.4
Proceeds from sales of investments:			
Fixed maturity and equity securities	420.9	1,296.4	2,198.3
Purchases and originations of investments:			
Fixed maturity and equity securities	(1,493.9)	(1,866.8)	(2,186.3)
Commercial mortgage loans	(239.8)	(167.1)	(279.0)
Other invested assets, net	4.6	11.1	52.5
Policy loans, net	—	(38.9)	—
Proceeds from sale of business	—	18.0	—
Net cash from (used by) investing activities	(143.6)	203.6	1,568.1
Cash flows from (used by) financing activities:			
Deposits to universal life and investment contracts	500.6	904.2	1,575.7
Withdrawals from universal life and investment contracts	(713.8)	(685.6)	(650.0)
Redemption of non-recourse funding obligations	—	(1,799.4)	(67.4)
Dividends paid	—	—	(40.5)
Other, net	(12.1)	(44.4)	(2.5)
Net cash from (used by) financing activities	(225.3)	(1,625.2)	815.3
Net change in cash and cash equivalents	57.7	(2,234.0)	1,844.6
Cash and cash equivalents at beginning of period	484.4	2,718.4	873.8
Cash and cash equivalents at end of period	$ 542.1	$ 484.4	$ 2,718.4

See Accompanying Notes to Consolidated Financial Statements

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017, 2016 and 2015

(1) Formation and Nature of Business

(a) Formation

The accompanying financial statements include on a consolidated basis the accounts of Genworth Life and Annuity Insurance Company ("GLAIC") and our affiliate companies in which we hold a majority voting interest or power to direct activities of a variable interest entity ("VIE"), which we refer to as the "Company," "we," "us" or "our" unless the context otherwise requires. GLAIC is a stock life insurance company operating under a charter granted by the Commonwealth of Virginia on March 21, 1871 as The Life Insurance Company of Virginia. An affiliate of our former ultimate parent company acquired us on April 1, 1996 and ultimately contributed the majority of the outstanding common stock to Genworth Life Insurance Company ("GLIC").

On May 31, 2004, we became a direct, wholly-owned subsidiary of GLIC. We are an indirect, wholly-owned subsidiary of Genworth Financial, Inc. ("Genworth").

On October 21, 2016, Genworth entered into an agreement and plan of merger (the "Merger Agreement") with Asia Pacific Global Capital Co., Ltd. ("the Parent"), a limited liability company incorporated in the People's Republic of China, and Asia Pacific Global Capital USA Corporation ("Merger Sub"), a Delaware corporation and an indirect, wholly-owned subsidiary of the Parent. Subject to the terms and conditions of the Merger Agreement, including the satisfaction or waiver of certain conditions, Merger Sub would merge with and into Genworth with Genworth surviving the merger as an indirect, wholly-owned subsidiary of the Parent. The Parent is a newly formed subsidiary of China Oceanwide Holdings Group Co., Ltd. (together with its affiliates, "China Oceanwide"). China Oceanwide has agreed to acquire all of Genworth's outstanding common stock for a total transaction value of approximately $2.7 billion, or $5.43 per share in cash. At a special meeting held on March 7, 2017, Genworth's stockholders voted on and approved a proposal to adopt the Merger Agreement.

Genworth and China Oceanwide continue to work towards satisfying the closing conditions of their proposed transaction as soon as possible. To date, Genworth has announced approvals from the Virginia State Corporation Commission Bureau of Insurance, the North Carolina Department of Insurance, the South Carolina Department of Insurance, the Vermont Insurance Division and the Australia Department of Treasury. In February 2018, Genworth and China Oceanwide re-filed their joint voluntary notice with the Committee on Foreign Investment in the United States ("CFIUS"). In Genworth's most recent joint filing, Genworth provided an additional mitigation approach to further protect the personal data of Genworth policyholders and customers in the United States, the structure of which includes the participation of a leading U.S. third party data administrator. Genworth and China Oceanwide are fully committed to developing an acceptable solution with CFIUS; however, there can be no assurance that CFIUS will ultimately agree to clear the transaction between Genworth and China Oceanwide on terms acceptable to the parties or at all. In addition to approval and clearance by CFIUS, the closing of the proposed transaction remains subject to the receipt of required regulatory approvals in the U.S., China, and other international jurisdictions and other closing conditions. Genworth and China Oceanwide also continue to be actively engaged with the other relevant regulators regarding the pending applications.

On March 27, 2018, Genworth, the Parent and Merger Sub entered into a Waiver and Agreement pursuant to which Genworth and the Parent each agreed to waive until July 1, 2018 its right to terminate the Merger Agreement and abandon the merger in accordance with the terms of the Merger Agreement. This was the third waiver and agreement extension, which extended the previous deadline of April 1, 2018, and allows additional time for regulatory reviews of the transaction. If the parties are unable to reach an agreement as to a further extension of the deadline or are unable to satisfy the closing conditions by the applicable deadline, then either

party may terminate the Merger Agreement. Genworth and China Oceanwide remain committed to satisfying the closing conditions under the Merger Agreement as soon as possible.

We have a 34.5% investment in an affiliate, Genworth Life Insurance Company of New York ("GLICNY"), which is recorded under the equity method of accounting. As of December 31, 2017 and 2016, the carrying value of our investment in GLICNY was $722.0 million and $672.4 million, respectively, and was included in other invested assets. See note 20 for further discussion of our investment in GLICNY.

The accompanying consolidated financial statements include the historical operations and accounts of the Company and its subsidiaries which include: Assigned Settlement, Inc., GNWLAAC Real Estate Holding, LLC, Newco Properties, Inc. ("Newco"), Jamestown Life Insurance Company, River Lake Insurance Company VI ("River Lake VI"), River Lake Insurance Company VII ("River Lake VII"), River Lake Insurance Company VIII ("River Lake VIII"), River Lake Insurance Company IX ("River Lake IX"), River Lake Insurance Company X ("River Lake X") and Rivermont Life Insurance Company I ("Rivermont I"). During 2016, River Lake Insurance Company ("River Lake I"), River Lake Insurance Company II ("River Lake II") and River Lake Insurance Company IV ("River Lake IV") were dissolved; however, they are included in the consolidated financial statements through the date of their dissolution.

(b) Nature of Business

We operate through two segments: (i) U.S. Life Insurance and (ii) Runoff.

Our principal products in our U.S. Life Insurance segment are life insurance and fixed deferred and immediate annuities. Deferred annuities are investment vehicles intended for contractholders who want to accumulate tax-deferred assets for retirement, desire a tax-efficient source of income and seek to protect against outliving their assets. Immediate annuities provide a fixed amount of income for either a defined number of years, the annuitant's lifetime or the longer of a defined number of years or the annuitant's lifetime. In March 2016, Genworth suspended sales of traditional life insurance and fixed annuity products. This decision resulted in the suspension of our offerings for traditional life insurance and fixed annuity products; however, we continue to service our existing retained and reinsured blocks of business.

Our Runoff segment includes the results of non-strategic products which have not been actively sold since 2011 but we continue to service our existing blocks of business. Our non-strategic products primarily include our variable annuities, variable life insurance, group variable annuities offered through retirement plans and institutional products. Institutional products consist of funding agreements and funding agreements backing notes ("FABNs"). Most of our variable annuities include guaranteed minimum death benefits ("GMDBs"). Some of our group and individual variable annuity products include guaranteed minimum benefit features such as guaranteed minimum withdrawal benefits ("GMWBs") and certain types of guaranteed annuitization benefits.

We also have Corporate and Other activities, which include other corporate income and expenses not allocated to the segments.

(2) Summary of Significant Accounting Policies

Our consolidated financial statements have been prepared on the basis of U.S. generally accepted accounting principles ("U.S. GAAP"). Preparing financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could

differ from those estimates. All intercompany accounts and transactions have been eliminated in consolidation. Any material subsequent events have been considered for recognition and/or disclosure through the issuance date of the financial statements.

(a) Premiums

For traditional long-duration insurance contracts, we report premiums as earned when due.

Premiums received under annuity contracts without significant mortality risk and premiums received on investment and universal life insurance products are not reported as revenues but rather as deposits and are included in liabilities for policyholder account balances.

(b) Net Investment Income and Net Investment Gains and Losses

Investment income is recognized when earned. Income or losses upon call or prepayment of available-for-sale fixed maturity securities is recognized in net investment income, except for hybrid securities where the income or loss upon call is recognized in net investment gains and losses. Investment gains and losses are calculated on the basis of specific identification on the trade date.

Investment income on mortgage-backed and asset-backed securities is initially based upon yield, cash flow and prepayment assumptions at the date of purchase. Subsequent revisions in those assumptions are recorded using the retrospective or prospective method. Under the retrospective method used for mortgage-backed and asset-backed securities of high credit quality (ratings equal to or greater than "AA" or that are backed by a U.S. agency) which cannot be contractually prepaid in such a manner that we would not recover a substantial portion of the initial investment, amortized cost of the security is adjusted to the amount that would have existed had the revised assumptions been in place at the date of purchase. The adjustments to amortized cost are recorded as a charge or credit to net investment income. Under the prospective method, which is used for all other mortgage-backed and asset-backed securities, future cash flows are estimated and interest income is recognized going forward using the new internal rate of return.

(c) Policy Fees and Other Income

Policy fees and other income consists primarily of insurance charges assessed on universal and term universal life insurance contracts and fees assessed against customer account values. For universal and term universal life insurance contracts, charges to policyholder accounts for cost of insurance are recognized as revenue when due. Variable product fees are charged to variable annuity contractholders and variable life insurance policyholders based upon the daily net assets of the contractholder's and policyholder's account values and are recognized as revenue when charged. Policy surrender fees are recognized as income when the policy is surrendered.

(d) Investment Securities

At the time of purchase, we designate our investment securities as either available-for-sale or trading and report them in our consolidated balance sheets at fair value. Our portfolio of fixed maturity securities comprises primarily investment grade securities. Changes in the fair value of available-for-sale investments, net of the effect on deferred acquisition costs ("DAC"), present value of future profits ("PVFP"), benefit reserves and deferred income taxes, are reflected as unrealized investment gains or losses in a separate component of

accumulated other comprehensive income (loss). Realized and unrealized gains and losses related to trading securities are reflected in net investment gains (losses). Trading securities are included in other invested assets in our consolidated balance sheets and primarily represent fixed maturity securities where we utilized the fair value option.

Other-Than-Temporary Impairments On Available-For-Sale Securities

As of each balance sheet date, we evaluate securities in an unrealized loss position for other-than-temporary impairments. For debt securities, we consider all available information relevant to the collectability of the security, including information about past events, current conditions, and reasonable and supportable forecasts, when developing the estimate of cash flows expected to be collected. More specifically for mortgage-backed and asset-backed securities, we also utilize performance indicators of the underlying assets including default or delinquency rates, loan to collateral value ratios, third-party credit enhancements, current levels of subordination, vintage and other relevant characteristics of the security or underlying assets to develop our estimate of cash flows. Estimating the cash flows expected to be collected is a quantitative and qualitative process that incorporates information received from third-party sources along with certain internal assumptions and judgments regarding the future performance of the underlying collateral. Where possible, this data is benchmarked against third-party sources.

We recognize other-than-temporary impairments on debt securities in an unrealized loss position when one of the following circumstances exists:

- we do not expect full recovery of our amortized cost basis when due,
- the present value of cash flows expected to be collected is less than our amortized cost basis,
- we intend to sell a security or
- it is more likely than not that we will be required to sell a security prior to recovery.

For other-than-temporary impairments recognized during the period, we present the total other-than-temporary impairments, the portion of other-than-temporary impairments included in other comprehensive income (loss) ("OCI") and the net other-than-temporary impairments as supplemental disclosure presented on the face of our consolidated statements of operations.

Total other-than-temporary impairments that emerged in the current period are calculated as the difference between the amortized cost and fair value. For other-than-temporarily impaired securities where we do not intend to sell the security and it is not more likely than not that we will be required to sell the security prior to recovery, total other-than-temporary impairments are adjusted by the portion of other-than-temporary impairments recognized in OCI ("non-credit"). Net other-than-temporary impairments recorded in net income (loss) represent the credit loss on the other-than-temporarily impaired securities with the offset recognized as an adjustment to the amortized cost to determine the new amortized cost basis of the securities.

For securities that were deemed to be other-than-temporarily impaired and a non-credit loss was recorded in OCI, the amount recorded as an unrealized gain (loss) represents the difference between the current fair value and the new amortized cost for each period presented. The unrealized gain (loss) on an other-than-temporarily impaired security is recorded as a separate component in OCI until the security is sold or until we record an other-than-temporary impairment where we intend to sell the security or will be required to sell the security prior to recovery.

To estimate the amount of other-than-temporary impairment attributed to credit losses on debt securities where we do not intend to sell the security and it is not more likely than not that we will be required to sell the security prior to recovery, we determine our best estimate of the present value of the cash flows expected to be collected from a security using the effective yield on the security prior to recording any other-than-temporary impairment. If the present value of the discounted cash flows is lower than the amortized cost of the security, the difference between the present value and amortized cost represents the credit loss associated with the security with the remaining difference between fair value and amortized cost recorded as a non-credit other-than-temporary impairment in OCI.

The evaluation of other-than-temporary impairments is subject to risks and uncertainties and is intended to determine the appropriate amount and timing for recognizing an impairment charge. The assessment of whether such impairment has occurred is based on management's best estimate of the cash flows expected to be collected at the individual security level. We regularly monitor our investment portfolio to ensure that securities that may be other-than-temporarily impaired are identified in a timely manner and that any impairment charge is recognized in the proper period.

While the other-than-temporary impairment model for debt securities generally includes fixed maturity securities, there are certain hybrid securities that are classified as fixed maturity securities where the application of a debt impairment model depends on whether there has been any evidence of deterioration in credit of the issuer, such as a downgrade to below investment grade. Under certain circumstances, evidence of deterioration in credit of the issuer may result in the application of the equity securities impairment model.

For equity securities, we recognize an impairment charge in the period in which we determine that the security will not recover to book value within a reasonable period of time. We determine what constitutes a reasonable period on a security-by-security basis based upon consideration of all the evidence available to us, including the magnitude of an unrealized loss and its duration. In any event, this period does not exceed 15 months for common equity securities. We measure other-than-temporary impairments based upon the difference between the amortized cost of a security and its fair value.

(e) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We have fixed maturity, equity and trading securities, derivatives, embedded derivatives, securities held as collateral, separate account assets and certain other financial instruments, which are carried at fair value.

Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our view of market assumptions in the absence of observable market information. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. All assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1—Quoted prices for identical instruments in active markets.
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3—Instruments whose significant value drivers are unobservable.

Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as actively traded equity securities and actively traded mutual fund investments.

Level 2 includes those financial instruments that are valued using industry-standard pricing methodologies, models or other valuation methodologies. These models are primarily industry-standard models that consider various inputs, such as interest rate, credit spread and foreign exchange rates for the underlying financial instruments. All significant inputs are observable, or derived from observable information in the marketplace or are supported by observable levels at which transactions are executed in the marketplace. Financial instruments in this category primarily include: certain public and private corporate fixed maturity and equity securities; government or agency securities; certain mortgage-backed and asset-backed securities; securities held as collateral; and certain non-exchange-traded derivatives such as interest rate or cross currency swaps.

Level 3 comprises financial instruments whose fair value is estimated based on industry-standard pricing methodologies and internally developed models utilizing significant inputs not based on, nor corroborated by, readily available market information. In certain instances, this category may also utilize non-binding broker quotes. This category primarily consists of certain less liquid fixed maturity, equity and trading securities and certain derivative instruments or embedded derivatives where we cannot corroborate the significant valuation inputs with market observable data.

As of each reporting period, all assets and liabilities recorded at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability, such as the relative impact on the fair value as a result of including a particular input. We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3 at the beginning fair value for the reporting period in which the changes occur. See note 14 for additional information related to fair value measurements.

(f) Commercial Mortgage Loans

The carrying value of commercial mortgage loans is stated at original cost, net of principal payments, amortization and allowance for loan losses. Interest on loans is recognized on an accrual basis at the applicable interest rate on the principal amount outstanding. Loan origination fees and direct costs, as well as premiums and discounts, are amortized as level yield adjustments over the respective loan terms. Unamortized net fees or costs are recognized upon early repayment of the loans. Loan commitment fees are deferred and amortized on an effective yield basis over the term of the loan. Commercial mortgage loans are considered past due when contractual payments have not been received from the borrower by the required payment date.

"Impaired" loans are defined by U.S. GAAP as loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. In determining whether it is probable that we will be unable to collect all amounts due, we consider current payment status, debt service coverage ratios, occupancy levels and current loan-to-value. Impaired loans are carried on a non-accrual status. Loans are placed on non-accrual status when, in management's opinion, the collection of principal or interest is unlikely, or when the collection of principal or interest is 90 days or more past due. Income on impaired loans is not recognized until the loan is sold or the cash received exceeds the carrying amount recorded.

We evaluate the impairment of commercial mortgage loans first on an individual loan basis. If an individual loan is not deemed impaired, then we evaluate the remaining loans collectively to determine whether an impairment should be recorded.

For individually impaired loans, we record an impairment charge when it is probable that a loss has been incurred. The impairment is recorded as an increase in the allowance for loan losses. All losses of principal are charged to the allowance for loan losses in the period in which the loan is deemed to be uncollectible.

For loans that are not individually impaired where we evaluate the loans collectively, the allowance for loan losses is maintained at a level that we determine is adequate to absorb estimated probable incurred losses in the loan portfolio. Our process to determine the adequacy of the allowance utilizes an analytical model based on historical loss experience adjusted for current events, trends and economic conditions that would result in a loss in the loan portfolio over the next 12 months. Key inputs into our evaluation include debt service coverage ratios, loan-to-value, property-type, occupancy levels, geographic region, and probability weighting of the scenarios generated by the model. The actual amounts realized could differ in the near term from the amounts assumed in arriving at the allowance for loan losses reported in the consolidated financial statements. Additions and reductions to the allowance through periodic provisions or benefits are recorded in net investment gains (losses). See note 3 for additional disclosures related to commercial mortgage loans.

(g) Securities Lending Activity

We engage in certain securities lending transactions for the purpose of enhancing the yield on our investment securities portfolio. We maintain effective control over all loaned securities and, therefore, continue to report such securities as fixed maturity securities on the consolidated balance sheets. We are currently indemnified against counterparty credit risk by the intermediary.

Under the securities lending program, the borrower is required to provide collateral, which can consist of cash or government securities, on a daily basis in amounts equal to or exceeding 102% of the value of the loaned securities. Currently, we only accept cash collateral from borrowers under the program. Cash collateral received by us on securities lending transactions is reflected in other invested assets with an offsetting liability recognized in other liabilities for the obligation to return the collateral. Any cash collateral received is reinvested by our custodian based upon the investment guidelines provided within our agreement. The reinvested cash collateral is primarily invested in a money market fund approved by the National Association of Insurance Commissioners ("NAIC"), U.S. and foreign government securities, U.S. government agency securities, asset-backed securities and corporate debt securities. As of December 31, 2017 and 2016, the fair value of securities loaned under our securities lending program was $41.7 million and $85.9 million, respectively. As of December 31, 2017 and 2016, the fair value of collateral held under our securities lending program was $43.5 million and $89.0 million, respectively, and the offsetting obligation to return collateral of $43.5 million and $89.0 million, respectively, was included in other liabilities in the consolidated balance sheets. We did not have any non-cash collateral provided by the borrower in our securities lending program as of December 31, 2017 and 2016.

Risks associated with securities lending programs

Our securities lending programs expose us to liquidity risk if we did not have enough cash or collateral readily available to return to the counterparty when required to do so under the agreements. We manage this risk by regularly monitoring our available sources of cash and collateral to ensure we can meet short-term liquidity demands under normal and stressed scenarios.

We are also exposed to credit risk in the event of default of our counterparties or changes in collateral values. This risk is significantly reduced because our programs require over collateralization and collateral exposures are trued up on a daily basis. We manage this risk by using multiple counterparties and ensuring that changes in required collateral are monitored and adjusted daily. We also monitor the creditworthiness, including credit ratings, of our counterparties on a regular basis.

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Contractual maturity

The following tables present the remaining contractual maturity of the securities lending agreements as of December 31:

	2017					2016				
(Amounts in millions)	Overnight and continuous	Up to 30 days	31 – 90 days	Greater than 90 days	Total	Overnight and continuous	Up to 30 days	31 – 90 days	Greater than 90 days	Total
Fixed maturity securities:										
U.S. government, agencies and government-sponsored enterprises	$—	$—	$—	$—	$—	$ 4.0	$—	$—	$—	$ 4.0
Non-U.S. government	4.1	—	—	—	4.1	15.3	—	—	—	15.3
U.S. corporate	19.1	—	—	—	19.1	40.8	—	—	—	40.8
Non-U.S. corporate	19.8	—	—	—	19.8	23.9	—	—	—	23.9
Subtotal, fixed maturity securities	43.0	—	—	—	43.0	84.0	—	—	—	84.0
Equity securities	0.5	—	—	—	0.5	5.0	—	—	—	5.0
Total securities lending	$43.5	$—	$—	$—	$43.5	$89.0	$—	$—	$—	$89.0

(h) Cash and Cash Equivalents

Certificates of deposit, money market funds and other time deposits with original maturities of 90 days or less are considered cash equivalents in the consolidated balance sheets and consolidated statements of cash flows. Items with maturities greater than 90 days but less than one year at the time of acquisition are considered short-term investments.

(i) Deferred Acquisition Costs

Acquisition costs include costs that are directly related to the successful acquisition of new or renewal insurance contracts. Acquisition costs are deferred and amortized to the extent they are recoverable from future profits.

Long-Duration Contracts. Acquisition costs include commissions in excess of ultimate renewal commissions and for contracts issued, certain other costs such as underwriting, medical inspection and issuance expenses. DAC for traditional long-duration insurance contracts, including term life, is amortized as a level percentage of premiums based on assumptions, including, investment returns, policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next), insured life expectancy or longevity and expenses, established when the contract is issued. Amortization is adjusted each period to reflect actual lapse.

Amortization for deferred annuity and universal life insurance contracts is based on expected gross profits. Expected gross profits are adjusted quarterly to reflect actual experience to date or for changes in underlying assumptions relating to future gross profits. Estimates of gross profits for DAC amortization are based on assumptions including interest rates, policyholder persistency or lapses, insured life expectancy or longevity and expenses.

We are required to analyze the impacts from net unrealized investment gains and losses on our available-for-sale investment securities backing insurance liabilities, as if those unrealized investment gains and losses were realized. These "shadow accounting" adjustments result in the recognition of unrealized gains and losses on related insurance assets and liabilities in a manner consistent with the recognition of the unrealized gains and losses on available-for-sale investment securities within the statement of comprehensive income and changes in equity. Changes to net unrealized investment (gains) losses may increase or decrease the ending DAC balance. Similar to a loss recognition event, when the DAC balance is reduced to zero, additional insurance liabilities are established if necessary. Unlike a loss recognition event, based on changes in net unrealized investment (gains) losses, these shadow adjustments may reverse from period to period.

Therefore, DAC amortized based on expected gross-profits is adjusted to reflect the effects that would have been recognized had the unrealized investment (gains) losses been actually realized with a corresponding amount recorded in other comprehensive income (loss). DAC associated with traditional long-duration insurance contracts is not adjusted for unrealized investment (gains) or losses unless a premium deficiency would have resulted upon the (gain) or loss being realized.

We regularly review our assumptions and test DAC for recoverability at least annually. For deferred annuity and universal life insurance contracts, if the present value of expected future gross profits is less than the unamortized DAC for a line of business, a charge to income (loss) is recorded for additional DAC amortization. For traditional long-duration contracts, if the benefit reserve plus anticipated future premiums and interest income for a line of business are less than the current estimate of future benefits and expenses (including any unamortized DAC), a charge to income (loss) is recorded for additional DAC amortization or for increased benefit reserves. See note 5 for additional information related to DAC including loss recognition and recoverability.

(j) Intangible Assets

Present Value of Future Profits. In conjunction with the acquisition of a block of insurance policies or investment contracts, a portion of the purchase price is assigned to the right to receive future gross profits arising from existing insurance and investment contracts. This intangible asset, called PVFP, represents the actuarially estimated present value of future cash flows from the acquired policies. PVFP is amortized, net of accreted interest, in a manner similar to the amortization of DAC.

We regularly review our PVFP assumptions and periodically test PVFP for recoverability similar to our treatment of DAC. See note 6 for additional information related to PVFP including recoverability.

Deferred Sales Inducements to Contractholders. We defer sales inducements to contractholders for features on variable annuities that entitle the contractholder to an incremental amount to be credited to the account value upon making a deposit, and for fixed annuities with crediting rates higher than the contract's expected ongoing crediting rates for periods after the inducement. Deferred sales inducements to contractholders are reported as a separate intangible asset and amortized in benefits and other changes in policy reserves using the same methodology and assumptions used to amortize DAC.

Software. Purchased software and certain application development costs related to internally developed software are capitalized above de minimus thresholds. When the software is ready for its intended use, the amounts capitalized are amortized over the expected useful life, not to exceed five years.

Other Intangible Assets. We amortize the costs of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted

cash flows, which requires the use of estimates and judgment, and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested at least annually for impairment using a qualitative or quantitative assessment and are written down to fair value as required.

(k) Reinsurance

Premium revenue, benefits and acquisition and operating expenses, net of deferrals, are reported net of the amounts relating to reinsurance ceded to and assumed from other companies. Amounts due from reinsurers for incurred and estimated future claims are reflected in the reinsurance recoverable asset. Amounts received from reinsurers that represent recovery of acquisition costs are netted against DAC so that the net amount is capitalized. The cost of reinsurance is accounted for over the terms of the related treaties using assumptions consistent with those used to account for the underlying reinsured policies. Premium revenue, benefits and acquisition and operating expenses, net of deferrals, for reinsurance contracts that do not qualify for reinsurance accounting are accounted for under the deposit method of accounting.

(l) Derivatives

Derivative instruments are used to manage risk through one of four principal risk management strategies including: (i) liabilities; (ii) invested assets; (iii) portfolios of assets or liabilities; and (iv) forecasted transactions.

On the date we enter into a derivative contract, management designates the derivative as a hedge of the identified exposure (cash flow). If a derivative does not qualify for hedge accounting, the changes in its fair value and all scheduled periodic settlement receipts and payments are reported in income (loss).

We formally document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking various hedge transactions. In this documentation, we specifically identify the asset, liability or forecasted transaction that has been designated as a hedged item, state how the hedging instrument is expected to hedge the risks related to the hedged item, and set 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 hedge ineffectiveness. We generally determine hedge effectiveness based on total changes in fair value of the hedged item attributable to the hedged risk and the total changes in fair value of the derivative instrument.

We discontinue hedge accounting prospectively when: (i) it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item; (ii) the derivative expires or is sold, terminated or exercised; (iii) the derivative is de-designated as a hedge instrument; or (iv) it is no longer probable that the forecasted transaction will occur.

For all qualifying and highly effective cash flow hedges, the effective portion of changes in fair value of the derivative instrument is reported as a component of OCI. The ineffective portion of changes in fair value of the derivative instrument is reported as a component of income (loss). When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the derivative continues to be carried in the consolidated balance sheets at its fair value, and gains and losses that were accumulated in OCI are recognized immediately in income (loss). When the hedged forecasted transaction is no longer probable, but is reasonably possible, the accumulated gain or loss remains in OCI and is recognized when the transaction affects income (loss); however, prospective hedge accounting for the transaction is terminated. In all other situations in which hedge accounting is discontinued on a cash flow hedge, amounts previously deferred in OCI are reclassified into income (loss) when income (loss) is impacted by the variability of the cash flow of the hedged item.

We may enter into contracts that are not themselves derivative instruments but contain embedded derivatives. For each contract, we assess whether the economic characteristics of the embedded derivative are clearly and closely related to those of the host contract and determine whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument.

If it is determined that the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract and accounted for as a stand-alone derivative. Such embedded derivatives are recorded in the consolidated balance sheets at fair value and are classified consistent with their host contract. Changes in their fair value are recognized in current period income (loss). If we are unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried in the consolidated balance sheets at fair value, with changes in fair value recognized in current period income (loss).

Changes in the fair value of non-qualifying derivatives, including embedded derivatives and hedge ineffectiveness on cash flow hedges are reported in net investment gains (losses).

The majority of our derivative arrangements require the posting of collateral upon meeting certain net exposure thresholds. The amounts recognized for derivative counterparty collateral received by us was recorded in cash and cash equivalents with a corresponding amount recorded in other liabilities to represent our obligation to return the collateral retained by us. We also receive non-cash collateral that is not recognized in our balance sheet unless we exercise our right to sell or re-pledge the underlying asset. As of December 31, 2017 and 2016, the fair value of non-cash collateral received was zero. Additionally, we have pledged $20.0 million and $45.8 million of fixed maturity securities as of December 31, 2017 and 2016, respectively. We have not pledged any cash as collateral to derivative counterparties. Fixed maturity securities that we pledge as collateral remain on our balance sheet within fixed maturity securities available-for-sale. Any cash collateral pledged to a derivative counterparty is derecognized with a receivable recorded in other assets for the right to receive our cash collateral back from the counterparty. Derivatives previously cleared through a Central Clearing Party, such as the Chicago Mercantile Exchange, required us to post cash collateral for daily changes in the fair value of the derivative contract, commonly referred to as variation margin. In 2017, recent central clearing parties rule changes impacted our accounting treatment for variation margin pertaining to cleared swap positions, which was previously considered cash collateral and is now treated as daily settlements of the derivative contract.

(m) Separate Accounts and Related Insurance Obligations

Separate account assets represent funds for which the investment income and investment gains and losses accrue directly to the contractholders and are reflected in our consolidated balance sheets at fair value, reported as summary total separate account assets with an equivalent summary total reported for liabilities. Amounts assessed against the contractholders for mortality, administrative and other services are included in revenues. Changes in liabilities for minimum guarantees are included in benefits and other changes in policy reserves. Net investment income, net investment gains (losses) and the related liability changes associated with the separate account are offset within the same line item in the consolidated statements of operations. There were no gains or losses on transfers of assets from the general account to the separate account.

We offer certain minimum guarantees associated with our variable annuity contracts. Our variable annuity contracts usually contain a basic GMDB which provides a minimum benefit to be paid upon the annuitant's death equal to the larger of account value and the return of net deposits. Some variable annuity contracts permit

contractholders to purchase through riders, at an additional charge, enhanced death benefits such as the highest contract anniversary value ("ratchets"), accumulated net deposits at a stated rate ("rollups"), or combinations thereof.

Additionally, some of our variable annuity contracts provide the contractholder with living benefits such as a GMWB or certain types of guaranteed annuitization benefits. The GMWB allows contractholders to withdraw a pre-defined percentage of account value or benefit base each year, either for a specified period of time or for life. The guaranteed annuitization benefit generally provides for a guaranteed minimum level of income upon annuitization accompanied by the potential for upside market participation.

Most of our reserves for additional insurance and annuitization benefits are calculated by applying a benefit ratio to accumulated contractholder assessments, and then deducting accumulated paid claims. The benefit ratio is equal to the ratio of benefits to assessments, accumulated with interest and considering both past and anticipated future experience. The projections utilize stochastic scenarios of separate account returns incorporating reversion to the mean, as well as assumptions for mortality and lapses. Some of our minimum guarantees, mainly GMWBs, are accounted for as embedded derivatives; see notes 4 and 14 for additional information on these embedded derivatives and related fair value measurement disclosures.

(n) Insurance Reserves

Future Policy Benefits

The liability for future policy benefits is equal to the present value of expected benefits and expenses less the present value of expected future net premiums based on assumptions, including, investment returns, policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next), insured life expectancy or longevity, insured morbidity (i.e., frequency and severity of claim) and expenses, all of which are locked-in at the time the policies are issued or acquired.

The liability for future policy benefits is evaluated at least annually to determine if a premium deficiency exists. Loss recognition testing is generally performed at the line of business level, with acquired blocks and certain reinsured blocks tested separately. If the liability for future policy benefits plus the current present value of expected future premiums are less than the current present value of expected future benefits and expenses (including any unamortized DAC), a charge to income (loss) is recorded for accelerated DAC amortization and, if necessary, a premium deficiency reserve is established. If a charge is recorded, DAC amortization and the liability for future policy benefits are measured using updated assumptions, which become the new locked-in assumptions utilized going forward unless another premium deficiency charge is recorded.

For level premium term life insurance products, we floor the liability for future policy benefits on each policy at zero.

Estimates and actuarial assumptions used for establishing the liability for future policy benefits and in loss recognition testing involve the exercise of significant judgment, and changes in assumptions or deviations of actual experience from assumptions can have material impacts on our liability for future policy benefits and net income (loss). Because these assumptions relate to factors that are not known in advance, change over time, are difficult to accurately predict and are inherently uncertain, we cannot determine with precision the ultimate amounts we will pay for actual claims or the timing of those payments. Small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past have had, material impacts on our reserves, results of operations and financial condition. The risk that our claims experience may differ significantly from our pricing and valuation assumptions exists.

Policyholder Account Balances

The liability for policyholder account balances represents the contract value that has accrued to the benefit of the policyholder as of the balance sheet date for investment-type and universal life insurance contracts. We are also required to establish additional benefit reserves for guarantees or product features in addition to the contract value where the additional benefit reserves are calculated by applying a benefit ratio to accumulated contractholder assessments, and then deducting accumulated paid claims. The benefit ratio is equal to the ratio of benefits to assessments, accumulated with interest and considering both past and anticipated future experience.

Investment-type contracts are broadly defined to include contracts without significant mortality or morbidity risk. Payments received from sales of investment contracts are recognized by providing a liability equal to the current account value of the policyholders' contracts. Interest rates credited to investment contracts are guaranteed for the initial policy term with renewal rates determined as necessary by management.

(o) Liability for Policy and Contract Claims

The liability for policy and contract claims, or claim reserves, represents the amount needed to provide for the estimated ultimate cost of settling claims relating to insured events that have occurred on or before the end of the respective reporting period. The estimated liability includes requirements for future payments of: (a) claims that have been reported to the insurer; (b) claims related to insured events that have occurred but that have not been reported to the insurer as of the date the liability is estimated; and (c) claim adjustment expenses. Claim adjustment expenses include costs incurred in the claim settlement process such as legal fees and costs to record, process and adjust claims.

Our liability for policy and contract claims is reviewed regularly, with changes in our estimates of future claims recorded through net income (loss). Estimates and actuarial assumptions used for establishing the liability for policy and contract claims involve the exercise of significant judgment, and changes in assumptions or deviations of actual experience from assumptions can have material impacts on our liability for policy and contract claims and net income (loss). Because these assumptions relate to factors that are not known in advance, change over time, are difficult to accurately predict and are inherently uncertain, we cannot determine with precision the ultimate amounts we will pay for actual claims or the timing of those payments. Small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past have had, material impacts on our reserves, results of operations and financial condition.

Management considers the liability for policy and contract claims provided to be its best estimate to cover the losses that have occurred. Management monitors actual experience, and where circumstances warrant, will revise its assumptions. The methods of determining such estimates and establishing the reserves are reviewed periodically and any adjustments are reflected in operations in the period in which they become known. Future developments may result in losses and loss expenses greater or less than the liability for policy and contract claims provided.

(p) Unearned Premiums

For single premium insurance contracts, we recognize premiums over the policy life in accordance with the expected pattern of risk emergence. We recognize a portion of the revenue in premiums earned in the current period, while the remaining portion is deferred as unearned premiums and earned over time in accordance with the expected pattern of risk emergence. If single premium policies are cancelled and the premium is non-refundable, then the remaining unearned premium related to each cancelled policy is recognized to earned

premiums upon notification of the cancellation. Expected pattern of risk emergence on which we base premium recognition is inherently judgmental and is based on actuarial analysis of historical experience.

(q) Income Taxes

We determine deferred tax assets and/or liabilities by multiplying the differences between the financial reporting and tax reporting bases for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled if there is no change in law. The effect on deferred taxes of a change in tax rates is recognized in income (loss) in the period that includes the enactment date. Valuation allowances on deferred tax assets are estimated based on our assessment of the realizability of such amounts.

Under U.S. GAAP, we do not record deferred taxes on U.S. domestic subsidiary entities for the excess of the financial statement carrying amount over the tax basis in the stock of the subsidiary (commonly referred to as "outside basis difference") if we have the ability under the tax law and intent to recover the basis difference in a tax free manner. Deferred taxes would be recognized in the period of a change to our ability or intent.

Our companies have elected to file a single U.S. consolidated income tax return (the "life/non-life consolidated return"). All companies domesticated in the United States and our former Bermuda and Guernsey subsidiaries, which have elected to be taxed as U.S. domestic companies, are included in the life/non-life consolidated return as allowed by the tax law and regulations. We have a tax sharing agreement (the "life/non-life tax sharing agreement") in place and all intercompany balances related to this agreement are settled at least annually.

Additionally, we entered into tax sharing agreements with certain of our subsidiaries, whereby we are required to provide certain amounts of capital or a letter of credit to those subsidiaries upon the event that we or Genworth Holdings, Inc. ("Genworth Holdings"), our indirect parent company, is downgraded below certain ratings levels by Standard & Poor's ("S&P") and Moody's Investors Service, Inc. ("Moody's"). We secured a irrevocable letter of credit from the Federal Home Loan Bank ("FHLB") of Atlanta for $28.2 million to meet our obligations under these provisions. The letter of credit automatically renews annually through May 2019, unless notice of termination is provided by the issuer of the letter of credit at least 60 days prior to the then applicable expiration date.

(r) Variable Interest Entities

We were involved in certain entities that were considered VIEs as defined under U.S. GAAP, and, accordingly, we evaluated the VIE to determine whether we were the primary beneficiary and were required to consolidate the assets and liabilities of the entity. The primary beneficiary of a VIE is the enterprise that has the power to direct the activities of a VIE that most significantly impacts the VIE's economic performance and has the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. The determination of the primary beneficiary for a VIE can be complex and requires management judgment regarding the expected results of the entity and how those results are absorbed by variable interest holders, as well as which party has the power to direct activities that most significantly impact the performance of the VIEs.

Our primary involvement related to VIEs included securitization transactions.

For certain securitization transactions, we were the transferor of certain assets that were sold to a newly created VIE but did not retain any beneficial interest in the VIE other than acting as the servicer of the underlying assets.

See note 15 for additional information related to this consolidated entity.

(s) Accounting Changes

Transition to the Equity Method of Accounting

On January 1, 2017, we adopted new accounting guidance related to transition to the equity method of accounting. The guidance eliminates the retrospective application of the equity method of accounting when obtaining significant influence over a previously held investment. The guidance requires that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. We did not have a significant impact from this guidance on our consolidated financial statements.

Assessment of Contingent Put and Call Options

On January 1, 2017, we adopted new accounting guidance related to the assessment of contingent put and call options in debt instruments. The guidance clarifies the requirements for 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. An entity performing the assessment under the amendments in this update is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. This guidance is consistent with our previous accounting practices and, accordingly, did not have any impact on our consolidated financial statements.

Derivative Contract Novations

On January 1, 2017, we adopted new accounting guidance related to the effect of derivative contract novations on existing hedge accounting relationships. The guidance clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. This guidance is consistent with our previous accounting for derivative contract novations and, accordingly, did not have any impact on our consolidated financial statements.

Technical Corrections and Improvements

In March 2016, the Financial Accounting Standards Board ("the FASB") issued new guidance to remove inconsistencies as well as make technical clarifications and minor improvements intended to make it easier to understand and implement certain accounting guidance. Impacts of the new guidance for us includes: promoting consistent use of the terms "participating insurance" and "reinsurance recoverable," removing the term "debt" from the master glossary; adding a reference to use when accounting for internal-use software licensed from third parties; clarifying that loans issued under the Federal Housing Administration and the Veterans Administration do not have to be fully insured by those programs to recognize profit using the full-accrual method; clarifying the difference between a "valuation approach" and a "valuation technique" when applying fair value guidance and require disclosure when there has been a change in either a valuation approach, a valuation technique, or both; clarifying that for an amount of an obligation under an arrangement to be considered fixed at the reporting date, the amount that must be fixed is not the amount that is the organization's portion of the obligation, but, rather, is the obligation in its entirety; and adding guidance on the accounting for the sale of servicing rights when the transferor retains loans. Most of the amendments were adopted on December 31, 2016 and in some cases on January 1, 2017, using a prospective method. We did not have any significant impact from this guidance on our consolidated financial statements.

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Consolidation

On January 1, 2016, we adopted new accounting guidance related to consolidation. The new guidance primarily impacts limited partnerships and similar legal entities, evaluation of fees paid to a decision maker as a variable interest, the effect of fee arrangements and related parties on the primary beneficiary determination and certain investment funds. The adoption of this new guidance did not have a significant impact on our consolidated financial statements.

Debt Issuance Costs

On December 31, 2015, we early adopted new accounting guidance related to the presentation of debt issuance costs. The new guidance requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This guidance was applied on a retrospective basis. See note 10 for more information related to our non-recourse funding obligations.

Financial Assets and Liabilities of a Collateralized Financing Entity

On January 1, 2015, we early adopted new accounting guidance related to measuring the financial assets and financial liabilities of a consolidated collateralized financing entity. The guidance addresses the accounting for the measurement difference between the fair value of financial assets and the fair value of financial liabilities of a collateralized financing entity. The new guidance provides an alternative whereby a reporting entity could measure the financial assets and financial liabilities of the collateralized financing entity in its consolidated financial statements using the more observable of the fair values. There was no impact on our consolidated financial statements.

Repurchase Financings

On January 1, 2015, we adopted new accounting guidance related to the accounting for repurchase-to-maturity transactions and repurchase financings. The new guidance changed the accounting for repurchase-to-maturity transactions and repurchase financing such that they were consistent with secured borrowing accounting. In addition, the guidance required new disclosures for all repurchase agreements and securities lending transactions which were effective beginning in 2015. We do not have repurchase-to-maturity transactions or repurchase agreements, but have securities lending transactions that are subject to additional disclosures. This new guidance did not have an impact on our consolidated financial statements but did impact our disclosures.

Investments In Affordable Housing Projects

On January 1, 2015, we adopted new accounting guidance related to the accounting for investments in affordable housing projects that qualify for the low-income housing tax credit. The new guidance permits reporting entities to make an accounting policy election to account for investments in qualified affordable housing projects by amortizing the initial cost of the investment in proportion to the tax benefits received and recognize the net investment performance as a component of income tax expense (called the proportional amortization method) if certain conditions are met. The new guidance requires use of the equity method or cost method for investments in qualified affordable housing projects not accounted for using the proportional amortization method. The adoption of this new guidance did not have a significant impact on our consolidated financial statements.

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(t) Accounting Pronouncements Not Yet Adopted

In February 2018, the FASB issued new guidance on the tax effects currently recorded in accumulated other comprehensive income that do not reflect the new tax rate enacted under the Tax Cut and Jobs Act ("TCJA"), or "stranded tax effects." Under current U.S. GAAP, deferred tax assets and liabilities are adjusted for the effect of a change in tax laws or rates with the effect included in net income (loss) in the period that the changes were enacted. This also includes situations in which the related tax effects were originally recognized in other comprehensive income as opposed to net income (loss). Under this new accounting guidance a reclassification from accumulated other comprehensive income to retained earnings, or a modified retrospective approach, is allowed for stranded tax effects that resulted from the TCJA. This new guidance is currently effective for us on January 1, 2019, with early adoption permitted. We are currently evaluating early adoption of this new accounting guidance.

In August 2017, the FASB issued new guidance to amend the hedge accounting model to enable entities to better portray the economics of their derivative risk management activities in the financial statements and enhance the transparency and understandability of hedge results. In certain situations, the amendments also simplify the application of hedge accounting. We adopted this new accounting guidance early on January 1, 2018 using the modified retrospective method and will record a previously recognized gain of $0.7 million to accumulated other comprehensive income with a corresponding decrease to retained earnings at adoption.

In March 2017, the FASB issued new guidance shortening the amortization period of certain callable debt securities held at a premium. The guidance requires the premium to be amortized to the earliest call date. This change does not apply to securities held at a discount. The guidance is currently effective for us on January 1, 2019 using the modified retrospective method, with early adoption permitted. We are in process of evaluating the impact the guidance may have on our consolidated financial statements.

In February 2017, the FASB issued new guidance to clarify the scope and accounting for gains and losses from the derecognition of nonfinancial assets or an in substance nonfinancial asset that is not a business and accounting for partial sales of nonfinancial assets. The new guidance clarifies when transferring ownership interests in a consolidated subsidiary holding nonfinancial assets is within scope. It also states that the reporting entity should identify each distinct nonfinancial asset and derecognize when a counterparty obtains control. We adopted this new accounting guidance on January 1, 2018 using the modified retrospective method, which did not have any significant impact on our consolidated financial statements at adoption.

In November 2016, the FASB issued new accounting guidance related to the classification and presentation of changes in restricted cash. The new guidance requires that changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents be shown in the statement of cash flows and requires additional disclosures related to restricted cash and restricted cash equivalents. We adopted this new accounting guidance retrospectively on January 1, 2018, and will modify the line item descriptions on our consolidated balance sheet and statement of cash flows accordingly. The other impacts from this new accounting guidance did not have a significant impact on our consolidated financial statements or disclosures.

In October 2016, the FASB issued new guidance related to the income tax effects of intra-entity transfers of assets other than inventory. The new guidance states that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. We adopted this new accounting guidance on January 1, 2018 using the modified retrospective method and recorded a previously disallowed deferred tax asset of $1.1 million with a corresponding increase to cumulative effect of change in accounting within retained earnings at adoption.

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In August 2016, the FASB issued new guidance related to the statement of cash flows classification of certain cash payments and cash receipts. The guidance will reduce diversity in practice related to eight specific cash flow issues. We adopted this new accounting guidance retrospectively on January 1, 2018. The adoption of this accounting guidance did not have a significant impact on our consolidated financial statements.

In June 2016, the FASB issued new guidance related to accounting for credit losses on financial instruments. The guidance requires that entities recognize an allowance equal to its estimate of lifetime expected credit losses and applies to most debt instruments not measured at fair value, which would primarily include our commercial mortgage loans and reinsurance receivables. The new guidance retains most of the existing impairment guidance for available-for-sale debt securities but amends the presentation of credit losses to be presented as an allowance as opposed to a write-down and permits the reversal of credit losses when reassessing changes in the credit losses each reporting period. The new guidance is effective for us on January 1, 2020, with early adoption permitted beginning January 1, 2019. Upon adoption, the modified retrospective method will be used and a cumulative effect adjustment in retained earnings as of the beginning of the year of adoption will be recorded. We are in process of evaluating the impact the guidance may have on our consolidated financial statements.

In February 2016, the FASB issued new accounting guidance related to the accounting for leases. The new guidance generally requires lessees to recognize both a right-to-use asset and a corresponding liability on the balance sheet. The guidance is effective for us on January 1, 2019 using the modified retrospective method, with early adoption permitted. While we are still evaluating the full impact, at this time we do not expect any significant impact from this guidance on our consolidated financial statements.

In January 2016, the FASB issued new accounting guidance related to the recognition and measurement of financial assets and financial liabilities. Changes to the current financial instruments accounting primarily affects equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Under the new guidance, equity investments with readily determinable fair value, except those accounted for under the equity method of accounting, will be measured at fair value with changes in fair value recognized in net income (loss). The new guidance also clarifies that the need for a valuation allowance on a deferred tax asset related to available-for-sale securities should be evaluated in combination with other deferred tax assets. We adopted this new accounting guidance on January 1, 2018 using the modified retrospective method and will reclassify, before any adjustments for DAC and other intangible amortization and certain benefit reserves and taxes, $2.4 million of gains related to equity securities from accumulated other comprehensive income and $3.1 million of gains related to limited partnerships previously recorded at cost to cumulative effect of change in accounting within retained earnings.

In May 2014, the FASB issued new accounting guidance related to revenue from contracts with customers, which was adopted by us on January 1, 2018 using the modified retrospective method. The key principle of the new guidance is that entities should 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 such goods or services. Insurance contracts are specifically excluded from this new guidance. The FASB has clarified the scope that all of our insurance contracts, including investment contracts are excluded from the scope of this new guidance. We have evaluated our in scope revenues and, as of the adoption date, have no change in our revenue recognition timing or measurement. Accordingly, we did not have any impact to our consolidated financial statements upon adoption of this new accounting guidance.

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(3) Investments

(a) Net Investment Income

Sources of net investment income were as follows for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Fixed maturity securities—taxable	$559.5	$556.1	$572.7
Fixed maturity securities—non-taxable	2.4	2.5	2.8
Commercial mortgage loans	84.4	86.4	89.5
Equity securities	3.4	3.0	2.8
Other invested assets	17.0	20.2	24.1
Policy loans	27.9	32.2	31.8
Cash, cash equivalents and short-term investments	3.4	2.3	1.0
Gross investment income before expenses and fees	698.0	702.7	724.7
Expenses and fees	(17.9)	(16.2)	(18.3)
Net investment income	$680.1	$686.5	$706.4

(b) Net Investment Gains (Losses)

The following table sets forth net investment gains (losses) for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Available-for-sale securities:			
Realized gains	$ 27.2	$ 28.8	$ 41.4
Realized losses	(19.7)	(26.0)	(20.4)
Net realized gains (losses) on available-for-sale securities	7.5	2.8	21.0
Impairments:			
Total other-than-temporary impairments	(1.0)	(2.8)	(10.7)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	—	(0.3)	—
Net other-than-temporary impairments	(1.0)	(3.1)	(10.7)
Derivative instruments[1]	(15.5)	16.8	(79.3)
Commercial mortgage loans	0.4	0.7	1.7
Trading securities	0.8	9.7	(8.1)
Other	0.1	—	0.6
Net investment gains (losses)	$ (7.7)	$ 26.9	$(74.8)

(1) See note 4 for additional information on the impact of derivative instruments included in net investment gains (losses).

We generally intend to hold securities in unrealized loss positions until they recover. However, from time to time, our intent on an individual security may change, based upon market or other unforeseen developments. In such instances, we sell securities in the ordinary course of managing our portfolio to meet diversification, credit quality, yield and liquidity requirements. If a loss is recognized from a sale subsequent to a balance sheet date

due to these unexpected developments, the loss is recognized in the period in which we determined that we have the intent to sell the securities or it is more likely than not that we will be required to sell the securities prior to recovery. The aggregate fair value of securities sold at a loss during the years ended December 31, 2017, 2016 and 2015 was $440.9 million, $492.2 million and $969.8 million, respectively, which was approximately 94.9%, 94.7% and 98.7%, respectively, of book value.

The following represents the activity for credit losses recognized in net income (loss) on debt securities where an other-than-temporary impairment was identified and a portion of other-than-temporary impairments was included in OCI as of and for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Beginning balance	$ 7.8	$10.8	$19.2
Additions:			
Other-than-temporary impairments not previously recognized	—	0.5	—
Reductions:			
Securities sold, paid down or disposed	(5.0)	(3.5)	(8.4)
Ending balance	$ 2.8	$ 7.8	$10.8

(c) Unrealized Investment Gains and Losses

Net unrealized gains and losses on available-for-sale investment securities reflected as a separate component of accumulated other comprehensive income (loss) were as follows as of December 31:

(Amounts in millions)	2017	2016	2015
Net unrealized gains (losses) on investment securities:			
Fixed maturity securities	$1,026.0	$ 648.7	$ 496.9
Equity securities	2.4	1.4	2.9
Investment in unconsolidated subsidiary	52.1	78.2	60.6
Subtotal	1,080.5	728.3	560.4
Adjustments to DAC, PVFP and benefit reserves	(698.5)	(396.6)	(319.2)
Income taxes, net	(111.9)	(89.6)	(63.5)
Net unrealized investment gains (losses)	$ 270.1	$ 242.1	$ 177.7

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The change in net unrealized gains (losses) on available-for-sale investment securities reported in accumulated other comprehensive income (loss) was as follows as of and for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Beginning balance	$ 242.1	$177.7	$ 400.6
Unrealized gains (losses) arising during the period:			
Unrealized gains (losses) on investment securities	358.7	167.6	(532.0)
Adjustment to DAC	(177.9)	(40.9)	92.7
Adjustment to PVFP	(31.4)	(5.0)	78.6
Adjustment to sales inducements	(1.9)	(3.5)	3.3
Adjustment to benefit reserves	(90.7)	(28.0)	47.4
Provision for income taxes	(24.6)	(26.0)	93.8
Change in unrealized gains (losses) on investment securities	32.2	64.2	(216.2)
Reclassification adjustments to net investment (gains) losses, net of taxes of $2.3, $(0.1) and $3.6	(4.2)	0.2	(6.7)
Ending balance	$ 270.1	$242.1	$ 177.7

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(d) Fixed Maturity and Equity Securities

As of December 31, 2017, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in millions)	Amortized cost or cost	Not other-than-temporarily impaired	Other-than-temporarily impaired	Not other-than-temporarily impaired	Other-than-temporarily impaired	Fair value
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 763.4	$ 117.8	$—	$ (1.1)	$—	$ 880.1
State and political subdivisions	632.2	73.3	—	(0.9)	—	704.6
Non-U.S. government	149.7	28.2	—	—	—	177.9
U.S. corporate:						
Utilities	1,078.4	123.0	—	(2.7)	—	1,198.7
Energy	584.3	49.4	—	(3.3)	—	630.4
Finance and insurance	1,160.3	102.1	—	(2.6)	—	1,259.8
Consumer—non-cyclical	807.9	101.2	—	(2.5)	—	906.6
Technology and communications	543.2	43.0	—	(2.7)	—	583.5
Industrial	284.6	21.2	—	(0.5)	—	305.3
Capital goods	501.1	65.5	—	(0.5)	—	566.1
Consumer—cyclical	324.6	25.3	—	(0.9)	—	349.0
Transportation	323.1	25.5	—	(2.1)	—	346.5
Other	151.1	13.6	—	(0.5)	—	164.2
Total U.S. corporate	5,758.6	569.8	—	(18.3)	—	6,310.1
Non-U.S. corporate:						
Utilities	144.8	5.8	—	(0.7)	—	149.9
Energy	249.2	27.4	—	(1.3)	—	275.3
Finance and insurance	455.6	39.7	—	(1.2)	—	494.1
Consumer—non-cyclical	129.4	8.2	—	(0.1)	—	137.5
Technology and communications	195.2	18.1	—	(0.3)	—	213.0
Industrial	194.2	16.1	—	(0.7)	—	209.6
Capital goods	149.4	8.5	—	(0.6)	—	157.3
Consumer—cyclical	53.9	2.4	—	—	—	56.3
Transportation	142.9	12.6	—	(1.2)	—	154.3
Other	361.3	28.6	—	(0.2)	—	389.7
Total non-U.S. corporate	2,075.9	167.4	—	(6.3)	—	2,237.0
Residential mortgage-backed	1,116.4	78.0	1.2	(2.7)	—	1,192.9
Commercial mortgage-backed	949.3	25.1	1.0	(8.8)	—	966.6
Other asset-backed	563.5	3.3	—	(1.0)	—	565.8
Total fixed maturity securities	12,009.0	1,062.9	2.2	(39.1)	—	13,035.0
Equity securities	61.8	2.4	—	—	—	64.2
Total available-for- sale securities	$12,070.8	$1,065.3	$ 2.2	$(39.1)	$—	$13,099.2

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As of December 31, 2016, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

(Amounts in millions)	Amortized cost or cost	Gross unrealized gains: Not other-than-temporarily impaired	Gross unrealized gains: Other-than-temporarily impaired	Gross unrealized losses: Not other-than-temporarily impaired	Gross unrealized losses: Other-than-temporarily impaired	Fair value
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 877.5	$ 87.4	$—	$ (10.2)	$—	$ 954.7
State and political subdivisions	580.7	49.2	—	(5.9)	—	624.0
Non-U.S. government	148.1	21.0	—	(0.1)	—	169.0
U.S. corporate:						
Utilities	989.9	91.9	—	(14.2)	—	1,067.6
Energy	591.9	31.8	—	(8.8)	—	614.9
Finance and insurance	1,103.5	74.4	—	(10.9)	—	1,167.0
Consumer—non-cyclical	818.6	74.1	—	(6.8)	—	885.9
Technology and communications	502.5	34.6	—	(8.6)	—	528.5
Industrial	239.3	11.2	—	(4.8)	—	245.7
Capital goods	487.1	50.9	—	(3.2)	—	534.8
Consumer—cyclical	323.9	19.2	—	(3.8)	—	339.3
Transportation	309.4	19.9	—	(7.7)	—	321.6
Other	154.8	8.4	—	(0.1)	—	163.1
Total U.S. corporate	5,520.9	416.4	—	(68.9)	—	5,868.4
Non-U.S. corporate:						
Utilities	122.1	3.6	—	(2.4)	—	123.3
Energy	231.6	19.2	—	(4.1)	—	246.7
Finance and insurance	375.9	25.3	—	(1.7)	—	399.5
Consumer—non-cyclical	132.2	3.4	—	(2.0)	—	133.6
Technology and communications	180.8	9.8	—	(1.7)	—	188.9
Industrial	184.4	7.8	—	(2.4)	—	189.8
Capital goods	114.5	4.9	—	(1.1)	—	118.3
Consumer—cyclical	44.5	1.4	—	(0.6)	—	45.3
Transportation	135.2	11.6	—	(2.3)	—	144.5
Other	345.8	16.9	—	(3.6)	—	359.1
Total non-U.S. corporate	1,867.0	103.9	—	(21.9)	—	1,949.0
Residential mortgage-backed	1,183.7	86.9	1.1	(4.3)	(0.1)	1,267.3
Commercial mortgage-backed	814.6	21.8	1.2	(12.4)	—	825.2
Other asset-backed	768.5	2.8	—	(19.2)	—	752.1
Total fixed maturity securities	11,761.0	789.4	2.3	(142.9)	(0.1)	12,409.7
Equity securities	51.9	2.6	—	(1.2)	—	53.3
Total available-for- sale securities	$11,812.9	$792.0	$ 2.3	$(144.1)	$(0.1)	$12,463.0

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The following table presents the gross unrealized losses and fair values of our investment securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, as of December 31, 2017:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities
Description of Securities									
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	$ 25.8	$ (0.2)	7	$ 65.2	$ (0.9)	3	$ 91.0	$ (1.1)	10
State and political subdivisions	16.9	(0.1)	3	26.3	(0.8)	7	43.2	(0.9)	10
U.S. corporate	345.4	(5.8)	90	345.9	(12.5)	66	691.3	(18.3)	156
Non-U.S. corporate	147.9	(1.7)	34	117.8	(4.6)	20	265.7	(6.3)	54
Residential mortgage-backed	96.5	(0.9)	24	66.3	(1.8)	26	162.8	(2.7)	50
Commercial mortgage-backed	125.6	(0.9)	19	129.9	(7.9)	24	255.5	(8.8)	43
Other asset-backed	86.8	(0.7)	24	25.5	(0.3)	13	112.3	(1.0)	37
Subtotal, fixed maturity securities	844.9	(10.3)	201	776.9	(28.8)	159	1,621.8	(39.1)	360
Total for securities in an unrealized loss position	$844.9	$(10.3)	201	$776.9	$(28.8)	159	$1,621.8	$(39.1)	360
% Below cost—fixed maturity securities:									
<20% Below cost	$844.9	$(10.3)	201	$776.9	$(28.8)	159	$1,621.8	$(39.1)	360
Total fixed maturity securities	844.9	(10.3)	201	776.9	(28.8)	159	1,621.8	(39.1)	360
Total for securities in an unrealized loss position	$844.9	$(10.3)	201	$776.9	$(28.8)	159	$1,621.8	$(39.1)	360
Investment grade	$806.8	$ (8.6)	189	$708.7	$(26.1)	144	$1,515.5	$(34.7)	333
Below investment grade	38.1	(1.7)	12	68.2	(2.7)	15	106.3	(4.4)	27
Total for securities in an unrealized loss position	$844.9	$(10.3)	201	$776.9	$(28.8)	159	$1,621.8	$(39.1)	360

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The following table presents the gross unrealized losses and fair values of our corporate securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, based on industry, as of December 31, 2017:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities
Description of Securities									
U.S. corporate:									
Utilities	$ 23.9	$(0.2)	13	$ 70.7	$ (2.5)	13	$ 94.6	$ (2.7)	26
Energy	15.4	(0.4)	8	54.6	(2.9)	7	70.0	(3.3)	15
Finance and insurance	124.1	(1.8)	22	27.2	(0.8)	6	151.3	(2.6)	28
Consumer—non-cyclical	23.8	(1.3)	7	26.1	(1.2)	9	49.9	(2.5)	16
Technology and communications	32.0	(0.2)	10	65.1	(2.5)	13	97.1	(2.7)	23
Industrial	—	—	—	18.1	(0.5)	4	18.1	(0.5)	4
Capital goods	45.9	(0.3)	15	13.9	(0.2)	5	59.8	(0.5)	20
Consumer—cyclical	26.3	(0.5)	9	19.4	(0.4)	3	45.7	(0.9)	12
Transportation	45.4	(0.6)	5	50.8	(1.5)	6	96.2	(2.1)	11
Other	8.6	(0.5)	1	—	—	—	8.6	(0.5)	1
Subtotal, U.S. corporate securities	345.4	(5.8)	90	345.9	(12.5)	66	691.3	(18.3)	156
Non-U.S. corporate:									
Utilities	4.9	(0.1)	1	17.4	(0.6)	3	22.3	(0.7)	4
Energy	16.1	(0.1)	5	23.8	(1.2)	5	39.9	(1.3)	10
Finance and insurance	39.2	(0.6)	8	22.3	(0.6)	4	61.5	(1.2)	12
Consumer—non-cyclical	7.6	(0.1)	3	—	—	—	7.6	(0.1)	3
Technology and communications	30.4	(0.2)	4	5.9	(0.1)	1	36.3	(0.3)	5
Industrial	—	—	—	9.3	(0.7)	2	9.3	(0.7)	2
Capital goods	5.5	—	2	14.4	(0.6)	1	19.9	(0.6)	3
Transportation	10.6	(0.4)	3	24.7	(0.8)	4	35.3	(1.2)	7
Other	33.6	(0.2)	8	—	—	—	33.6	(0.2)	8
Subtotal, non-U.S. corporate securities	147.9	(1.7)	34	117.8	(4.6)	20	265.7	(6.3)	54
Total for corporate securities in an unrealized loss position	$493.3	$(7.5)	124	$463.7	$(17.1)	86	$957.0	$(24.6)	210

As indicated in the tables above, the majority of the securities in a continuous unrealized loss position for less than 12 months were investment grade and all of the securities were less than 20% below cost. These unrealized losses were primarily attributable to the increase in interest rates, mostly concentrated in our corporate securities. For securities that have been in a continuous unrealized loss for less than 12 months, the average fair value percentage below cost was approximately 1.2% as of December 31, 2017.

Fixed Maturity Securities In A Continuous Unrealized Loss Position For 12 Months Or More

Of the $28.8 million of unrealized losses on fixed maturity securities in a continuous unrealized loss for 12 months or more that were less than 20% below cost, the weighted-average rating was "A+" and approximately 90.6% of the unrealized losses were related to investment grade securities as of December 31, 2017. These unrealized losses were predominantly attributable to corporate securities including variable rate securities

purchased in a higher rate and lower spread environment and commercial mortgage-backed securities. The average fair value percentage below cost for these securities was approximately 3.6% as of December 31, 2017.

For all securities in an unrealized loss position, we expect to recover the amortized cost based on our estimate of cash flows to be collected. We do not intend to sell and it is not more likely than not that we will be required to sell these securities prior to recovering our amortized cost. See the following for further discussion of gross unrealized losses by asset class.

The following table presents the gross unrealized losses and fair values of our investment securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, as of December 31, 2016:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses[1]	Number of securities	Fair value	Gross unrealized losses[2]	Number of securities
Description of Securities									
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	$ 152.8	$ (10.2)	12	$ —	$ —	—	$ 152.8	$ (10.2)	12
State and political subdivisions	145.5	(5.9)	31	—	—	—	145.5	(5.9)	31
Non-U.S. government	3.6	(0.1)	3	—	—	—	3.6	(0.1)	3
U.S. corporate	1,222.0	(53.2)	262	202.1	(15.7)	42	1,424.1	(68.9)	304
Non-U.S. corporate	421.8	(12.1)	82	115.3	(9.8)	28	537.1	(21.9)	110
Residential mortgage- backed	216.2	(3.8)	46	23.8	(0.6)	16	240.0	(4.4)	62
Commercial mortgage- backed	246.6	(11.5)	50	8.1	(0.9)	3	254.7	(12.4)	53
Other asset-backed	163.5	(2.6)	40	112.6	(16.6)	32	276.1	(19.2)	72
Subtotal, fixed maturity securities	2,572.0	(99.4)	526	461.9	(43.6)	121	3,033.9	(143.0)	647
Equity securities	19.5	(1.2)	3	—	—	—	19.5	(1.2)	3
Total for securities in an unrealized loss position	$2,591.5	$(100.6)	529	$461.9	$(43.6)	121	$3,053.4	$(144.2)	650
% Below cost—fixed maturity securities:									
<20% Below cost	$2,572.0	$ (99.4)	526	$400.5	$(22.9)	112	$2,972.5	(122.3)	638
20%-50% Below cost	—	—	—	61.4	(20.7)	9	61.4	(20.7)	9
Total fixed maturity securities	2,572.0	(99.4)	526	461.9	(43.6)	121	3,033.9	(143.0)	647
% Below cost—equity securities:									
<20% Below cost	19.5	(1.2)	3	—	—	—	19.5	(1.2)	3
Total equity securities	19.5	(1.2)	3	—	—	—	19.5	(1.2)	3
Total for securities in an unrealized loss position	$2,591.5	$(100.6)	529	$461.9	$(43.6)	121	$3,053.4	$(144.2)	650
Investment grade	$2,556.0	$ (99.6)	517	$358.7	$(36.6)	91	$2,914.7	(136.2)	608
Below investment grade[3]	35.5	(1.0)	12	103.2	(7.0)	30	138.7	(8.0)	42
Total for securities in an unrealized loss position	$2,591.5	$(100.6)	529	$461.9	$(43.6)	121	$3,053.4	$(144.2)	650

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(1) Amounts included $0.1 million of unrealized losses on other-than-temporarily impaired securities.
(2) Amounts included $0.1 million of unrealized losses on other-than-temporarily impaired securities.
(3) Amounts that have been in a continuous loss position for less than 12 months included $0.1 million of unrealized losses on other-than-temporarily impaired securities.

The following table presents the gross unrealized losses and fair values of our corporate securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, based on industry, as of December 31, 2016:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities
Description of Securities									
U.S. corporate:									
Utilities	$ 260.5	$ (14.1)	54	$ 7.2	$ (0.1)	3	$ 267.7	$ (14.2)	57
Energy	52.0	(1.4)	14	103.1	(7.4)	18	155.1	(8.8)	32
Finance and insurance	306.7	(8.5)	57	16.6	(2.4)	2	323.3	(10.9)	59
Consumer—non-cyclical	154.9	(6.8)	41	—	—	—	154.9	(6.8)	41
Technology and communications	96.0	(4.8)	25	40.2	(3.8)	10	136.2	(8.6)	35
Industrial	59.3	(3.0)	15	25.2	(1.8)	5	84.5	(4.8)	20
Capital goods	77.0	(3.2)	22	—	—	—	77.0	(3.2)	22
Consumer—cyclical	83.6	(3.7)	19	8.2	(0.1)	3	91.8	(3.8)	22
Transportation	116.7	(7.6)	14	1.6	(0.1)	1	118.3	(7.7)	15
Other	15.3	(0.1)	1	—	—	—	15.3	(0.1)	1
Subtotal, U.S. corporate securities	1,222.0	(53.2)	262	202.1	(15.7)	42	1,424.1	(68.9)	304
Non-U.S. corporate:									
Utilities	50.9	(1.8)	7	6.9	(0.6)	1	57.8	(2.4)	8
Energy	22.8	(0.5)	6	26.7	(3.6)	6	49.5	(4.1)	12
Finance and insurance	80.0	(1.4)	21	10.6	(0.3)	5	90.6	(1.7)	26
Consumer—non-cyclical	65.3	(2.0)	10	—	—	—	65.3	(2.0)	10
Technology and communications	33.4	(1.6)	9	4.9	(0.1)	1	38.3	(1.7)	10
Industrial	33.8	(1.0)	6	26.5	(1.4)	7	60.3	(2.4)	13
Capital goods	10.1	(0.1)	2	14.0	(1.0)	1	24.1	(1.1)	3
Consumer—cyclical	16.6	(0.6)	2	—	—	—	16.6	(0.6)	2
Transportation	36.8	(1.6)	6	13.0	(0.7)	2	49.8	(2.3)	8
Other	72.1	(1.5)	13	12.7	(2.1)	5	84.8	(3.6)	18
Subtotal, non-U.S. corporate securities	421.8	(12.1)	82	115.3	(9.8)	28	537.1	(21.9)	110
Total for corporate securities in an unrealized loss position	$1,643.8	$(65.3)	344	$317.4	$(25.5)	70	$1,961.2	$(90.8)	414

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The scheduled maturity distribution of fixed maturity securities as of December 31, 2017 is set forth below. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

(Amounts in millions)	Amortized cost or cost	Fair value
Due one year or less	$ 386.2	$ 391.3
Due after one year through five years	1,608.2	1,673.5
Due after five years through ten years	2,365.5	2,483.1
Due after ten years	5,019.9	5,761.8
Subtotal	9,379.8	10,309.7
Residential mortgage-backed	1,116.4	1,192.9
Commercial mortgage-backed	949.3	966.6
Other asset-backed	563.5	565.8
Total	$12,009.0	$13,035.0

As of December 31, 2017, $2,942.1 million of our investments (excluding mortgage-backed and asset-backed securities) were subject to certain call provisions.

As of December 31, 2017, securities issued by finance and insurance, utilities, consumer—non-cyclical and energy industry groups represented approximately 20.5%, 15.8%, 12.2% and 10.6%, respectively, of our domestic and foreign corporate fixed maturity securities portfolio. No other industry group comprised more than 10% of our investment portfolio.

As of December 31, 2017, we did not hold any fixed maturity securities in any single issuer, other than securities issued or guaranteed by the U.S. government, which exceeded 10% of stockholder's equity.

As of December 31, 2017 and 2016, $7.8 million of securities were on deposit with various state government insurance departments in order to comply with relevant insurance regulations.

(e) Commercial Mortgage Loans

Our mortgage loans are collateralized by commercial properties, including multi-family residential buildings. The carrying value of commercial mortgage loans is stated at original cost net of payments, amortization and allowance for loan losses.

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We diversify our commercial mortgage loans by both property type and geographic region. The following tables set forth the distribution across property type and geographic region for commercial mortgage loans as of December 31:

	2017		2016	
(Amounts in millions)	Carrying value	% of total	Carrying value	% of total
Property type:				
Retail	$ 637.5	35.8%	$ 588.8	36.2%
Industrial	506.0	28.5	451.7	27.7
Office	414.5	23.3	380.5	23.4
Apartments	120.6	6.8	121.4	7.5
Mixed use	54.4	3.1	58.8	3.6
Other	45.2	2.5	25.7	1.6
Subtotal	1,778.2	100.0%	1,626.9	100.0%
Unamortized balance of loan origination fees and costs	(0.9)		(0.7)	
Allowance for losses	(2.7)		(3.1)	
Total	$1,774.6		$1,623.1	

	2017		2016	
(Amounts in millions)	Carrying value	% of total	Carrying value	% of total
Geographic region:				
South Atlantic	$ 478.7	26.9%	$ 410.8	25.3%
Pacific	455.2	25.6	438.7	27.0
Middle Atlantic	200.2	11.3	199.2	12.2
West North Central	181.4	10.2	164.4	10.1
East North Central	143.8	8.1	128.9	7.9
Mountain	98.2	5.5	96.3	5.9
East South Central	87.5	4.9	75.4	4.6
West South Central	76.2	4.3	61.2	3.8
New England	57.0	3.2	52.0	3.2
Subtotal	1,778.2	100.0%	1,626.9	100.0%
Unamortized balance of loan origination fees and costs	(0.9)		(0.7)	
Allowance for losses	(2.7)		(3.1)	
Total	$1,774.6		$1,623.1	

As of December 31, 2017 and 2016, our total mortgage holdings secured by real estate in California was $302.5 million and $280.8 million, respectively, which was 17.0% and 17.3%, respectively, of our total mortgage holdings.

As of December 31, 2017 and 2016, all of our commercial mortgage loans were current.

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As of December 31, 2017 and 2016, we had no commercial mortgage loans that were past due for more than 90 days and still accruing interest. We also did not have any commercial mortgage loans that were past due for less than 90 days on non-accrual status as of December 31, 2017 and 2016.

As of and for the years ended December 31, 2017 and 2016, we modified or extended four and three commercial mortgage loans, respectively, with a total carrying value of $15.3 million and $7.4 million, respectively. All of these modifications or extensions were based on current market interest rates, did not result in any forgiveness in the outstanding principal amount owed by the borrower and were not considered troubled debt restructurings.

The following table sets forth the allowance for credit losses and recorded investment in commercial mortgage loans as of or for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Allowance for credit losses:			
Beginning balance	$ 3.1	$ 4.2	$ 5.9
Charge-offs	—	(0.5)	(2.5)
Recoveries	—	—	—
Provision	(0.4)	(0.6)	0.8
Ending balance	$ 2.7	$ 3.1	$ 4.2
Ending allowance for individually impaired loans	$ —	$ —	$ —
Ending allowance for loans not individually impaired that were evaluated collectively for impairment	$ 2.7	$ 3.1	$ 4.2
Recorded investment:			
Ending balance	$1,778.2	$1,626.9	$1,680.2
Ending balance of individually impaired loans	$ —	$ —	$ —
Ending balance of loans not individually impaired that were evaluated collectively for impairment	$1,778.2	$1,626.9	$1,680.2

As of December 31, 2017, 2016 and 2015, we did not have any commercial mortgage loans that were individually impaired.

In evaluating the credit quality of commercial mortgage loans, we assess the performance of the underlying loans using both quantitative and qualitative criteria. Certain risks associated with commercial mortgage loans can be evaluated by reviewing both the loan-to-value and debt service coverage ratio to understand both the probability of the borrower not being able to make the necessary loan payments as well as the ability to sell the underlying property for an amount that would enable us to recover our unpaid principal balance in the event of default by the borrower. The average loan-to-value ratio is based on our most recent estimate of the fair value for the underlying property which is evaluated at least annually and updated more frequently if necessary to better indicate risk associated with the loan. A lower loan-to-value indicates that our loan value is more likely to be recovered in the event of default by the borrower if the property was sold. The debt service coverage ratio is

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based on "normalized" annual net operating income of the property compared to the payments required under the terms of the loan. Normalization allows for the removal of annual one-time events such as capital expenditures, prepaid or late real estate tax payments or non-recurring third-party fees (such as legal, consulting or contract fees). This ratio is evaluated at least annually and updated more frequently if necessary to better indicate risk associated with the loan. A higher debt service coverage ratio indicates the borrower is less likely to default on the loan. The debt service coverage ratio should not be used without considering other factors associated with the borrower, such as the borrower's liquidity or access to other resources that may result in our expectation that the borrower will continue to make the future scheduled payments.

The following tables set forth the loan-to-value of commercial mortgage loans by property type as of December 31:

	2017					
(Amounts in millions)	0% – 50%	51% – 60%	61% – 75%	76% – 100%	Greater than 100%	Total
Property type:						
Retail	$292.7	$124.1	$220.7	$—	$—	$ 637.5
Industrial	244.4	90.2	169.3	2.1	—	506.0
Office	194.4	62.2	157.9	—	—	414.5
Apartments	78.1	26.8	10.8	4.9	—	120.6
Mixed use	27.8	19.7	6.9	—	—	54.4
Other	24.4	15.7	5.1	—	—	45.2
Total recorded investment	$861.8	$338.7	$570.7	$ 7.0	$—	$1,778.2
% of total	48.5%	19.0%	32.1%	0.4%	—%	100.0%
Weighted-average debt service coverage ratio	3.26	1.77	1.63	1.09	—	2.45

	2016					
(Amounts in millions)	0% – 50%	51% – 60%	61% – 75%	76% – 100%	Greater than 100%	Total
Property type:						
Retail	$189.6	$151.6	$247.6	$—	$—	$ 588.8
Industrial	189.1	133.9	126.5	2.2	—	451.7
Office	102.4	50.4	226.4	1.3	—	380.5
Apartments	43.7	25.7	47.1	4.9	—	121.4
Mixed use	24.9	18.8	15.1	—	—	58.8
Other	8.6	—	17.1	—	—	25.7
Total recorded investment	$558.3	$380.4	$679.8	$ 8.4	$—	$1,626.9
% of total	34.3%	23.4%	41.8%	0.5%	—%	100.0%
Weighted-average debt service coverage ratio	2.40	1.74	1.63	1.08	—	1.92

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The following tables set forth the debt service coverage ratio for fixed rate commercial mortgage loans by property type as of December 31:

	2017					
(Amounts in millions)	Less than 1.00	1.00 – 1.25	1.26 – 1.50	1.51 – 2.00	Greater than 2.00	Total
Property type:						
Retail	$ 7.9	$ 60.2	$109.6	$222.0	$237.8	$ 637.5
Industrial	3.6	17.6	69.6	205.5	209.7	506.0
Office	16.7	9.7	50.5	94.1	243.5	414.5
Apartments	—	7.7	24.3	31.2	57.4	120.6
Mixed use	0.4	1.1	—	27.1	25.8	54.4
Other	—	12.0	—	13.7	19.5	45.2
Total recorded investment	$28.6	$108.3	$254.0	$593.6	$793.7	$1,778.2
% of total	1.6%	6.1%	14.3%	33.4%	44.6%	100.0%
Weighted-average loan-to-value	52.7%	57.6%	59.2%	56.9%	37.0%	48.3%

	2016					
(Amounts in millions)	Less than 1.00	1.00 – 1.25	1.26 – 1.50	1.51 – 2.00	Greater than 2.00	Total
Property type:						
Retail	$ 4.8	$ 56.7	$120.7	$239.4	$167.2	$ 588.8
Industrial	3.8	63.1	66.9	166.4	151.5	451.7
Office	22.7	19.9	8.5	219.9	109.5	380.5
Apartments	13.1	12.8	7.4	54.3	33.8	121.4
Mixed use	0.6	3.5	3.2	23.3	28.2	58.8
Other	—	12.4	5.3	4.6	3.4	25.7
Total recorded investment	$45.0	$168.4	$212.0	$707.9	$493.6	$1,626.9
% of total	2.8%	10.4%	13.0%	43.5%	30.3%	100.0%
Weighted-average loan-to-value	58.8%	59.4%	58.1%	58.8%	44.1%	54.3%

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As of December 31, 2017 and 2016, we did not have any floating rate commercial mortgage loans.

(f) Other Invested Assets

The following table sets forth the carrying values of our other invested assets as of December 31:

	2017		2016	
(Amounts in millions)	Carrying value	% of total	Carrying value	% of total
Investment in unconsolidated subsidiary	$722.0	80.4%	$ 672.4	58.6%
Derivatives	83.8	9.3	72.7	6.3
Securities lending collateral	43.5	4.8	89.0	7.8
Limited partnerships	29.1	3.2	41.1	3.6
Short-term investments	15.9	1.8	8.5	0.7
Real estate owned	3.3	0.4	3.3	0.3
Trading securities	—	—	259.1	22.6
Other investments	0.5	0.1	0.5	0.1
Total other invested assets	$898.1	100.0%	$1,146.6	100.0%

(4) Derivative Instruments

Our business activities routinely deal with fluctuations in interest rates, equity prices, currency exchange rates and other asset and liability prices. We use derivative instruments to mitigate or reduce certain of these risks. We have established policies for managing each of these risks, including prohibitions on derivatives market-making and other speculative derivatives activities. These policies require the use of derivative instruments in concert with other techniques to reduce or mitigate these risks. While we use derivatives to mitigate or reduce risks, certain derivatives do not meet the accounting requirements to be designated as hedging instruments and are denoted as "derivatives not designated as hedges" in the following disclosures.

The following table sets forth our positions in derivative instruments as of December 31:

	Derivative assets			Derivative liabilities		
	Balance sheet	Fair value		Balance sheet	Fair value	
(Amounts in millions)	classification	2017	2016	classification	2017	2016
Derivatives not designated as hedges						
Interest rate swaps	Other invested assets	$—	$ 0.2	Other liabilities	$ —	$ —
Equity index options	Other invested assets	79.5	72.0	Other liabilities	—	—
Financial futures	Other invested assets	—	—	Other liabilities	—	—
Equity return swaps	Other invested assets	—	—	Other liabilities	2.0	1.1
Limited guarantee	Other invested assets	4.3	0.5	Other liabilities	—	—
GMWB embedded derivatives	Reinsurance recoverable[1]	11.1	13.3	Policyholder account balances[2]	215.6	261.0
Fixed index annuity embedded derivatives	Other assets	—	—	Policyholder account balances[3]	416.4	341.0
Indexed universal life embedded derivatives	Other assets	—	—	Policyholder account balances[4]	14.1	11.5
Total derivatives not designated as hedges		94.9	86.0		648.1	614.6
Total derivatives		$94.9	$86.0		$648.1	$614.6

(1) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.
(2) Represents the embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.
(3) Represents the embedded derivatives associated with our fixed index annuity liabilities.
(4) Represents the embedded derivatives associated with our indexed universal life liabilities.

The fair value of derivative positions presented above was not offset by the respective collateral amounts received or provided under these agreements.

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The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB, fixed index annuity and indexed universal life embedded derivatives, the change between periods is best illustrated by the number of policies. The following tables represent activity associated with derivative instruments as of the dates indicated:

(Notional in millions)	Measurement	December 31, 2016	Additions	Maturities/ terminations	December 31, 2017
Derivatives not designated as hedges					
Interest rate swaps	Notional	$ 4.9	$ —	$ —	$ 4.9
Credit default swaps	Notional	10.0	—	—	10.0
Equity index options	Notional	2,395.5	2,982.4	(2,957.8)	2,420.1
Financial futures	Notional	1,188.7	1,155.2	(1,239.0)	1,104.9
Equity return swaps	Notional	150.0	254.6	(329.6)	75.0
Limited guarantee	Notional	250.0	—	—	250.0
Reinsurance embedded derivative	Notional	301.5	—	(301.5)	—
Total derivatives		$4,300.6	$4,392.2	$(4,827.9)	$3,864.9

(Number of policies)	Measurement	December 31, 2016	Additions	Maturities/ terminations	December 31, 2017
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	28,908	—	(2,378)	26,530
Fixed index annuity embedded derivatives	Policies	17,299	—	(454)	16,845
Indexed universal life embedded derivatives	Policies	1,074	1	(90)	985

Cash Flow Hedges

Certain derivative instruments are designated as cash flow hedges. The changes in fair value of these instruments are recorded as a component of OCI. We designate and account for the following as cash flow hedges when they have met the effectiveness requirements: (i) various types of interest rate swaps to convert floating rate investments to fixed rate investments; (ii) various types of interest rate swaps to convert floating rate liabilities into fixed rate liabilities; (iii) receive U.S. dollar fixed on foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments; (iv) forward starting interest rate swaps to hedge against changes in interest rates associated with future fixed rate bond purchases and/or interest income; and (v) other instruments to hedge the cash flows of various forecasted transactions.

There were no pre-tax income (loss) effects of cash flow hedges for the year ended December 31, 2017, 2016 and 2015.

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The following table provides a reconciliation of current period changes, net of applicable income taxes, for these designated derivatives presented in the separate component of stockholder's equity labeled "derivatives qualifying as hedges," for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Derivatives qualifying as effective accounting hedges as of January 1	$72.5	$68.3	$63.6
Current period increases (decreases) in fair value, net of deferred taxes of $(2.9), $(3.2) and $(2.9)	6.8	6.0	5.3
Reclassification to net income (loss), net of deferred taxes of $0.9, $0.9 and $0.3	(1.4)	(1.8)	(0.6)
Derivatives qualifying as effective accounting hedges as of December 31	$77.9	$72.5	$68.3

Derivatives qualifying as effective accounting hedges totaled $77.9 million, $72.5 million and $68.3 million, net of taxes, for the years ended December 31, 2017, 2016 and 2015, respectively, related to our investment in GLICNY. The $77.9 million, net of taxes, recorded in stockholder's equity as of December 31, 2017 is expected to be reclassified to future net income (loss) through our equity in net income of unconsolidated subsidiary and we do not expect any amounts to be reclassified to future net income (loss), concurrently with and primarily offsetting changes in interest expense and interest income on floating rate instruments, in the next 12 months. No amounts were reclassified to net income (loss) during the years ended December 31, 2017, 2016 and 2015 in connection with forecasted transactions that were no longer considered probable of occurring.

Derivatives Not Designated As Hedges

We also enter into certain non-qualifying derivative instruments such as: (i) interest rate swaps and financial futures to mitigate interest rate risk as part of managing regulatory capital positions; (ii) credit default swaps to enhance yield and reproduce characteristics of investments with similar terms and credit risk; (iii) equity index options, equity return swaps, interest rate swaps and financial futures to mitigate the risks associated with liabilities that have guaranteed minimum benefits; (iv) interest rate swaps where the hedging relationship does not qualify for hedge accounting; and (v) credit default swaps to mitigate loss exposure to certain credit risk. Additionally, we provide GMWBs on certain variable annuities and offer fixed index annuity products that are required to be bifurcated as embedded derivatives. We also offer fixed index annuity and indexed universal life products and have reinsurance agreements with certain features that are required to be bifurcated as embedded derivatives.

The following table provides the pre-tax gain (loss) recognized in net income (loss) for the effects of derivatives not designated as hedges for the years ended December 31:

(Amounts in millions)	2017	2016	2015	Classification of gain (loss) recognized in net income (loss)
Interest rate swaps	$ —	$ 15.1	$ 0.6	Net investment gains (losses)
Equity index options	57.4	11.8	(23.6)	Net investment gains (losses)
Financial futures	(34.8)	(101.6)	(31.5)	Net investment gains (losses)
Equity return swaps	(21.8)	(3.7)	0.1	Net investment gains (losses)
Limited guarantee	3.8	(3.3)	(1.4)	Net investment gains (losses)
Reinsurance embedded derivative	(11.5)	42.3	(1.3)	Net investment gains (losses)
GMWB embedded derivatives	67.6	68.5	(21.6)	Net investment gains (losses)
Fixed index annuity embedded derivatives	(83.7)	(22.0)	(7.1)	Net investment gains (losses)
Indexed universal life embedded derivatives	7.5	9.7	6.5	Net investment gains (losses)
Total derivatives not designated as hedges	$(15.5)	$ 16.8	$(79.3)	

Derivative Counterparty Credit Risk

Most of our derivative arrangements with counterparties require the posting of collateral upon meeting certain net exposure thresholds.

The following table presents additional information about derivative assets and liabilities subject to an enforceable master netting arrangement as of December 31:

	2017			2016		
(Amounts in millions)	Derivatives assets[1]	Derivatives liabilities[1]	Net derivatives	Derivatives assets[1]	Derivatives liabilities[1]	Net derivatives
Amounts presented in the balance sheet:						
Gross amounts recognized	$ 79.5	$ 2.0	$ 77.5	$ 72.2	$ 1.1	$ 71.1
Gross amounts offset in the balance sheet	—	—	—	—	—	—
Net amounts presented in the balance sheet	79.5	2.0	77.5	72.2	1.1	71.1
Gross amounts not offset in the balance sheet:						
Financial instruments[2]	(2.0)	(2.0)	—	(1.1)	(1.1)	—
Collateral received	(29.0)	—	(29.0)	(21.6)	—	(21.6)
Collateral pledged	—	(20.0)	20.0	—	(45.8)	45.8
Over collateralization	—	20.0	(20.0)	—	45.8	(45.8)
Net amount	$ 48.5	$ —	$ 48.5	$ 49.5	$ —	$ 49.5

(1) Does not include amounts related to embedded derivatives as of December 31, 2017 and 2016.

(2) Amounts represent derivative assets and/or liabilities that are presented gross within the balance sheet but are held with the same counterparty where we have a master netting arrangement. This adjustment results in presenting the net asset and net liability position for each counterparty.

Almost all of our master swap agreements contain credit downgrade provisions that allow either party to assign or terminate derivative transactions if the other party's long-term unsecured debt rating or financial

strength rating is below the limit defined in the applicable agreement. If the downgrade provisions had been triggered as of December 31, 2017 and 2016, we could have been allowed to claim $48.5 million and $49.5 million, respectively. The chart above excludes embedded derivatives and limited guarantee as those derivatives are not subject to master netting arrangements.

Credit Derivatives

We sell protection under single name credit default swaps in combination with purchasing securities to replicate characteristics of similar investments based on the credit quality and term of the credit default swap. Credit default triggers for single name reference entities follow the Credit Derivatives Physical Settlement Matrix published by the International Swaps and Derivatives Association. Under these terms, credit default triggers are defined as bankruptcy, failure to pay or restructuring, if applicable. Our maximum exposure to credit loss equals the notional value for credit default swaps. In the event of default for credit default swaps, we are typically required to pay the protection holder the full notional value less a recovery rate determined at auction.

The following table sets forth our credit default swaps where we sell protection on single name reference entities and the fair values as of December 31:

	2017			2016		
(Amounts in millions)	Notional value	Assets	Liabilities	Notional value	Assets	Liabilities
Investment grade						
Matures in less than one year	$10.0	$—	$—	$—	$—	$—
Matures after one year through five years	—	—	—	10.0	—	—
Total credit default swaps on single name reference entities	$10.0	$—	$—	$10.0	$—	$—

(5) Deferred Acquisition Costs

The following table presents the activity impacting DAC as of and for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Unamortized balance as of January 1	$2,102.8	$2,345.5	$2,842.3
Costs deferred	9.0	58.8	142.6
Amortization, net of interest accretion	(185.0)	(301.5)	(185.3)
Impairment	—	—	(454.1)
Reinsurance transactions[1]	31.7	—	—
Unamortized balance as of December 31	1,958.5	2,102.8	2,345.5
Accumulated effect of net unrealized investment (gains) losses	(324.6)	(146.7)	(105.8)
Balance as of December 31	$1,633.9	$1,956.1	$2,239.7

(1) See note 7 for a discussion of reinsurance transactions.

We regularly review DAC to determine if it is recoverable from future income. In 2016, we performed loss recognition testing and determined that we had premium deficiencies in our fixed immediate annuity products. As of June 30, 2016, we wrote off the entire DAC balance for our fixed immediate annuity products of

$5.7 million through amortization. In addition, as a result of our fixed immediate annuity loss recognition testing as of December 31, 2017 and 2016, we increased our future policy benefit reserves and recognized expenses of $2.0 million and $9.0 million, respectively. The premium deficiency test results were primarily driven by the low interest rate environment and updated assumptions to future policy charges. As of December 31, 2017 and 2016, we believe all of our other businesses had sufficient future income and therefore the related DAC was recoverable.

In 2017 and 2016, as part of our annual review and update of assumptions, we increased DAC amortization for our universal and term universal life products by $37.5 million and $82.1 million, respectively, reflecting updated assumptions primarily for emerging mortality experience and prolonged lower interest rates. In 2015, as part of our annual review of assumptions, we increased DAC amortization by $84.7 million in our universal life insurance products, reflecting updated assumptions for persistency, long-term interest rates, mortality and other refinements as well as corrections related to reinsurance inputs. See note 7 for additional information regarding amortization of DAC related to reinsurance transactions with related parties.

In 2015, we entered into a Master Agreement (the "Master Agreement") with Protective Life Insurance Company ("Protective Life"). Pursuant to the Master Agreement, GLAIC and Protective Life agreed to enter into a reinsurance agreement (the "Reinsurance Agreement"), under the terms of which Protective Life will coinsure certain term life insurance business from us, net of third-party reinsurance. The Reinsurance Agreement was effective in January 2016. We initially ceded premiums of $325.7 million and reserves of $330.5 million of certain term life insurance products under this agreement. In connection with entering into the Master Agreement in 2015, we recorded a DAC impairment of $454.1 million as a result of loss recognition testing of certain term life insurance policies as part of this life block transaction.

As of December 31, 2015, all of our other businesses had sufficient future income and therefore the related DAC was recoverable.

(6) Intangible Assets

The following table presents our intangible assets as of December 31:

	2017		2016	
(Amounts in millions)	Gross carrying amount[1]	Accumulated amortization	Gross carrying amount[1]	Accumulated amortization
PVFP	$594.2	$(511.2)	$625.6	$(479.8)
Capitalized software	129.7	(118.3)	127.3	(112.1)
Deferred sales inducements to contractholders	64.7	(43.5)	66.5	(40.5)
Other	3.8	(3.8)	3.8	(3.8)
Total	$792.4	$(676.8)	$823.2	$(636.2)

(1) Gross carrying amount includes the accumulated effect of net unrealized investment gains (losses).

Amortization expense related to PVFP, capitalized software and other intangible assets for the years ended December 31, 2017, 2016 and 2015 was $37.6 million, $(2.7) million and $30.7 million, respectively. Amortization expense related to deferred sales inducements of $3.0 million, $4.9 million and $4.2 million, respectively, for the years ended December 31, 2017, 2016 and 2015 was included in benefits and other changes in policy reserves.

Present Value of Future Profits

The following table presents the activity in PVFP as of and for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Unamortized balance as of January 1	$211.3	$198.6	$218.3
Amortization	(41.8)	2.0	(32.5)
Interest accreted at 5.32%, 5.22% and 6.14%	10.4	10.7	12.8
Unamortized balance as of December 31	179.9	211.3	198.6
Accumulated effect of net unrealized investment (gains) losses	(96.9)	(65.5)	(60.5)
Balance as of December 31	$ 83.0	$145.8	$138.1

We regularly review our assumptions and periodically test PVFP for recoverability in a manner similar to our treatment of DAC. As of December 31, 2017, we believe all of our businesses have sufficient future income and therefore the related PVFP is recoverable.

The percentage of the December 31, 2017 PVFP balance net of interest accretion, before the effect of unrealized investment gains or losses, estimated to be amortized over each of the next five years is as follows:

2018	6.5%
2019	8.0%
2020	7.3%
2021	6.6%
2022	6.1%

Amortization expense for PVFP in future periods will be affected by acquisitions, dispositions, net investment gains (losses) or other factors affecting the ultimate amount of gross profits realized from certain lines of business. Similarly, future amortization expense for other intangibles will depend on future acquisitions, dispositions and other business transactions.

(7) Reinsurance

We reinsure a portion of our policy risks to other insurance companies, including affiliates, in order to reduce our ultimate losses, diversify our exposures and provide capital flexibility. We also assume certain policy risks written by other insurance companies and affiliates. Reinsurance accounting is followed for assumed and ceded transactions when there is adequate risk transfer. Otherwise, the deposit method of accounting is followed.

Reinsurance does not relieve us from our obligations to policyholders. In the event that the reinsurers are unable to meet their obligations, we remain liable for the reinsured claims. We monitor both the financial condition of individual reinsurers and risk concentrations arising from similar geographic regions, activities and economic characteristics of reinsurers to lessen the risk of default by such reinsurers. We did not have any significant concentrations of reinsurance with reinsurers other than the relationship discussed below with Union Fidelity Life Insurance Company ("UFLIC"), a third-party reinsurer.

As of December 31, 2017, the maximum amount of individual ordinary life insurance normally retained by us on any one individual life policy was $5.0 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

In April 2017, we assumed risk on a coinsurance basis for certain blocks of term life insurance, universal life insurance and single premium whole life insurance from GLIC, our parent. As part of these transactions, we received cash and investments of $250.6 million, DAC of $31.7 million and recorded higher reserves of $190.6, which resulted in an after-tax gain of $57.2 million. This affiliated reinsurance gain was recorded in additional paid-in capital as a deemed capital contribution in 2017.

We also have term and universal life insurance policies and single premium deferred annuities assumed from GLIC. As of December 31, 2017 and 2016, we had reserves of $1,367.1 million and $1,258.9 million, respectively, associated with these policies. We also have term and universal life insurance policies ceded to GLIC. As of December 31, 2017 and 2016, we had reinsurance recoverables of $198.9 million and $232.6 million, respectively, associated with these products in connection with this reinsurance agreement with GLIC.

In February 2016, as part of restructuring Genworth's U.S. life insurance business, Genworth announced an initiative to repatriate existing reinsured business from Brookfield Life and Annuity Insurance Company Ltd ("BLAIC"), its primary Bermuda domiciled captive reinsurance subsidiary, to its U.S. life insurance subsidiaries in 2016. After receiving regulatory approval, on October 1, 2016, the repatriation was completed through the merger of BLAIC with and into GLIC, our parent, with GLIC being the surviving company. As a result of this repatriation, we recaptured all of our term and universal life insurance policies previously ceded to BLAIC, an affiliate, which primarily increased policy fees and other income $318.1 million with a proportionate increase in benefits and other changes in reserves. In addition, subsequent to the recapture, an embedded derivative associated with our universal life insurance products was terminated which resulted in a gain of $42.6 million that was recorded in net investment gains (losses).

In 2016, we also recaptured certain universal life insurance policies previously ceded to GLIC and certain linked-benefit products were recaptured by GLIC that we had previously assumed. As a result of these reinsurance transactions, we initially recorded higher policy fees and other income of approximately $403.0 million, higher acquisition and operating expenses of approximately $298.0 million and we wrote off deferred acquisition costs of approximately $50.8 million. These reinsurance recaptures resulted in an after-tax gain of approximately $45.7 million. Additionally, in satisfaction of the $298.0 million net recapture settlement, we transferred fixed maturity securities with a book value of $276.2 million to GLIC, resulting in an after-tax gain of $14.2 million. These affiliated non-cash recapture gains were recorded in additional paid-in capital as deemed capital contributions in 2016. See note 12, supplemental cash flow information, for other non-cash transactions.

Under the terms of certain reinsurance agreements that we have with external parties, we pledged assets in either separate portfolios or in trust for the benefit of external reinsurers. These assets support the reserves assumed from these external reinsurers. We had pledged fixed maturity securities and commercial mortgage loans of $814.4 million and $18.4 million, respectively, as of December 31, 2017 and $775.7 million and $18.2 million, respectively, as of December 31, 2016 in connection with these reinsurance agreements. However, we maintain the ability to substitute these pledged assets for other qualified collateral, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level.

On April 15, 2004, we entered into reinsurance transactions in which we ceded to UFLIC substantially all of our in-force blocks of variable annuities and structured settlements, excluding the RetireReady℠ Retirement Answer Variable Annuity product for contracts in-force prior to January 1, 2004. UFLIC also assumed any benefit or expense resulting from third-party reinsurance that we had on this block of business. As of December 31, 2017 and 2016, we had $1,768.9 million and $1,739.4 million, respectively, in retained assets that

were attributable to the separate account portion of the variable annuity business and will make any payments with respect to that separate account portion directly from these assets. The reinsurance transactions with UFLIC were reported on our tax returns at fair value as determined for tax purposes, giving rise to a net reduction in current and deferred income tax liabilities and resulting in a net tax benefit. Under these reinsurance agreements, we continue to perform various management, administration and support services and receive an expense allowance from UFLIC to reimburse us for costs we incur to service the reinsured blocks. Service charges and expense allowance amounts are determined annually based upon policy charges subject to annual adjustments. Although we are not relieved of our primary obligations to the contractholders, the reinsurance transactions with UFLIC transfer the future financial results of the reinsured blocks to UFLIC. As of December 31, 2017 and 2016, we had a reinsurance recoverable of $5,828.3 million and $6,001.1 million, respectively, associated with UFLIC.

To secure the payment of its obligations to us under these reinsurance agreements, UFLIC has established trust accounts to maintain an aggregate amount of assets with a statutory book value at least equal to the statutory general account reserves attributable to the reinsured business less an amount required to be held in certain claims paying accounts. A trustee administers the trust accounts and we are permitted to withdraw from the trust accounts amounts due to us pursuant to the terms of the reinsurance agreements that are not otherwise paid by UFLIC. In addition, pursuant to a Capital Maintenance Agreement, General Electric Capital Corporation, an indirect subsidiary of General Electric Company ("GE"), previously agreed to maintain sufficient capital in UFLIC to maintain UFLIC's risk-based capital ("RBC") at not less than 150% of its company action level, as defined from time to time by the NAIC. In connection with its announced realignment and reorganization of the business of General Electric Capital Corporation in December 2015, General Electric Capital Corporation merged with and into GE. As a result, GE is the successor obligor under the Capital Maintenance Agreement.

The following table sets forth net life insurance in-force as of December 31:

(Amounts in millions)	2017	2016	2015
Direct life insurance in-force	$ 475,061.0	$ 502,208.9	$ 524,686.6
Amounts assumed from other companies	132,285.7	135,988.1	139,439.1
Amounts ceded to other companies[1]	(555,841.4)	(554,261.6)	(478,002.5)
Net life insurance in-force	$ 51,505.3	$ 83,935.4	$ 186,123.2
Percentage of amount assumed to net	256.8%	162.0%	74.9%

(1) Includes amounts accounted for under the deposit method.

The following table sets forth the effects of reinsurance on premiums written and earned for the years ended December 31:

	Written			Earned		
(Amounts in millions)	2017	2016	2015	2017	2016	2015
Direct	$ 795.9	$ 837.7	$ 882.9	$ 796.6	$ 838.6	$ 884.2
Assumed	169.1	156.5	156.7	169.2	156.6	156.7
Ceded	(655.1)	(980.9)	(499.1)	(655.8)	(981.6)	(500.0)
Net premiums	$ 309.9	$ 13.3	$ 540.5	$ 310.0	$ 13.6	$ 540.9
Percentage of amount assumed to net				54.6%	NM[1]	29.0%

(1) We define "NM" as not meaningful for percentages greater than 200%.

See note 5 for a discussion on the impact of reinsurance treaty with Protective Life on ceded premiums for the year ended December 31, 2016.

Reinsurance recoveries recognized as a reduction of benefits and other changes in policy reserves amounted to $1,235.0 million, $996.2 million and $1,106.6 million during 2017, 2016 and 2015, respectively.

(8) Insurance Reserves

Future Policy Benefits

The following table sets forth our recorded liabilities and the major assumptions underlying our future policy benefits as of December 31:

(Amounts in millions)	Mortality/ morbidity assumption	Interest rate assumption	2017	2016
Structured settlements with life contingencies	(1)	1.00% – 8.00%	$4,775.9	$4,859.7
Traditional life insurance contracts	(2)	3.00% – 7.50%	2,347.5	2,455.8
Annuity contracts with life contingencies	(1)	1.00% – 8.00%	1,302.7	1,361.7
Accident and health insurance contracts	(3)	3.50% – 6.00%	126.2	114.0
Supplementary contracts with life contingencies	(1)	1.00% – 8.00%	74.3	67.9
Total future policy benefits			$8,626.6	$8,859.1

(1) Assumptions for limited-payment contracts come from either the U.S. Population Table, the 1983 Group Annuitant Mortality Table, the 1983 Individual Annuitant Mortality Table, the Annuity 2000 Mortality Table or the 2012 Individual Annuity Reserving Table.

(2) Principally modifications based on company experience of the Society of Actuaries 1965-70 or 1975-80 Select and Ultimate Tables, the 1941, 1958, 1980 and 2001 Commissioner's Standard Ordinary Tables, or the 1980 Commissioner's Extended Term Table and (IA) Standard Table 1996 (modified).

(3) The 1958 and 1980 Commissioner's Standard Ordinary Tables, or the 2000 U.S. Annuity Table, the 1983 Group Annuitant Mortality Table or the 2008 Valuation Basic Table.

We regularly review our assumptions and perform loss recognition testing at least annually. In 2017 and 2016, we performed loss recognition testing and determined that we had premium deficiencies in our fixed immediate annuity products. As of June 30, 2016, we wrote off the entire DAC balance for our fixed immediate annuity products of $5.7 million through amortization. In addition, as a result of our fixed immediate annuity loss recognition testing as of December 31, 2017 and 2016, we increased our future policy benefit reserves and recognized expenses of $2.0 million and $9.0 million, respectively. The premium deficiency test results were primarily driven by the low interest rate environment and updated assumptions to future policy charges. The 2015 test did not result in a charge. The liability for future policy benefits for our acquired block of accident and health insurance contracts represents our current best estimate; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant and result in further increases in the related future policy benefit reserves for these products.

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Years Ended December 31, 2017, 2016 and 2015

Policyholder Account Balances

The following table sets forth our recorded liabilities for policyholder account balances as of December 31:

(Amounts in millions)	2017	2016
Annuity contracts	$ 4,195.4	$ 4,419.6
Structured settlements without life contingencies	768.5	835.9
FABNs	5.0	5.3
Supplementary contracts without life contingencies	443.4	465.2
Variable universal life insurance contracts	15.3	15.9
Total investment contracts	5,427.6	5,741.9
Universal and term universal life insurance contracts	6,630.1	6,211.4
Total policyholder account balances	$12,057.7	$11,953.3

In 2017, as part of our annual review of assumptions, we increased our liability for policyholder account balances by $30.8 million for our universal and term universal life insurance products driven mostly by emerging mortality experience and from prolonged low interest rates. In 2016, as part of our annual review of assumptions, we increased our liability for policyholder account balances by $202.2 million for our universal and term universal life insurance products, reflecting updated assumptions primarily for mortality experience in older age populations. In 2015, as part of our annual review of assumptions, we increased our liability for policyholder account balances by $121.6 million for our universal and term universal life insurance products, reflecting updated assumptions for persistency, long-term interest rates, mortality and other refinements.

We are a member of the FHLB and held $16.1 million and $15.0 million of common stock related to our memberships as of December 31, 2017 and 2016, respectively, which was included in equity securities. In 2017, our universal life business entered into a new FHLB agreement for $25.0 million, which was included in universal and term universal life insurance contracts in the table above. As of December 31, 2017, we have an outstanding funding agreement with FHLB and also a letter of credit which has not been drawn upon. The FHLB has been granted a lien on certain of our invested assets to collateralize our obligations; however, we maintain the ability to substitute these pledged assets for other qualified collateral, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. The letter of credit of $28.2 million related to the FHLB is for the benefit of certain of our wholly-owned subsidiaries that have issued non-recourse funding obligations to collateralize the obligation to make future payments on their behalf under certain tax sharing agreements. This funding agreement and the letter of credit were collateralized by fixed maturity securities with a fair value of $72.4 million as of December 31, 2017.

Certain Non-traditional Long-Duration Contracts

The following table sets forth information about our variable annuity products with death and living benefit guarantees as of December 31:

(Dollar amounts in millions)	2017	2016
Account values with death benefit guarantees (net of reinsurance):		
Standard death benefits (return of net deposits) account value	$2,169.3	$2,168.6
Net amount at risk	$ 2.2	$ 3.4
Average attained age of contractholders	74	73
Enhanced death benefits (step-up, roll-up, payment protection) account value	$2,202.0	$2,297.8
Net amount at risk	$ 114.2	$ 154.1
Average attained age of contractholders	75	74
Account values with living benefit guarantees:		
GMWBs	$2,311.0	$2,405.5
Guaranteed annuitization benefits	$1,168.1	$1,145.5

Variable annuity contracts may contain more than one death or living benefit; therefore, the amounts listed above are not mutually exclusive. Substantially all of our variable annuity contracts have some form of GMDB.

As of December 31, 2017 and 2016, our total liability associated with variable annuity contracts with minimum guarantees was approximately $5,008.4 million and $5,135.6 million, respectively. The liability, net of reinsurance, for our variable annuity contracts with GMDB and guaranteed annuitization benefits was $92.7 million and $89.0 million as of December 31, 2017 and 2016, respectively.

The contracts underlying the lifetime benefits such as GMWB and guaranteed annuitization benefits are considered "in the money" if the contractholder's benefit base, or the protected value, is greater than the account value. As of December 31, 2017 and 2016, our exposure related to GMWB and guaranteed annuitization benefit contracts that were considered "in the money" was $584.7 million and $663.4 million, respectively. For GMWBs and guaranteed annuitization benefits, the only way the contractholder can monetize the excess of the benefit base over the account value of the contract is through lifetime withdrawals or lifetime income payments after annuitization.

Account balances of variable annuity contracts with death or living benefit guarantees were invested in separate account investment options as follows as of December 31:

(Amounts in millions)	2017	2016
Balanced funds	$2,743.4	$2,780.4
Equity funds	1,116.1	1,116.6
Bond funds	435.7	478.2
Money market funds	75.0	80.1
Total	$4,370.2	$4,455.3

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

(9) Liability for Policy and Contract Claims

The following table sets forth our recorded liability for policy and contract claims by business as of December 31:

(Amounts in millions)	2017	2016
Life insurance	$236.7	$205.4
Fixed annuities	12.7	8.4
Accident and health insurance contracts	42.5	46.6
Runoff	6.4	7.2
Total liability for policy and contract claims	$298.3	$267.6

The following table sets forth changes in the liability for policy and contract claims for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Beginning balance as of January 1	$ 267.6	$ 254.6	$ 245.8
Less reinsurance recoverables	(155.1)	(127.3)	(112.4)
Net balance as of January 1	112.5	127.3	133.4
Incurred related to insured events of:			
Current year	757.5	703.6	810.8
Prior years	13.2	16.9	8.4
Total incurred	770.7	720.5	819.2
Paid related to insured events of:			
Current year	(671.8)	(663.0)	(736.8)
Prior years	(86.7)	(72.3)	(88.5)
Total paid	(758.5)	(735.3)	(825.3)
Net balance as of December 31	124.7	112.5	127.3
Add reinsurance recoverables	173.6	155.1	127.3
Ending balance as of December 31	$ 298.3	$ 267.6	$ 254.6

The liability for policy and contract claims represents our current best estimate; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant, and result in increases in reserves by an amount that could be material to our results of operations and financial condition and liquidity.

2017

In 2017, the incurred amount of $13.2 million related to insured events of prior years increased predominantly related to our life insurance business from unfavorable mortality in 2017.

2016

In 2016, the incurred amount of $16.9 million related to insured events of prior years increased predominantly related to our life insurance business from higher claim severity in 2016.

2015

In 2015, the incurred amount of $8.4 million related to insured events of prior years increased predominantly related to our life insurance business from higher claim severity and as a result of refinements to our estimated claim reserves in 2015. Additionally, we strengthened prior year reserves as a result of changes in estimates related to prior year insured events and the development of information and trends not previously known when establishing the reserves in prior periods.

(10) Non-Recourse Funding Obligations

As of December 31, 2017 and 2016, Rivermont Life Insurance Company I ("Rivermont I"), our wholly-owned, special purpose consolidated captive insurance subsidiary, had an outstanding floating rate subordinated note of $310.6 million and $310.4 million, net of $4.4 million and $4.6 million, respectively, of deferred borrowing charges, due in 2050 with accrual of interest based on one-month London Interbank Offered rate ("LIBOR") that resets every 28 days plus a fixed margin. This surplus note has been deposited into a trust that has issued money market securities. Both principal and interest payments on the money market securities are guaranteed by a third-party insurance company. The holders of the money market securities cannot require repayment from us or Rivermont I, the direct issuer of the note. Genworth Holdings provided a limited guarantee to Rivermont I, where under adverse interest rate, mortality or lapse scenarios (or combination thereof), Genworth Holdings may be required to provide additional funds to Rivermont I. We have agreed to indemnify Rivermont I and the third-party insurer for certain limited costs related to the issuance of these obligations, which is accounted for as a derivative. As of December 31, 2017 and 2016, the fair value of this derivative was $4.3 million and $0.5 million, respectively.

Any payment of principal, including by redemption, or interest on the note may only be made with the prior approval of the Director of Insurance of the State of South Carolina in accordance with the terms of its licensing orders and in accordance with applicable law. The holders of the note have no rights to accelerate payment of principal of the note under any circumstances, including without limitation, for nonpayment or breach of any covenant. Rivermont I, the direct issuer of the note, reserves the right to repay the note that it has issued at any time, subject to prior regulatory approval.

During 2016, in connection with a life block transaction, River Lake I redeemed $1,004.6 million of its outstanding floating rate subordinated notes due in 2033 and River Lake II redeemed $794.8 million of its outstanding floating rate subordinated notes due in 2035 for a pre-tax loss of approximately $9.0 million from the write-off of deferred borrowing costs.

During 2015, River Lake I repaid $30.6 million of its total outstanding floating rate subordinated notes due in 2033 and River Lake II repaid $36.8 million of its total outstanding floating rate subordinated notes due in 2035.

The weighted-average interest rates on the non-recourse funding obligations as of December 31, 2017 and 2016 were 3.5% and 2.8%, respectively.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

(11) Income Taxes

The total benefit for income taxes was as follows for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Current federal income taxes	$ 46.9	$ 121.9	$ (23.9)
Deferred federal income taxes	(432.0)	(157.2)	(184.2)
Total federal income taxes	(385.1)	(35.3)	(208.1)
Current state income taxes	1.3	(0.1)	(1.2)
Deferred state income taxes	1.5	0.8	(1.9)
Total state income taxes	2.8	0.7	(3.1)
Total benefit for income taxes	$(382.3)	$ (34.6)	$(211.2)

As of December 31, 2017, the current federal income tax payable was $14.4 million and was included in other liabilities in the consolidated balance sheet. As of December 31, 2016, the current federal income tax receivable was $15.8 million and was included in other assets in the consolidated balance sheet. As of December 31, 2017 and 2016, the current state income tax payable was $1.3 million and $0.1 million, respectively, and was included in other liabilities in the consolidated balance sheets.

In 2016, we recorded $36.1 million in retained earnings as a deemed dividend related to a reimbursement of amounts primarily related to liabilities for tax contingency reserves previously assumed and paid by Genworth North America Corporation ("GNA"), our indirect parent, under our Tax Assumption Agreement. In 2017 and 2015, there were no adjustments to liabilities related to tax contingency reserves.

The reconciliation of the federal statutory tax rate to the effective income tax rate was as follows for the years ended December 31:

(Amounts in millions)	2017		2016		2015	
Pre-tax loss before equity in net income of unconsolidated subsidiary	$ (91.4)		$(113.2)		$(577.4)	
Statutory U.S. federal income tax rate	$ (32.0)	35.0%	$ (39.6)	35.0%	$(202.1)	35.0%
Increase (reduction) in rate resulting from:						
State income tax, net of federal income tax effect	1.8	(2.0)	0.5	(0.4)	(2.0)	0.3
Write-off of deferred taxes	—	—	9.0	(8.0)	1.2	(0.2)
Benefit on tax favored investments, net of uncertain tax positions	2.1	(2.3)	(7.6)	6.7	(10.8)	1.9
Valuation allowance	(2.9)	3.2	2.9	(2.6)	(1.2)	0.2
TCJA, impact from change in tax rate	(349.7)	382.6	—	—	—	—
Other, net	(1.6)	1.8	0.2	(0.2)	3.7	(0.6)
Effective rate	$(382.3)	418.3%	$ (34.6)	30.6%	$(211.2)	36.6%

On December 22, 2017, the TCJA was signed into law. The enactment of the new law signified the first major overhaul of the U.S. federal income tax system in more than 30 years. The most significant provision to our financial statements is the corporate rate reduction from 35% to 21%. Included in our 2017 benefit for income taxes is $349.7 million of tax benefits associated with revaluing our deferred tax assets and liabilities to the new rate on the date of enactment.

For the year ended December 31, 2017, the increase in the effective tax rate was primarily related to changes in U.S. tax legislation under the TCJA, mostly from the reduction in corporate tax rates as described above.

For the year ended December 31, 2016, the decrease in the effective tax rate was primarily attributable to the write-off of unsupported tax balances and a valuation allowance on foreign tax credits that we did not expect to realize. This decrease was partially offset by the effect of tax favored investment benefits on a lower pre-tax loss in 2016 compared to 2015.

The components of the net deferred income tax liability were as follows as of December 31:

(Amounts in millions)	2017	2016
Assets:		
Accrued expenses	24.2	11.5
Net operating loss carryforwards	7.4	12.3
Foreign tax credit carryforwards	1.6	2.1
State income taxes	6.2	7.8
Gross deferred income tax assets	39.4	33.7
Valuation allowance	(7.4)	(15.2)
Total deferred income tax assets	32.0	18.5
Liabilities:		
Investments	$ 1.1	$ 8.8
Insurance reserves transition adjustment	93.1	—
Insurance reserves	47.0	203.7
Net unrealized gains on investment securities	70.1	89.6
PVFP	42.8	82.9
DAC	282.4	526.0
Other	22.2	10.3
Total deferred income tax liabilities	558.7	921.3
Net deferred income tax liability	$526.7	$902.8

The above valuation allowance of $7.4 million and $15.2 million as of December 31, 2017 and 2016, respectively, related to a specific federal separate tax return net operating loss. As of December 31, 2016, the valuation allowance also included the impact of foreign tax credits that we did not expect to realize. The decrease in the valuation allowance in 2017 was primarily related to judgments regarding the future realization of certain foreign tax credits, for which a valuation allowance was established in 2016 and the effect of revaluing deferred tax assets and liabilities to the newly enacted 21% tax rate. In light of our latest financial projections, which include the impact of changes in U.S. tax law under the TCJA, we believe that it is more likely than not that the benefits of these foreign tax credits will be realized and have released this portion of the valuation allowance.

Based on our analysis, we believe it is more likely than not that the results of future operations and reversal of taxable temporary differences will generate sufficient taxable income to enable us to realize the deferred tax assets for which we have not established valuation allowances.

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Net operating loss carryforwards amounted to $35.2 million as of December 31, 2017, and if unused, will expire beginning in 2021. Foreign tax credit carryforwards amounted to $1.6 million as of December 31, 2017, and if unused will begin to expire in 2022.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows as of December 31:

(Amounts in millions)	2017	2016	2015
Balance as of January 1	$ 5.4	$ 7.1	$ 9.6
Tax positions related to the current period:			
Gross additions	1.6	—	0.8
Gross reductions	(1.6)	(1.7)	(1.6)
Tax positions related to the prior years:			
Gross additions	9.6	—	—
Gross reductions	—	—	(1.7)
Balance as of December 31	$15.0	$ 5.4	$ 7.1

The total amount of unrecognized tax benefits was $15.0 million as of December 31, 2017, which if recognized would affect the effective rate on operations by $10.0 million. We believe that it is reasonably possible that in 2018 due to the potential resolution of certain potential settlements and other administrative and statutory proceedings and limitations, up to approximately $14.3 million unrecognized tax benefits will be recognized.

We recognize accrued interest and penalties related to unrecognized tax benefits as components of income tax expense. During the years ended December 31, 2017, 2016 and 2015, we did not recognize any interest and penalties. We had no interest and penalties accrued as of December 31, 2017 and 2016.

For tax years prior to 2011, we filed U.S. federal income tax returns (included in GLIC's consolidated life returns) and various state and local tax returns. For tax years beginning in 2011, we were included in the life/non-life consolidated return filed by Genworth, our ultimate parent. With possible exceptions, we are no longer subject to U.S. federal tax examinations for years up through 2013. Any exposure with respect to these pre-2014 years has been sufficiently recorded in the financial statements. Potential state and local examinations for those years are generally restricted to results that are based on closed U.S. federal examinations.

Due to the complexities involved in accounting for the recently enacted TCJA, the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") 118, which requires companies to include in its financial statements a reasonable estimate of the impact of the TCJA on earnings to the extent such reasonable estimate has been determined. For specific effects of the TCJA for which a reasonable estimate cannot be made, SAB 118 provides that no amount should be recorded as a provisional amount in current year earnings and companies should continue to apply the tax law in effect just before the enactment date of the TCJA on December 22, 2017.

Accordingly, we recorded the following reasonable estimates of the tax impact in our earnings for the year ended December 31, 2017. These amounts are considered to be provisional as we continue to assess available tax methods and elections and refine our computations and estimates.

Deferred tax assets and liabilities

We remeasured certain deferred tax assets and liabilities based on the federal rate at which they are expected to reverse in the future, which is generally 21%. However, the Internal Revenue Service has indicated that additional guidance will be forthcoming with respect to several technical areas within the TCJA, which could affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional amount recorded in 2017 that related to the re-measurement of our deferred tax assets and liabilities was a tax benefit of $349.7 million.

Insurance reserve transition adjustment

We have recorded a provisional reclassification in deferred tax liabilities in the amount of $93.1 million related to the transition adjustment required under the TCJA with respect to the life insurance policyholder reserves. Under the TCJA this transition adjustment is to be taken into account ratably over eight taxable years. This provisional amount had no impact on income (loss), however, the reclassification amount may change as we continue to refine our insurance reserve calculations and apply the new reserving rules under the TCJA on a product level basis. Future changes similarly are not expected to have an impact on income (loss).

Further regulatory guidance related to the TCJA is expected to be issued in 2018 which may result in changes to our current estimates. Any revisions to the estimated impacts of the TCJA will be recorded when the computations are complete and will be reflected in our year ended December 31, 2018 financial statements.

(12) Supplemental Cash Flow Information

Net cash paid for taxes was $16.8 million, $132.7 million and $48.5 million for the years ended December 31, 2017, 2016 and 2015, respectively. Cash paid for interest primarily related to our non-recourse funding obligations was $10.8 million, $54.5 million and $81.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

For a discussion of capital contributions and related transactions, see notes 11 and 16. For information regarding non-cash transactions related to reinsurance transactions with related parties, see note 7.

(13) Related Party Transactions

We and other direct and indirect subsidiaries of Genworth are parties to an amended and restated services and shared expenses agreement under which each company agrees to provide and each company agrees to receive certain general services. These services include, but are not limited to, data processing, communications, marketing, public relations, advertising, investment management, human resources, accounting, actuarial, legal, administration of agent and agency matters, purchasing, underwriting and claims. Under the terms of the agreement, settlements are made quarterly.

Under this agreement, amounts incurred for these items aggregated $68.9 million, $103.4 million and $150.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. We also charged affiliates for certain services and for the use of facilities and equipment, which aggregated $14.1 million, $25.2 million and $28.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

We pay Genworth, our ultimate parent, for investment-related services. We paid $17.2 million, $14.9 million and $15.9 million to Genworth in 2017, 2016 and 2015, respectively, for investment-related

services. We pay interest on outstanding amounts under a credit funding agreement with GNA, our indirect parent. For the years ended December 31, 2017, 2016 and 2015, we incurred no interest expense under this agreement. For the years ended December 31, 2017, 2016 and 2015, we paid interest at the cost of funds to GNA, which was 0.3% for each year. In addition, as of December 31, 2017 and 2016, there were no borrowings under this agreement. Genworth Holdings owed us $0.5 million as of December 31, 2017 and 2016, which was included in other assets in the consolidated balance sheet for each year. GNA also owed us $10.8 million and $9.3 million as of December 31, 2017 and 2016, respectively, which was also included in other assets in the consolidated balance sheet. Amounts recognized as interest income related to these intercompany loans during 2017 and 2016 were not significant.

Additionally, we sell investment securities to affiliates in the normal course of business. The sale of securities to affiliates are recorded at fair value with gains recorded in additional paid-in capital as a deemed capital contribution and losses recorded in retained earnings as a deemed dividend. For the year ended December 31, 2017, we recorded $2.5 million in additional paid-in capital related to gains associated with the sale of securities to affiliates. For the years ended December 31, 2016 and 2015, we recorded $0.5 million and $24.5 million, respectively, in retained earnings related to losses associated with the sale of securities to affiliates.

Newco, our direct wholly-owned subsidiary, is a real estate company which owns several buildings and land in Virginia. During 2017 and 2016, Newco leased buildings to affiliates and we recognized $4.5 million in rental income related to these lease arrangements.

See note 7 for additional information related to reinsurance transactions with related parties.

(14) Fair Value of Financial Instruments

Assets and liabilities that are reflected in the accompanying consolidated financial statements at fair value are not included in the following disclosure of fair value. Such items include cash and cash equivalents, short-term investments, investment securities, separate accounts, securities held as collateral and derivative instruments. Other financial assets and liabilities—those not carried at fair value—are discussed below. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using models. The fair value estimates are made at a specific point in time, based upon available market information and judgments about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time our entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets.

The basis on which we estimate fair value is as follows:

Commercial mortgage loans. Based on recent transactions and/or discounted future cash flows, using current market rates. Given the limited availability of data related to transactions for similar instruments, we typically classify these loans as Level 3.

Other invested assets. Primarily represents limited partnerships accounted for under the cost method. Limited partnerships are valued based on comparable market transactions, discounted future cash flows, quoted

market prices and/or estimates using the most recent data available for the underlying instrument. Cost method limited partnerships typically include significant unobservable inputs as a result of being relatively illiquid with limited market activity for similar instruments and are classified as Level 3.

Non-recourse funding obligations. We use an internal model to determine fair value using the current floating rate coupon and expected life/final maturity of the instrument discounted using the floating rate index and current market spread assumption, which is estimated based on recent transactions for these instruments or similar instruments as well as other market information or broker provided data. Given these instruments are private and very little market activity exists, our current market spread assumption is considered to have significant unobservable inputs in calculating fair value and, therefore, results in the fair value of these instruments being classified as Level 3.

Investment contracts. Based on expected future cash flows, discounted at current market rates for annuity contracts or institutional products. Given the significant unobservable inputs associated with policyholder behavior and current market rate assumptions used to discount the expected future cash flows, we classify these instruments as Level 3 except for certain funding agreement-backed notes that are traded in the marketplace as a security and are classified as Level 2.

The following represents our estimated fair value of financial assets and liabilities that are not required to be carried at fair value as of December 31:

	2017					
	Notional	Carrying	Fair value			
(Amounts in millions)	amount	amount	Total	Level 1	Level 2	Level 3
Assets:						
Commercial mortgage loans	$ [1]	$1,774.6	$1,835.8	$—	$—	$1,835.8
Other invested assets	[1]	6.2	9.2	—	—	9.2
Liabilities:						
Non-recourse funding obligations[2]	[1]	310.6	201.0	—	—	201.0
Investment contracts	[1]	5,427.6	5,671.0	—	4.9	5,666.1
Other firm commitments:						
Commitments to fund limited partnerships	6.0	—	—	—	—	—
Ordinary course of business lending commitments	29.5	—	—	—	—	—

	2016					
	Notional	Carrying	Fair value			
(Amounts in millions)	amount	amount	Total	Level 1	Level 2	Level 3
Assets:						
Commercial mortgage loans	$ [1]	$1,623.1	$1,654.3	$—	$—	$1,654.3
Other invested assets	[1]	17.1	19.5	—	8.5	11.0
Liabilities:						
Non-recourse funding obligations[2]	[1]	310.4	185.7	—	—	185.7
Investment contracts	[1]	5,741.9	6,033.7	—	5.1	6,028.6
Other firm commitments:						
Commitments to fund limited partnerships	6.0	—	—	—	—	—
Ordinary course of business lending commitments	35.0	—	—	—	—	—

(1) These financial instruments do not have notional amounts.
(2) See note 10 for additional information related to borrowings.

Recurring Fair Value Measurements

We have fixed maturity, short-term investments, equity and trading securities, derivatives, embedded derivatives, securities held as collateral, separate account assets and certain other financial instruments, which are carried at fair value. Below is a description of the valuation techniques and inputs used to determine fair value by class of instrument.

Fixed maturity, short-term investments, equity and trading securities

The fair value of fixed maturity, short-term investments, equity and trading securities are estimated primarily based on information derived from third-party pricing services ("pricing services"), internal models and/or broker quotes, which use a market approach, income approach or a combination of the market and income approach depending on the type of instrument and availability of information. In general, a market approach is utilized if there is readily available and relevant market activity for an individual security. In certain cases where market information is not available for a specific security but is available for similar securities, a security is valued using that market information for similar securities, which is also a market approach. When market information is not available for a specific security or is available but such information is less relevant or reliable, an income approach or a combination of a market and income approach is utilized. For securities with optionality, such as call or prepayment features (including mortgage-backed or asset-backed securities), an income approach may be used. In addition, a combination of the results from market and income approaches may be used to estimate fair value. These valuation techniques may change from period to period, based on the relevance and availability of market data.

We utilize certain third-party data providers when determining fair value. We consider information obtained from pricing services as well as broker quotes in our determination of fair value. Additionally, we utilize internal models to determine the valuation of securities using an income approach where the inputs are based on third-party provided market inputs. While we consider the valuations provided by pricing services and broker quotes to be of high quality, management determines the fair value of our investment securities after considering all relevant and available information. We also use various methods to obtain an understanding of the valuation methodologies and procedures used by third-party data providers to ensure sufficient understanding to evaluate the valuation data received, including an understanding of the assumptions and inputs utilized to determine the appropriate fair value. For pricing services, we analyze the prices provided by our primary pricing services to other readily available pricing services and perform a detailed review of the assumptions and inputs from each pricing service to determine the appropriate fair value when pricing differences exceed certain thresholds. We evaluate changes in fair value that are greater than certain pre-defined thresholds each month to further aid in our review of the accuracy of fair value measurements and our understanding of changes in fair value, with more detailed reviews performed by the asset managers responsible for the related asset class associated with the security being reviewed. A pricing committee provides additional oversight and guidance in the evaluation and review of the pricing methodologies used to value our investment portfolio.

In general, we first obtain valuations from pricing services. For certain private fixed maturity securities where we do not obtain valuations from pricing services, we utilize an internal model to determine fair value since transactions for identical securities are not readily observable and these securities are not typically valued by pricing services. If prices are unavailable from public pricing services we obtain broker quotes. For all

securities, excluding certain private fixed maturity securities, if neither a pricing service nor broker quotes valuation is available, we determine fair value using internal models.

For pricing services, we obtain an understanding of the pricing methodologies and procedures for each type of instrument. Additionally, on a monthly basis we review a sample of securities, examining the pricing service's assumptions to determine if we agree with the service's derived price. When available, we also evaluate the prices sampled as compared to other public prices. If a variance greater than a pre-defined threshold is noted, additional review of the price is executed to ensure accuracy. In general, a pricing service does not provide a price for a security if sufficient information is not readily available to determine fair value or if such security is not in the specific sector or class covered by a particular pricing service. Given our understanding of the pricing methodologies and procedures of pricing services, the securities valued by pricing services are typically classified as Level 2 unless we determine the valuation process for a security or group of securities utilizes significant unobservable inputs, which would result in the valuation being classified as Level 3.

For private fixed maturity securities, we utilize an income approach where we obtain public bond spreads and utilize those in an internal model to determine fair value. Other inputs to the model include rating and weighted-average life, as well as sector which is used to assign the spread. We then add an additional premium, which represents an unobservable input, to the public bond spread to adjust for the liquidity and other features of our private placements. We utilize the estimated market yield to discount the expected cash flows of the security to determine fair value. We utilize price caps for securities where the estimated market yield results in a valuation that may exceed the amount that would be received in a market transaction and value all private fixed maturity securities at par that have less than 12 months to maturity. When a security does not have an external rating, we assign the security an internal rating to determine the appropriate public bond spread that should be utilized in the valuation. To evaluate the reasonableness of the internal model, we review a sample of private fixed maturity securities each month. In that review we compare the modeled prices to the prices of similar public securities in conjunction with analysis on current market indicators. If a pricing variance greater than a pre-defined threshold is noted, additional review of the price is executed to ensure accuracy. At the end of each month, all internally modeled prices are compared to the prior month prices with an evaluation of all securities with a month-over-month change greater than a pre-defined threshold. While we generally consider the public bond spreads by sector and maturity to be observable inputs, we evaluate the similarities of our private placement with the public bonds, any price caps utilized, liquidity premiums applied, and whether external ratings are available for our private placements to determine whether the spreads utilized would be considered observable inputs. We classify private securities without an external rating and public bond spread as Level 3. In general, increases (decreases) in credit spreads will decrease (increase) the fair value for our fixed maturity securities.

For broker quotes, we consider the valuation methodology utilized by the third party and analyze a sample each month to assess reasonableness given then-current market conditions. Additionally, for broker quotes on certain structured securities, we validate prices received against other publicly available pricing sources. Broker quotes are typically based on an income approach given the lack of available market data. As the valuation typically includes significant unobservable inputs, we classify the securities where fair value is based on our consideration of broker quotes as Level 3 measurements.

For remaining securities priced using internal models, we determine fair value using an income approach. We analyze a sample each month to assess reasonableness given then-current market conditions. We maximize the use of observable inputs but typically utilize significant unobservable inputs to determine fair value. Accordingly, the valuations are typically classified as Level 3.

A summary of the inputs used for our fixed maturity, short-term investments, equity and trading securities based on the level in which instruments are classified is included below. We have combined certain classes of instruments together as the nature of the inputs is similar.

Level 1 measurements

Equity securities. The primary inputs to the valuation of exchange-traded equity securities include quoted prices for the identical instrument.

Separate account assets

The fair value of separate account assets is based on the quoted prices of the underlying fund investments and, therefore, represents Level 1 pricing.

Level 2 measurements

Fixed maturity securities

- *Third-party pricing services:* In estimating the fair value of fixed maturity securities, approximately 87.7% of our portfolio is priced using third-party pricing sources. These pricing services utilize industry-standard valuation techniques that include market-based approaches, income-based approaches, a combination of market-based and income-based approaches or other proprietary, internally generated models as part of the valuation processes. These third-party pricing vendors maximize the use of publicly available data inputs to generate valuations for each asset class. Priority and type of inputs used may change frequently as certain inputs may be more direct drivers of valuation at the time of pricing. Examples of significant inputs incorporated by third-party pricing services may include sector and issuer spreads, seasoning, capital structure, security optionality, collateral data, prepayment assumptions, default assumptions, delinquencies, debt covenants, benchmark yields, trade data, dealer quotes, credit ratings, maturity and weighted-average life. We conduct regular meetings with our third-party pricing services for the purpose of understanding the methodologies, techniques and inputs used by the third-party pricing providers.

The following table presents a summary of the significant inputs used by our third-party pricing services for certain fair value measurements of fixed maturity securities that are classified as Level 2 as of December 31, 2017:

(Amounts in millions)	Fair value	Primary methodologies	Significant inputs
U.S. government, agencies and government-sponsored enterprises	$880.1	Price quotes from trading desk, broker feeds	Bid side prices, trade prices, Option Adjusted Spread ("OAS") to swap curve, Bond Market Association OAS, Treasury Curve, Agency Bullet Curve, maturity to issuer spread
State and political subdivisions	$704.6	Multi-dimensional attribute-based modeling systems, third-party pricing vendors	Trade prices, material event notices, Municipal Market Data benchmark yields, broker quotes
Non-U.S. government	$167.2	Matrix pricing, spread priced to benchmark curves, price quotes from market makers	Benchmark yields, trade prices, broker quotes, comparative transactions, issuer spreads, bid-offer spread, market research publications, third-party pricing sources

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(Amounts in millions)	Fair value	Primary methodologies	Significant inputs
U.S. corporate	$5,275.3	Multi-dimensional attribute-based modeling systems, broker quotes, price quotes from market makers, internal models, OAS-based models	Bid side prices to Treasury Curve, Issuer Curve, which includes sector, quality, duration, OAS percentage and change for spread matrix, trade prices, comparative transactions, Trade Reporting and Compliance Engine ("TRACE") reports
Non-U.S. corporate	$1,740.0	Multi-dimensional attribute-based modeling systems, OAS-based models, price quotes from market makers	Benchmark yields, trade prices, broker quotes, comparative transactions, issuer spreads, bid-offer spread, market research publications, third-party pricing sources
Residential mortgage-backed	$1,178.3	OAS-based models, To Be Announced pricing models, single factor binomial models, internally priced	Prepayment and default assumptions, aggregation of bonds with similar characteristics, including collateral type, vintage, tranche type, weighted-average life, weighted-average loan age, issuer program and delinquency ratio, pay up and pay down factors, TRACE reports
Commercial mortgage-backed	$951.2	Multi-dimensional attribute-based modeling systems, pricing matrix, spread matrix priced to swap curves, Trepp commercial mortgage-backed securities analytics model	Credit risk, interest rate risk, prepayment speeds, new issue data, collateral performance, origination year, tranche type, original credit ratings, weighted-average life, cash flows, spreads derived from broker quotes, bid side prices, spreads to daily updated swaps curves, TRACE reports
Other asset-backed	$537.1	Multi-dimensional attribute-based modeling systems, spread matrix priced to swap curves, price quotes from market makers, internal models	Spreads to daily updated swaps curves, spreads derived from trade prices and broker quotes, bid side prices, new issue data, collateral performance, analysis of prepayment speeds, cash flows, collateral loss analytics, historical issue analysis, trade data from market makers, TRACE reports

- *Internal models:* A portion of our non-U.S. government, U.S. corporate and non-U.S. corporate securities are valued using internal models. The fair value of these fixed maturity securities were $10.7 million, $365.1 million and $156.6 million, respectively, as of December 31, 2017. Internally modeled securities are primarily private fixed maturity securities where we use market observable inputs such as an interest rate yield curve, published credit spreads for similar securities based on the external ratings of the instrument and related industry sector of the issuer. Additionally, we may apply certain price caps and liquidity premiums in the valuation of private fixed maturity securities. Price caps and liquidity premiums are established using inputs from market participants.

Equity securities. The primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active.

Securities lending collateral

The fair value of securities held as collateral is primarily based on Level 2 inputs from market information for the collateral that is held on our behalf by the custodian. We determine fair value after considering prices obtained by third-party pricing services.

Short-term investments

Short-term investments primarily include commercial paper and other highly liquid debt instruments and are classified as Level 2. We determine fair value after considering prices obtained by third-party pricing services.

Level 3 measurements

Fixed maturity securities

- *Internal models:* A portion of our U.S. corporate, non-U.S. corporate, residential mortgage-backed and other asset-backed securities are valued using internal models. The primary inputs to the valuation of the bond population include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, duration, call provisions, issuer rating, benchmark yields and credit spreads. Certain private fixed maturity securities are valued using an internal model using market observable inputs such as interest rate yield curve, as well as published credit spreads for similar securities where there are no external ratings of the instrument and include a significant unobservable input. Additionally, we may apply certain price caps and liquidity premiums in the valuation of private fixed maturity securities. Price caps are established using inputs from market participants. For structured securities, the primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, weighted-average coupon, weighted-average maturity, issuer rating, structure of the security, expected prepayment speeds and volumes, collateral type, current and forecasted loss severity, average delinquency rates, vintage of the loans, geographic region, debt service coverage ratios, payment priority with the tranche, benchmark yields and credit spreads. The fair value of our Level 3 fixed maturity securities priced using internal models was $910.3 million as of December 31, 2017.
- *Broker quotes:* A portion of our U.S. corporate, non-U.S. corporate, residential mortgage-backed, commercial mortgage-backed and other asset-backed securities are valued using broker quotes. Broker quotes are obtained from third-party providers that have current market knowledge to provide a reasonable price for securities not routinely priced by third-party pricing services. Brokers utilized for valuation of assets are reviewed annually. The fair value of our Level 3 fixed maturity securities priced by broker quotes was $158.5 million as of December 31, 2017.

Equity securities. The primary inputs to the valuation include broker quotes where the underlying inputs are unobservable and for internal models, structure of the security and issuer rating.

GMWB embedded derivatives

We are required to bifurcate an embedded derivative for certain features associated with annuity products and related reinsurance agreements where we provide a GMWB to the policyholder and are required to record the GMWB embedded derivative at fair value. The valuation of our GMWB embedded derivative is based on an income approach that incorporates inputs such as forward interest rates, equity index volatility, equity index and fund correlation, and policyholder assumptions such as utilization, lapse and mortality. In addition to these

inputs, we also consider risk and expense margins when determining the projected cash flows that would be determined by another market participant. While the risk and expense margins are considered in determining fair value, these inputs do not have a significant impact on the valuation. We determine fair value using an internal model based on the various inputs noted above. The resulting fair value measurement from the model is reviewed by the product actuarial, risk and finance professionals each reporting period with changes in fair value also being compared to changes in derivatives and other instruments used to mitigate changes in fair value from certain market risks, such as equity index volatility and interest rates.

For GMWB liabilities, non-performance risk is integrated into the discount rate. Our discount rate used to determine fair value of our GMWB liabilities includes market credit spreads above U.S. Treasury rates to reflect an adjustment for the non-performance risk of the GMWB liabilities. As of December 31, 2017 and 2016, the impact of non-performance risk resulted in a lower fair value of our GMWB liabilities of $53.6 million and $62.1 million, respectively.

To determine the appropriate discount rate to reflect the non-performance risk of the GMWB liabilities, we evaluate the non-performance risk in our liabilities based on a hypothetical exit market transaction as there is no exit market for these types of liabilities. A hypothetical exit market can be viewed as a hypothetical transfer of the liability to another similarly rated insurance company which would closely resemble a reinsurance transaction. Another hypothetical exit market transaction can be viewed as a hypothetical transaction from the perspective of the GMWB policyholder. In determining the appropriate discount rate to incorporate non-performance risk of the GMWB liabilities, we also considered the impacts of state guarantees embedded in the related insurance product as a form of inseparable third-party guarantee. We believe that a hypothetical exit market participant would use a similar discount rate as described above to value the liabilities.

For equity index volatility, we determine the projected equity market volatility using both historical volatility and projected equity market volatility with more significance being placed on projected near-term volatility and recent historical data. Given the different attributes and market characteristics of GMWB liabilities compared to equity index options in the derivative market, the equity index volatility assumption for GMWB liabilities may be different from the volatility assumption for equity index options, especially for the longer dated points on the curve.

Equity index and fund correlations are determined based on historical price observations for the fund and equity index.

For policyholder assumptions, we use our expected lapse, mortality and utilization assumptions and update these assumptions for our actual experience, as necessary. For our lapse assumption, we adjust our base lapse assumption by policy based on a combination of the policyholder's current account value and GMWB benefit.

We classify the GMWB valuation as Level 3 based on having significant unobservable inputs, with equity index volatility and non-performance risk being considered the more significant unobservable inputs. As equity index volatility increases, the fair value of the GMWB liabilities will increase. Any increase in non-performance risk would increase the discount rate and would decrease the fair value of the GMWB liability. Additionally, we consider lapse and utilization assumptions to be significant unobservable inputs. An increase in our lapse assumption would decrease the fair value of the GMWB liability, whereas an increase in our utilization rate would increase the fair value.

Fixed index annuity embedded derivatives

We have fixed indexed annuity products where interest is credited to the policyholder's account balance based on equity index changes. This feature is required to be bifurcated as an embedded derivative and recorded at fair value. Fair value is determined using an income approach where the present value of the excess cash flows above the guaranteed cash flows is used to determine the value attributed to the equity index feature. The inputs used in determining the fair value include policyholder behavior (lapses and withdrawals), near-term equity index volatility, expected future interest credited, forward interest rates and an adjustment to the discount rate to incorporate non-performance risk and risk margins. As a result of our assumptions for policyholder behavior and expected future interest credited being considered significant unobservable inputs, we classify these instruments as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Indexed universal life embedded derivatives

We have indexed universal life products where interest is credited to the policyholder's account balance based on equity index changes. This feature is required to be bifurcated as an embedded derivative and recorded at fair value. Fair value is determined using an income approach where the present value of the excess cash flows above the guaranteed cash flows is used to determine the value attributed to the equity index feature. The inputs used in determining the fair value include policyholder behavior (lapses and withdrawals), near-term equity index volatility, expected future interest credited, forward interest rates and an adjustment to the discount rate to incorporate non-performance risk and risk margins. As a result of our assumptions for policyholder behavior and expected future interest credited being considered significant unobservable inputs, we classify these instruments as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Derivatives

We consider counterparty collateral arrangements and rights of set-off when evaluating our net credit risk exposure to our derivative counterparties. Accordingly, we are permitted to include consideration of these arrangements when determining whether any incremental adjustment should be made for both the counterparty's and our non-performance risk in measuring fair value for our derivative instruments. As a result of these counterparty arrangements, we determined that any adjustment for credit risk would not be material and we have not recorded any incremental adjustment for our non-performance risk or the non-performance risk of the derivative counterparty for our derivative assets or liabilities. We determine fair value for our derivatives using an income approach with internal models based on relevant market inputs for each derivative instrument. We also compare the fair value determined using our internal model to the valuations provided by our derivative counterparties with any significant differences or changes in valuation being evaluated further by our derivatives professionals that are familiar with the instrument and market inputs used in the valuation.

Interest rate swaps. The valuation of interest rate swaps is determined using an income approach. The primary input into the valuation represents the forward interest rate swap curve, which is generally considered an observable input, and results in the derivative being classified as Level 2. For certain interest rate swaps, the inputs into the valuation also include the total returns of certain bonds that would primarily be considered an observable input and result in the derivative being classified as Level 2.

Credit default swaps. We have single name credit default swaps. We utilize an income approach to determine fair value based on using current market information for the credit spreads of the reference entity,

which is considered observable inputs based on the reference entities of our derivatives and results in these derivatives being classified as Level 2.

Equity index options. We have equity index options associated with various equity indices. The valuation of equity index options is determined using an income approach. The primary inputs into the valuation represent forward interest rates, equity index volatility, equity index, and time value component associated with the optionality in the derivative, which are considered significant unobservable inputs in most instances. The equity index volatility surface is determined based on market information that is not readily observable and is developed based upon inputs received from several third-party sources. Accordingly, these options are classified as Level 3. As equity index volatility increases, our valuation of these options changes favorably.

Financial futures. The fair value of financial futures is based on the closing exchange prices. Accordingly, these financial futures are classified as Level 1. The period end valuation is zero as a result of settling the margins on these contracts on a daily basis.

Equity return swaps. The valuation of equity return swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve and underlying equity index values, which are generally considered observable inputs, and results in the derivative being classified as Level 2.

Limited guarantee. The valuation of the limited guarantee is determined using an income approach. The primary inputs into the valuation represent policyholder behavior, such as lapses and mortality, and future interest rates to project future results to determine the scenarios when the limited guarantee payments, if any, would be required using probability weighted scenarios. As a result of the significant unobservable inputs associated with the assumptions used to project future results, the limited guarantee is classified as Level 3. Genworth Holdings, Inc. provides a limited guarantee to Rivermont I, our wholly-owned subsidiary, whereby Rivermont I is guaranteed to receive a prescribed rate of return on its modified coinsurance agreement assets held by GLAIC. This limited guarantee is accounted for as a derivative that does not qualify for hedge accounting and is carried at fair value.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

The following tables set forth our assets by class of instrument that are measured at fair value on a recurring basis as of December 31:

	2017			
(Amounts in millions)	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	$ 880.1	$ —	$ 880.1	$ —
State and political subdivisions	704.6	—	704.6	—
Non-U.S. government	177.9	—	177.9	—
U.S. corporate:				
Utilities	1,198.7	—	962.4	236.3
Energy	630.4	—	599.1	31.3
Finance and insurance	1,259.8	—	1,066.2	193.6
Consumer—non-cyclical	906.6	—	892.9	13.7
Technology and communications	583.5	—	583.5	—
Industrial	305.3	—	305.3	—
Capital goods	566.1	—	538.4	27.7
Consumer—cyclical	349.0	—	287.2	61.8
Transportation	346.5	—	311.5	35.0
Other	164.2	—	93.9	70.3
Total U.S. corporate	6,310.1	—	5,640.4	669.7
Non-U.S. corporate:				
Utilities	149.9	—	66.6	83.3
Energy	275.3	—	221.5	53.8
Finance and insurance	494.1	—	463.1	31.0
Consumer—non-cyclical	137.5	—	91.9	45.6
Technology and communications	213.0	—	199.9	13.1
Industrial	209.6	—	182.1	27.5
Capital goods	157.3	—	104.6	52.7
Consumer—cyclical	56.3	—	52.4	3.9
Transportation	154.3	—	125.7	28.6
Other	389.7	—	388.8	0.9
Total non-U.S. corporate	2,237.0	—	1,896.6	340.4
Residential mortgage-backed	1,192.9	—	1,178.3	14.6
Commercial mortgage-backed	966.6	—	951.2	15.4
Other asset-backed	565.8	—	537.1	28.7
Total fixed maturity securities	13,035.0	—	11,966.2	1,068.8
Equity securities	64.2	32.0	16.3	15.9
Other invested assets:				
Derivative assets:				
Equity index options	79.5	—	—	79.5
Limited guarantee	4.3	—	—	4.3
Total derivative assets	83.8	—	—	83.8
Securities lending collateral	43.5	—	43.5	—
Short-term investments	15.9	—	15.9	—
Total other invested assets	143.2	—	59.4	83.8
Reinsurance recoverable[1]	11.1	—	—	11.1
Separate account assets	6,659.9	6,659.9	—	—
Total assets	$ 19,913.4	$ 6,691.9	$ 12,041.9	$ 1,179.6

(1) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

(Amounts in millions)	2016 Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	$ 954.7	$ —	$ 954.7	$ —
State and political subdivisions	624.0	—	624.0	—
Non-U.S.government	169.0	—	169.0	—
U.S. corporate:				
Utilities	1,067.6	—	822.4	245.2
Energy	614.9	—	562.8	52.1
Finance and insurance	1,167.0	—	985.4	181.6
Consumer—non-cyclical	885.9	—	857.2	28.7
Technology and communications	528.5	—	528.5	—
Industrial	245.7	—	245.7	—
Capital goods	534.8	—	503.3	31.5
Consumer—cyclical	339.3	—	270.2	69.1
Transportation	321.6	—	263.3	58.3
Other	163.1	—	90.3	72.8
Total U.S. corporate	5,868.4	—	5,129.1	739.3
Non-U.S. corporate:				
Utilities	123.3	—	41.6	81.7
Energy	246.7	—	193.8	52.9
Finance and insurance	399.5	—	354.6	44.9
Consumer—non-cyclical	133.6	—	88.3	45.3
Technology and communications	188.9	—	176.4	12.5
Industrial	189.8	—	173.5	16.3
Capital goods	118.3	—	69.3	49.0
Consumer—cyclical	45.3	—	40.6	4.7
Transportation	144.5	—	107.1	37.4
Other	359.1	—	355.5	3.6
Total non-U.S. corporate	1,949.0	—	1,600.7	348.3
Residential mortgage-backed	1,267.3	—	1,263.2	4.1
Commercial mortgage-backed	825.2	—	815.6	9.6
Other asset-backed	752.1	—	699.2	52.9
Total fixed maturity securities	12,409.7	—	11,255.5	1,154.2
Equity securities	53.3	30.1	7.4	15.8
Other invested assets:				
Trading securities	259.1	—	259.1	—
Derivative assets:				
Interest rate swaps	0.2	—	0.2	—
Equity index options	72.0	—	—	72.0
Limited guarantee	0.5	—	—	0.5
Total derivative assets	72.7	—	0.2	72.5
Securities lending collateral	89.0	—	89.0	—
Total other invested assets	420.8	—	348.3	72.5
Reinsurance recoverable[1]	13.3	—	—	13.3
Separate account assets	6,704.4	6,704.4	—	—
Total assets	$19,601.5	$6,734.5	$11,611.2	$1,255.8

(1) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers between levels at the beginning fair value for the reporting period in which the changes occur. Given the types of assets classified as Level 1, which primarily represents mutual fund investments, we typically do not have any transfers between Level 1 and Level 2 measurement categories and did not have any such transfers during any period presented.

Our assessment of whether or not there were significant unobservable inputs related to fixed maturity securities was based on our observations obtained through the course of managing our investment portfolio, including interaction with other market participants, observations related to the availability and consistency of pricing and/or rating, and understanding of general market activity such as new issuance and the level of secondary market trading for a class of securities. Additionally, we considered data obtained from third-party pricing sources to determine whether our estimated values incorporate significant unobservable inputs that would result in the valuation being classified as Level 3.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

The following tables present additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of January 1, 2017	Total realized and unrealized gains (losses) Included in net income (loss)	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3[1]	Transfer out of Level 3[1]	Ending balance as of December 31, 2017	Total gains (losses) included in net income (loss) attributable to assets still held
Fixed maturity securities:											
U.S. corporate:											
Utilities	$ 245.2	$ —	$ 6.6	$ 6.0	$ —	$—	$ (3.6)	$10.8	$ (28.7)	$ 236.3	$ —
Energy	52.1	(1.1)	0.6	—	—	—	(10.7)	—	(9.6)	31.3	—
Finance and insurance	181.6	—	3.8	31.0	(7.0)	—	(23.8)	8.0	—	193.6	(0.2)
Consumer—non-cyclical	28.7	—	0.9	—	—	—	—	—	(15.9)	13.7	—
Industrial	—	—	0.8	10.0	—	—	—	—	(10.8)	—	—
Capital goods	31.5	0.2	1.2	4.0	—	—	(5.1)	—	(4.1)	27.7	0.1
Consumer—cyclical	69.1	0.1	3.1	—	—	—	(10.5)	—	—	61.8	—
Transportation	58.3	—	0.2	—	—	—	(1.8)	—	(21.7)	35.0	—
Other	72.8	—	1.2	—	(3.9)	—	(3.9)	4.1	—	70.3	—
Total U.S. corporate	739.3	(0.8)	18.4	51.0	(10.9)	—	(59.4)	22.9	(90.8)	669.7	(0.1)
Non-U.S. corporate:											
Utilities	81.7	—	1.5	10.0	—	—	—	0.8	(10.7)	83.3	—
Energy	52.9	—	1.2	—	—	—	(0.3)	—	—	53.8	—
Finance and insurance	44.9	—	0.4	—	—	—	(4.0)	—	(10.3)	31.0	—
Consumer—non-cyclical	45.3	—	1.1	—	—	—	(0.8)	—	—	45.6	—
Technology and communications	12.5	—	0.6	—	—	—	—	—	—	13.1	—
Industrial	16.3	—	0.7	4.0	—	—	—	10.7	(4.2)	27.5	—
Capital goods	49.0	—	0.7	3.0	—	—	—	—	—	52.7	—
Consumer—cyclical	4.7	—	(0.1)	—	—	—	(0.7)	—	—	3.9	—
Transportation	37.4	—	0.5	6.0	—	—	(10.0)	—	(5.3)	28.6	—
Other	3.6	(1.5)	0.7	—	(1.9)	—	—	—	—	0.9	—
Total non-U.S. corporate	348.3	(1.5)	7.3	23.0	(1.9)	—	(15.8)	11.5	(30.5)	340.4	—
Residential mortgage-backed	4.1	—	(0.2)	15.1	—	—	(0.3)	4.9	(9.0)	14.6	—
Commercial mortgage-backed	9.6	(0.9)	0.9	25.6	—	—	—	—	(19.8)	15.4	—
Other asset-backed	52.9	(7.4)	10.1	27.8	(30.3)	—	(0.6)	4.0	(27.8)	28.7	—
Total fixed maturity securities	1,154.2	(10.6)	36.5	142.5	(43.1)	—	(76.1)	43.3	(177.9)	1,068.8	(0.1)
Equity securities	15.8	—	0.1	—	—	—	—	—	—	15.9	—
Other invested assets:											
Derivative assets:											
Equity index options	72.0	57.4	—	72.0	—	—	(121.9)	—	—	79.5	36.3
Limited guarantee	0.5	3.8	—	—	—	—	—	—	—	4.3	3.8
Total derivative assets	72.5	61.2	—	72.0	—	—	(121.9)	—	—	83.8	40.1
Total other invested assets	72.5	61.2	—	72.0	—	—	(121.9)	—	—	83.8	40.1
Reinsurance recoverable[2]	13.3	(3.9)	—	—	—	1.7	—	—	—	11.1	(3.9)
Total Level 3 assets	$1,255.8	$ 46.7	$36.6	$214.5	$(43.1)	$ 1.7	$(198.0)	$43.3	$(177.9)	$1,179.6	$36.1

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads, as well as changes in the industry sectors assigned to specific securities.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

(Amounts in millions)	Beginning balance as of January 1, 2016	Total realized and unrealized gains (losses) Included in net income (loss)	Total realized and unrealized gains (losses) Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3[1]	Transfer out of Level 3[1]	Ending balance as of December 31, 2016	Total gains (losses) included in net income (loss) attributable to assets still held
Fixed maturity securities:											
U.S. corporate:											
Utilities	$ 203.3	$ —	$ (1.7)	$ 57.5	$ (5.5)	$ —	$ (7.7)	$ 25.5	$ (26.2)	$ 245.2	$ —
Energy	72.2	—	(1.8)	10.0	—	—	(7.3)	—	(21.0)	52.1	—
Finance and insurance	175.2	0.7	(2.1)	21.0	(5.0)	—	(8.1)	14.2	(14.3)	181.6	0.2
Consumer—non-cyclical	24.8	—	0.8	8.0	(4.9)	—	—	—	—	28.7	—
Industrial	8.9	1.9	0.1	—	—	—	(10.9)	—	—	—	—
Capital goods	35.8	0.4	0.7	8.7	(4.2)	—	(4.5)	0.7	(6.1)	31.5	0.1
Consumer—cyclical	86.5	1.8	(0.8)	—	(4.7)	—	(28.0)	14.3	—	69.1	—
Transportation	39.0	—	(2.4)	24.9	—	—	(3.2)	—	—	58.3	—
Other	68.8	—	(2.7)	—	—	—	(3.7)	14.0	(3.6)	72.8	—
Total U.S. corporate	714.5	4.8	(9.9)	130.1	(24.3)	—	(73.4)	68.7	(71.2)	739.3	0.3
Non-U.S. corporate:											
Utilities	65.9	—	(0.6)	21.5	(5.1)	—	—	—	—	81.7	—
Energy	70.1	—	9.6	—	(16.0)	—	(10.8)	—	—	52.9	—
Finance and insurance	55.9	—	—	10.0	(1.0)	—	(20.0)	—	—	44.9	—
Consumer—non-cyclical	35.4	—	1.5	—	(3.0)	—	(0.7)	12.1	—	45.3	—
Technology and communications	7.5	—	—	7.0	(2.0)	—	—	—	—	12.5	—
Industrial	30.0	—	2.1	—	(20.9)	—	—	5.1	—	16.3	—
Capital goods	65.4	—	1.1	—	—	—	(1.9)	—	(15.6)	49.0	—
Consumer—cyclical	5.2	—	0.1	—	—	—	(0.6)	—	—	4.7	—
Transportation	23.6	—	(1.7)	6.0	—	—	—	9.5	—	37.4	—
Other	27.6	(2.4)	1.5	—	(13.2)	—	(0.4)	—	(9.5)	3.6	(0.3)
Total non-U.S. corporate	386.6	(2.4)	13.6	44.5	(61.2)	—	(34.4)	26.7	(25.1)	348.3	(0.3)
Residential mortgage-backed	30.1	(0.1)	0.3	—	(9.1)	—	(3.7)	—	(13.4)	4.1	—
Commercial mortgage-backed	5.6	—	(1.6)	0.1	—	—	(2.5)	11.1	(3.1)	9.6	—
Other asset-backed	388.6	(1.3)	(0.4)	—	(1.3)	—	(3.1)	14.6	(344.2)	52.9	—
Total fixed maturity securities	1,525.4	1.0	2.0	174.7	(95.9)	—	(117.1)	121.1	(457.0)	1,154.2	—
Equity securities	15.8	—	—	—	—	—	—	—	—	15.8	—
Other invested assets:											
Derivative assets:											
Equity index options	28.3	11.5	—	64.5	(32.3)	—	—	—	—	72.0	12.5
Limited guarantee	3.8	(3.3)	—	—	—	—	—	—	—	0.5	(3.3)
Total derivative assets	32.1	8.2	—	64.5	(32.3)	—	—	—	—	72.5	9.2
Total other invested assets	32.1	8.2	—	64.5	(32.3)	—	—	—	—	72.5	9.2
Reinsurance recoverable[2]	14.1	(2.6)	—	—	—	1.8	—	—	—	13.3	(2.6)
Total Level 3 assets	$1,587.4	$ 6.6	$ 2.0	$239.2	$(128.2)	$ 1.8	$(117.1)	$121.1	$(457.0)	$1,255.8	$ 6.6

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads, as well as changes in the industry sectors assigned to specific securities. Most significantly, the majority of the transfers out of Level 3 related to a reclassification of collateralized loan obligation securities previously valued using a broker priced source to now being valued using third-party pricing services.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

(Amounts in millions)	Beginning balance as of January 1, 2015	Total realized and unrealized gains (losses) Included in net income (loss)	Total realized and unrealized gains (losses) Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3[1]	Transfer out of Level 3[1]	Ending balance as of December 31, 2015	Total gains (losses) included in net income (loss) attributable to assets still held
Fixed maturity securities:											
State and political subdivisions	$ 5.1	$ —	$ —	$ —	$ —	$—	$ —	$ —	$ (5.1)	$ —	$—
U.S. corporate:											
Utilities	199.3	—	(3.2)	9.0	—	—	(1.8)	—	—	203.3	—
Energy	83.8	—	(3.4)	—	(4.1)	—	(4.1)	—	—	72.2	—
Finance and insurance	117.5	0.5	(1.9)	35.0	—	—	(4.5)	36.6	(8.0)	175.2	0.5
Consumer—non-cyclical	46.8	—	0.1	—	—	—	(12.0)	—	(10.1)	24.8	—
Industrial	—	—	(0.1)	9.0	—	—	—	—	—	8.9	—
Capital goods	32.3	0.1	(1.6)	7.8	(2.8)	—	—	—	—	35.8	0.1
Consumer—cyclical	124.2	—	(4.8)	20.0	—	—	(4.9)	0.5	(48.5)	86.5	—
Transportation	68.4	—	(0.4)	—	—	—	(17.5)	—	(11.5)	39.0	—
Other	72.8	—	(0.7)	—	—	—	(3.3)	—	—	68.8	—
Total U.S. corporate	745.1	0.6	(16.0)	80.8	(6.9)	—	(48.1)	37.1	(78.1)	714.5	0.6
Non-U.S. corporate:											
Utilities	76.4	—	(0.5)	10.0	—	—	(20.0)	—	—	65.9	—
Energy	101.6	(0.3)	(6.1)	—	(4.7)	—	(20.4)	—	—	70.1	(0.3)
Finance and insurance	78.1	2.4	(1.7)	—	—	—	(21.4)	—	(1.5)	55.9	—
Consumer—non-cyclical	39.1	—	(2.0)	9.0	—	—	(10.7)	—	—	35.4	—
Technology and communications	—	—	(0.5)	8.0	—	—	—	—	—	7.5	—
Industrial	50.3	—	(1.0)	1.0	—	—	(4.0)	—	(16.3)	30.0	—
Capital goods	72.6	—	(2.2)	—	—	—	(5.0)	—	—	65.4	—
Consumer—cyclical	15.8	—	(0.4)	—	—	—	—	15.0	(25.2)	5.2	—
Transportation	31.9	—	(0.3)	—	—	—	(8.0)	—	—	23.6	—
Other	27.6	—	0.7	—	—	—	(0.7)	—	—	27.6	—
Total non-U.S. corporate	493.4	2.1	(14.0)	28.0	(4.7)	—	(90.2)	15.0	(43.0)	386.6	(0.3)
Residential mortgage-backed	12.9	(0.2)	(0.4)	13.8	—	—	(4.0)	18.0	(10.0)	30.1	(0.2)
Commercial mortgage-backed	1.0	—	(0.4)	9.3	—	—	(0.8)	10.0	(13.5)	5.6	—
Other asset-backed	553.4	(1.1)	1.8	54.0	(172.4)	—	(75.9)	74.9	(46.1)	388.6	(1.6)
Total fixed maturity securities	1,810.9	1.4	(29.0)	185.9	(184.0)	—	(219.0)	155.0	(195.8)	1,525.4	(1.5)
Equity securities	15.9	—	(0.1)	—	—	—	—	—	—	15.8	—
Other invested assets:											
Derivative assets:											
Equity index options	14.3	(23.1)	—	37.1	—	—	—	—	—	28.3	(2.6)
Limited guarantee	5.2	(1.4)	—	—	—	—	—	—	—	3.8	(1.4)
Total derivative assets	19.5	(24.5)	—	37.1	—	—	—	—	—	32.1	(4.0)
Total other invested assets	19.5	(24.5)	—	37.1	—	—	—	—	—	32.1	(4.0)
Reinsurance recoverable[2]	10.9	1.2	—	—	—	2.0	—	—	—	14.1	1.2
Total Level 3 assets	$1,857.2	$(21.9)	$(29.1)	$223.0	$(184.0)	$ 2.0	$(219.0)	$155.0	$(195.8)	$1,587.4	$(4.3)

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads, as well as changes in the industry sectors assigned to specific securities.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

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The following table presents the gains and losses included in net income (loss) from assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Total realized and unrealized gains (losses) included in net income (loss):			
Net investment income	$(0.5)	$4.7	$ 4.1
Net investment gains (losses)	47.2	1.9	(26.0)
Total	$46.7	$6.6	$(21.9)
Total gains (losses) included in net income (loss) attributable to assets still held:			
Net investment income	$(0.1)	$0.3	$ 1.2
Net investment gains (losses)	36.2	6.3	(5.5)
Total	$36.1	$6.6	$ (4.3)

The amount presented for unrealized gains (losses) included in net income (loss) for available-for-sale securities represents impairments and accretion on certain fixed maturity securities.

The following table presents a summary of the significant unobservable inputs used for certain asset fair value measurements that are based on internal models and classified as Level 3 as of December 31, 2017:

(Amounts in millions)	Valuation technique	Fair value	Unobservable input	Range	Weighted-average
Assets					
Fixed maturity securities:					
U.S. corporate:					
Utilities	Internal models	$231.5	Credit spreads	63bps – 179bps	110bps
Energy	Internal models	7.0	Credit spreads	75bps – 116bps	107bps
Finance and insurance	Internal models	177.0	Credit spreads	63bps – 196bps	135bps
Consumer—non-cyclical	Internal models	13.7	Credit spreads	97bps – 133bps	117bps
Capital goods	Internal models	27.7	Credit spreads	122bps – 183bps	146bps
Consumer—cyclical	Internal models	47.0	Credit spreads	75bps – 178bps	127bps
Transportation	Internal models	33.7	Credit spreads	57bps – 112bps	89bps
Other	Internal models	61.7	Credit spreads	56bps – 89bps	64bps
Total U.S. corporate	Internal models	$599.3	Credit spreads	56bps – 196bps	114bps
Non-U.S. corporate:					
Utilities	Internal models	$ 83.3	Credit spreads	75bps – 138bps	104bps
Energy	Internal models	44.3	Credit spreads	83bps – 130bps	95bps
Finance and insurance	Internal models	31.0	Credit spreads	91bps – 175bps	101bps
Consumer—non-cyclical	Internal models	34.1	Credit spreads	112bps – 135bps	128bps
Technology and communications	Internal models	13.1	Credit spreads	112bps – 213bps	157bps
Industrial	Internal models	27.5	Credit spreads	94bps – 160bps	142bps
Capital goods	Internal models	38.2	Credit spreads	83bps – 172bps	110bps
Consumer—cyclical	Internal models	3.9	Credit spreads	83bps	Not applicable
Transportation	Internal models	18.8	Credit spreads	69bps – 178bps	103bps
Other	Internal models	0.9	Credit spreads	217bps	Not applicable
Total non-U.S. corporate	Internal models	$295.1	Credit spreads	69bps – 217bps	112bps
Derivative assets:					
Equity index options	Discounted cash flows	$ 79.5	Equity index volatility	6% – 30%	15%

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Certain classes of instruments classified as Level 3 are excluded above as a result of not being material or due to limitations in being able to obtain the underlying inputs used by certain third-party sources, such as broker quotes, used as an input in determining fair value.

The following tables set forth our liabilities by class of instrument that are measured at fair value on a recurring basis as of December 31:

	2017			
(Amounts in millions)	Total	Level 1	Level 2	Level 3
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives[1]	$215.6	$—	$—	$215.6
Fixed index annuity embedded derivatives	416.4	—	—	416.4
Indexed universal life embedded derivatives	14.1	—	—	14.1
Total policyholder account balances	646.1	—	—	646.1
Derivative liabilities:				
Equity return swaps	2.0	—	2.0	—
Total derivative liabilities	2.0	—	2.0	—
Total liabilities	$648.1	$—	$ 2.0	$646.1

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

	2016			
(Amounts in millions)	Total	Level 1	Level 2	Level 3
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives[1]	$261.0	$—	$—	$261.0
Fixed index annuity embedded derivatives	341.0	—	—	341.0
Indexed universal life embedded derivatives	11.5	—	—	11.5
Total policyholder account balances	613.5	—	—	613.5
Derivative liabilities:				
Equity index options	1.1	—	1.1	—
Total derivative liabilities	1.1	—	1.1	—
Total liabilities	$614.6	$—	$ 1.1	$613.5

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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The following tables present additional information about liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of January 1, 2017	Total realized and unrealized (gains) losses: Included in net (income) loss	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of December 31, 2017	Total (gains) losses included in net (income) loss attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives[1]	$261.0	$(71.5)	$—	$—	$—	$26.1	$—	$—	$—	$215.6	$(69.3)
Fixed index annuity embedded derivatives	341.0	83.7	—	—	—	—	(8.3)	—	—	416.4	83.7
Indexed universal life embedded derivatives	11.5	(7.5)	—	—	—	10.1	—	—	—	14.1	(7.5)
Total policyholder account balances	613.5	4.7	—	—	—	36.2	(8.3)	—	—	646.1	6.9
Total Level 3 liabilities	$613.5	$ 4.7	$—	$—	$—	$36.2	$(8.3)	$—	$—	$646.1	$ 6.9

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

(Amounts in millions)	Beginning balance as of January 1, 2016	Total realized and unrealized (gains) losses: Included in net (income) loss	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of December 31, 2016	Total (gains) losses included in net (income) loss attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives[1]	$305.1	$(71.1)	$—	$—	$—	$27.0	$ —	$—	$—	$261.0	$(65.8)
Fixed index annuity embedded derivatives	338.6	22.0	—	—	—	10.3	(29.9)	—	—	341.0	22.0
Indexed universal life embedded derivatives	10.0	(9.7)	—	—	—	11.2	—	—	—	11.5	(9.7)
Total policyholder account balances	653.7	(58.8)	—	—	—	48.5	(29.9)	—	—	613.5	(53.5)
Derivative liabilities:											
Equity index options	0.3	(0.3)	—	0.1	(0.1)	—	—	—	—	—	—
Total derivative liabilities	0.3	(0.3)	—	0.1	(0.1)	—	—	—	—	—	—
Total Level 3 liabilities	$654.0	$(59.1)	$—	$ 0.1	$(0.1)	$48.5	$(29.9)	$—	$—	$613.5	$(53.5)

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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(Amounts in millions)	Beginning balance as of January 1, 2015	Total realized and unrealized (gains) losses Included in net (income) loss	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of December 31, 2015	Total (gains) losses included in net (income) loss attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives[1]	$251.7	$22.8	$—	$—	$—	$ 30.6	$—	$—	$—	$305.1	$26.3
Fixed index annuity embedded derivatives	270.2	7.1	—	—	—	65.8	(4.5)	—	—	338.6	7.1
Indexed universal life embedded derivatives	6.7	(6.5)	—	—	—	9.8	—	—	—	10.0	(6.5)
Total policyholder account balances	528.6	23.4	—	—	—	106.2	(4.5)	—	—	653.7	26.9
Derivative liabilities:											
Equity index options	—	0.5	—	—	—	—	(0.2)	—	—	0.3	0.5
Total derivative liabilities	—	0.5	—	—	—	—	(0.2)	—	—	0.3	0.5
Total Level 3 liabilities	$528.6	$23.9	$—	$—	$—	$106.2	$(4.7)	$—	$—	$654.0	$27.4

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

The following table presents the gains and losses included in net (income) loss from liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the years ended December 31:

(Amounts in millions)	2017	2016	2015
Total realized and unrealized (gains) losses included in net (income) loss:			
Net investment income	$—	$ —	$ —
Net investment (gains) losses	4.7	(59.1)	23.9
Total	$ 4.7	$(59.1)	$23.9
Total (gains) losses included in net (income) loss attributable to liabilities still held:			
Net investment income	$—	$ —	$ —
Net investment (gains) losses	6.9	(53.5)	27.4
Total	$ 6.9	$(53.5)	$27.4

Purchases, sales, issuances and settlements represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily consists of purchases, sales and settlements of fixed maturity, equity and trading securities and purchases, issuances and settlements of derivative instruments.

Issuances presented for GMWB embedded derivative liabilities are characterized as the change in fair value associated with the product fees recognized that are attributed to the embedded derivative to equal the expected future benefit costs upon issuance. Issuances for fixed index annuity and indexed universal life embedded

derivative liabilities represent the amount of the premium received that is attributed to the value of the embedded derivative. Settlements of embedded derivatives are characterized as the change in fair value upon exercising the embedded derivative instrument, effectively representing a settlement of the embedded derivative instrument. We have shown these changes in fair value separately based on the classification of this activity as effectively issuing and settling the embedded derivative instrument with all remaining changes in the fair value of these embedded derivative instruments being shown separately in the category labeled "included in net (income) loss" in the tables presented above.

The following table presents a summary of the significant unobservable inputs used for certain liability fair value measurements that are based on internal models and classified as Level 3 as of December 31, 2017:

(Amounts in millions)	Valuation technique	Fair value	Unobservable input	Range	Weighted-average
Liabilities					
Policyholder account balances:					
GMWB embedded derivatives[1]	Stochastic cash flow model	$215.6	Withdrawal utilization rate	40% – 84%	65%
			Lapse rate	—% – 8%	4%
			Non-performance risk (credit spreads)	19bps – 83bps	65bps
			Equity index volatility	13% – 24%	20%
Fixed index annuity embedded derivatives	Option budget method	$416.4	Expected future interest credited	—% – 2%	1%
Indexed universal life embedded derivatives	Option budget method	$ 14.1	Expected future interest credited	3% – 8%	5%

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

(15) Variable Interest and Securitization Entities

VIEs are generally entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest. We evaluate VIEs to determine whether we are the primary beneficiary and are required to consolidate the assets and liabilities of the entity. The determination of the primary beneficiary for a VIE can be complex and requires management judgment regarding the expected results of the entity and who directs the activities of the entity that most significantly impact the economic results of the VIE.

We have used former affiliates and third-party entities to facilitate asset securitizations. Disclosure requirements related to off-balance sheet arrangements encompass a broader array of arrangements than those at risk for consolidation. These arrangements include transactions with term securitization entities, as well as transactions with conduits that are sponsored by third parties.

As a result of a clean-up call exercised on the securitization entities during 2016, we no longer have any exposure or guarantees associated with securitization entities as of December 31, 2017 and 2016.

There has been no new asset securitization activity in 2017 or 2016.

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(16) Dividends and Capital Contributions

Insurance companies are restricted by state regulations as to the aggregate amount of dividends they may pay to their parent in any consecutive 12-month period without regulatory approval. Generally, dividends may be paid out of earned surplus without approval with 30 days prior written notice within certain limits. The limits are generally based on the greater of 10% of the prior year surplus or prior year net gain from operations. Dividends in excess of the prescribed limits on our earned surplus require formal approval from the State Corporation Commission, Bureau of Insurance of the Commonwealth of Virginia. Any dividends in excess of limits are deemed "extraordinary" and require approval. Based on statutory results as of December 31, 2017, we are not able to distribute dividends in 2018 without obtaining regulatory approval. Based on statutory results as of December 31, 2017, we estimate our insurance subsidiaries could pay dividends of $6.0 million to us in 2018 without obtaining regulatory approval. However, our insurance subsidiaries may not pay dividends to us in 2018 at this level as they expect to retain capital for growth and to meet capital requirements.

Our life insurance subsidiaries paid dividends of $36.2 million (none of which were deemed "extraordinary") and $80.4 million (none of which were deemed "extraordinary") during 2017 and 2016, respectively. Our life insurance subsidiaries did not pay any dividends during 2015.

In 2015, we declared and paid cash dividends of $40.5 million to GLIC.

In 2015, we made cash capital contributions of $34.5 million to GLICNY.

(17) Supplemental Statutory Financial Data

We file financial statements with state insurance regulatory authorities and the NAIC that are prepared on an accounting basis either prescribed or permitted by such authorities (statutory basis). Statutory accounting practices differ from U.S. GAAP in several respects, causing differences in reported net income (loss) and stockholder's equity.

Permitted statutory accounting practices encompass all accounting practices not so prescribed but that have been specifically allowed by individual state insurance authorities. Our U.S. domiciled insurance subsidiaries have no material permitted accounting practices, except for River Lake VI, River Lake VII, River Lake VIII, River Lake IX and River Lake X (the "SPFCs"). The permitted practices of the SPFCs were an essential element of their design and were expressly included in their plans of operation and in the licensing orders issued by their domiciliary state regulators. Accordingly, we believe that the permitted practices will remain in effect for so long as we maintain the SPFCs. The permitted practices were as follows:

- River Lake IX and River Lake X were granted a permitted accounting practice from the State of Vermont to carry their excess of loss reinsurance agreements with The Canada Life Assurance Company and Hannover Life Reassurance Company Of America, respectively, as an admitted asset.
- River Lake VII and River Lake VIII were granted a permitted accounting practice from the State of Vermont to carry their reserves on a basis similar to U.S. GAAP.
- River Lake VI was granted a permitted accounting practice from the State of Delaware to carry its excess of loss reinsurance agreement with The Canada Life Assurance Company as an admitted asset.

There was no impact from these permitted practices on our combined U.S. domiciled life insurance subsidiaries' statutory capital and surplus as of December 31, 2017 and 2016. If permitted practices had not been used, no regulatory event would have been triggered.

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On March 23, 2018, River Lake IX and River Lake X were granted a new permitted accounting practice from the State of Vermont to carry their reserves on a basis similar to U.S. GAAP effective January 1, 2018.

The tables below include the combined statutory net income (loss) and statutory capital and surplus for GLAIC and our U.S. domiciled insurance subsidiaries for the periods indicated:

	Years ended December 31,		
(Amounts in millions)	2017	2016	2015
GLAIC and our life insurance subsidiaries, excluding captive life reinsurance subsidiaries	$(32.7)	$(276.2)	$(284.5)
Captive life insurance subsidiaries	(35.9)	(403.2)	(276.2)
Combined statutory net loss	$(68.6)	$(679.4)	$(560.7)

	As of December 31,	
(Amounts in millions)	2017	2016
Combined statutory capital and surplus, excluding captive life insurance subsidiaries	$1,348.6	$1,547.9

The statutory net loss from our captive life reinsurance subsidiaries relates to the reinsurance of term and universal life insurance statutory reserves assumed by us. These reserves are, in turn, funded through the issuance of surplus notes (non-recourse funding obligations) to third parties or secured by a third-party letter of credit. Accordingly, the combined statutory net loss and distributable income (loss) of GLAIC and our life insurance subsidiaries are not affected by the statutory net loss of the captives, except to the extent dividends are received from the captives. The combined statutory capital and surplus of GLAIC and our life insurance subsidiaries does not include the capital and surplus of our captive life reinsurance subsidiaries of $244.7 million and $274.1 million as of December 31, 2017 and 2016, respectively. Capital and surplus of our captive life reinsurance subsidiaries included surplus notes (non-recourse funding obligations) of Rivermont I as of December 31, 2017 and 2016, as further described in note 10.

The NAIC has adopted RBC requirements to evaluate the adequacy of statutory capital and surplus in relation to risks associated with: (i) asset risk; (ii) insurance risk; (iii) interest rate and equity market risk; and (iv) business risk. The RBC formula is designated as an early warning tool for the states to identify possible undercapitalized companies for the purpose of initiating regulatory action. In the course of operations, we periodically monitor the RBC level of GLAIC and our subsidiaries. As of December 31, 2017 and 2016, GLAIC and each of our life insurance subsidiaries exceeded the minimum required RBC levels. The consolidated RBC ratio of our U.S. domiciled life insurance subsidiaries was approximately 427% and 564% of the company action level as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, we established $294.8 million and $65.2 million, respectively, of additional statutory reserves resulting from updates to our universal and term universal life insurance products with secondary guarantees. In addition, we currently expect to record approximately $94.8 million of additional statutory reserves in 2018.

As a result of its year end 2017 assets adequacy analysis, GLICNY, our New York insurance affiliate for which we have an investment in accounted for under the equity method of accounting, recorded an additional $188.0 million of statutory reserves in 2017. While current actuarial assumptions may change in response to future experience, GLICNY currently expects to record approximately $302.0 million of additional statutory

reserves over the next two years. Among the current actuarial assumptions that may change is the amount of additional cash flow that may be recognized for asset adequacy analysis purposes attributable to certain pending rate increase requests filed with the New York State Department of Financial Services for its long-term care insurance business. Any future increases to reserves would impact our investment in GLICNY.

Prior to its dissolution in 2016, River Lake IV also prepared financial statements in accordance with local regulatory requirements in Bermuda. Local statutory net income (loss) was $55.4 million and $(0.8) million for the years ended December 31, 2016 and 2015, respectively.

(18) Segment Information

We operate through two business segments: U.S. Life Insurance and Runoff. Our U.S. Life Insurance segment includes our life insurance and fixed deferred and immediate annuities. Our Runoff segment primarily includes variable annuities, variable life insurance, group variable annuities and institutional products. Corporate and Other activities include other corporate income and expenses not allocated to the segments.

We use the same accounting policies and procedures to measure segment income (loss) and assets as we use to measure our consolidated net income (loss) and assets. Segment income (loss) represents the basis on which the performance of our business is assessed by management.

See note 1 for further discussion of our principal product lines within the aforementioned segments.

The following is a summary of our segments and Corporate and Other activities as of or for the year ended December 31, 2017:

(Amounts in millions)	U.S. Life Insurance	Runoff	Corporate and Other	Consolidated
Premiums	$ 309.9	$ 0.1	$ —	$ 310.0
Net investment income	647.0	26.2	6.9	680.1
Net investment gains (losses)	10.1	8.1	(25.9)	(7.7)
Policy fees and other income	583.3	125.2	4.5	713.0
Total revenues	1,550.3	159.6	(14.5)	1,695.4
Benefits and other changes in policy reserves	1,087.7	20.1	—	1,107.8
Interest credited	275.1	5.2	—	280.3
Acquisition and operating expenses, net of deferrals	118.4	40.2	4.7	163.3
Amortization of deferred acquisition costs and intangibles	195.9	26.7	—	222.6
Interest expense	12.8	—	—	12.8
Total benefits and expenses	1,689.9	92.2	4.7	1,786.8
Income (loss) before income taxes and equity in net income of unconsolidated subsidiary	(139.6)	67.4	(19.2)	(91.4)
Provision (benefit) for income taxes	(66.4)	18.9	(334.8)	(382.3)
Income (loss) before equity in net income of unconsolidated subsidiary	(73.2)	48.5	315.6	290.9
Equity in net income of unconsolidated subsidiary	—	—	70.3	70.3
Net income (loss)	$ (73.2)	$ 48.5	$ 385.9	$ 361.2
Total assets	$23,990.8	$8,280.1	$ 871.7	$33,142.6

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The following is a summary of our segments and Corporate and Other activities as of or for the year ended December 31, 2016:

(Amounts in millions)	U.S. Life Insurance	Runoff	Corporate and Other	Consolidated
Premiums	$ 13.2	$ 0.4	$ —	$ 13.6
Net investment income	655.8	21.7	9.0	686.5
Net investment gains (losses)	52.0	(10.6)	(14.5)	26.9
Policy fees and other income	1,310.2	129.4	4.6	1,444.2
Total revenues	2,031.2	140.9	(0.9)	2,171.2
Benefits and other changes in policy reserves	1,062.4	36.0	—	1,098.4
Interest credited	299.9	5.5	—	305.4
Acquisition and operating expenses, net of deferrals	493.9	43.6	5.1	542.6
Amortization of deferred acquisition costs and intangibles	264.9	33.9	—	298.8
Interest expense	39.4	—	(0.2)	39.2
Total benefits and expenses	2,160.5	119.0	4.9	2,284.4
Income (loss) before income taxes and equity in net income of unconsolidated subsidiary	(129.3)	21.9	(5.8)	(113.2)
Provision (benefit) for income taxes	(41.2)	2.8	3.8	(34.6)
Income (loss) before equity in net income of unconsolidated subsidiary	(88.1)	19.1	(9.6)	(78.6)
Equity in net income of unconsolidated subsidiary	—	—	37.5	37.5
Net income (loss)	$ (88.1)	$ 19.1	$ 27.9	$ (41.1)
Total assets	$23,549.9	$8,459.5	$1,229.2	$33,238.6

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

The following is a summary of our segments and Corporate and Other activities for the year ended December 31, 2015:

(Amounts in millions)	U.S. Life Insurance	Runoff	Corporate and Other	Consolidated
Premiums	$ 539.4	$ 1.5	$ —	$ 540.9
Net investment income	685.8	18.7	1.9	706.4
Net investment gains (losses)	(7.5)	(69.8)	2.5	(74.8)
Policy fess and other income	653.4	146.3	4.4	804.1
Total revenues	1,871.1	96.7	8.8	1,976.6
Benefits and other changes in policy reserves	1,159.8	36.0	—	1,195.8
Interest credited	313.3	5.6	—	318.9
Acquisition and operating expenses, net of deferrals	219.4	49.3	6.1	274.8
Amortization of deferred acquisition costs and intangibles	633.5	36.6	—	670.1
Interest expense	94.4	—	—	94.4
Total benefits and expenses	2,420.4	127.5	6.1	2,554.0
Income (loss) before income taxes and equity in net income of unconsolidated subsidiary	(549.3)	(30.8)	2.7	(577.4)
Benefit for income taxes	(193.9)	(15.8)	(1.5)	(211.2)
Income (loss) before equity in net income of unconsolidated subsidiary	(355.4)	(15.0)	4.2	(366.2)
Equity in net income of unconsolidated subsidiary	—	—	18.4	18.4
Net income (loss)	$ (355.4)	$ (15.0)	$22.6	$ (347.8)

(19) Commitments and Contingencies

(a) Litigation and Regulatory Matters

We face the risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In our insurance operations, we are, have been, or may become subject to class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, payment of contingent or other sales commissions, claims payments and procedures, product design, product disclosure, administration, additional premium charges for premiums paid on a periodic basis, denial or delay of benefits, charging excessive or impermissible fees on products and recommending unsuitable products to customers. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts which may remain unknown for substantial periods of time. In our investment-related operations, we are subject to litigation involving commercial disputes with counterparties. We are also subject to litigation arising out of our general business activities such as our contractual and employment relationships and securities lawsuits. In addition, we are also subject to various regulatory inquiries, such as information requests, subpoenas, books and record examinations and market conduct and financial examinations from state, federal and international regulators and other authorities. A substantial legal liability or a significant regulatory action against us could have an adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, we could suffer significant reputational harm, which could have an adverse effect on our business, financial condition or results of operations.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

In *Lehman Brothers Special Financing, Inc. v. Bank of America National Association, et al*, in U.S. Bankruptcy Court, Southern District of New York, Lehman Brothers Special Financing, Inc. ("LBSF") seeks to recover from GLAIC, as a noteholder defendant, sums it received from a collateralized debt obligation ("CDO") note following the bankruptcy of Lehman Brothers Holdings, Inc. ("LBHI"), alleging that GLAIC and other unrelated noteholders (the "Defendant Group") were not entitled to the amounts received. On June 28, 2016, the court granted GLAIC's motion to dismiss. The court's order became final and appealable on January 24, 2017. LBSF filed a notice of appeal on February 6, 2017. We intend to vigorously defend the dismissal of the action.

The West Virginia treasurer's office sued GLIC, GLAIC as well as other life insurers licensed in West Virginia regarding alleged violations of unclaimed property requirements for West Virginia policies. GLIC and GLAIC elected to participate in the early alternative dispute resolution procedure outlined in the trial court's post remand case management order and a first meeting to mediate the matter was held on February 1, 2017. Additionally, other state regulators have made inquiries on this topic. In particular, GLIC, GLAIC and GLICNY are currently being examined by Delaware's Department of Finance, which has retained a third-party firm, Kelmar, to examine GLAIC, GLIC and GLICNY and Genworth. There have been other inquiries on this topic from state regulators. We continue to cooperate with respect to these reviews, exams and investigations as appropriate.

In April 2017, GLAIC was named as a defendant in a putative class action lawsuit captioned *Avazian, et al v. Genworth Life and Annuity Insurance Company*, et al, in the United States District Court for the Central District of California. Plaintiff alleges breach of contract and breach of the covenant of good faith and fair dealing based upon GLAIC's termination of plaintiff's life insurance policy for nonpayment of premium. Plaintiff alleges that the termination for nonpayment of premium failed to comply with certain notice requirements of the California Insurance Code and seeks certification as a California class action on behalf of all insureds and beneficiaries of life insurance policies issued or delivered by GLAIC in California before January 1, 2013 who lost either their coverage or their ability to make a claim because of the termination of their policies by GLAIC for nonpayment of premium, and further seeks unspecified damages, pre-judgment and post-judgment interest, punitive damages, fees, costs and such other relief as the court deems just and proper. On June 23, 2017, we filed a motion to dismiss the complaint. On July 10, 2017, the plaintiff filed a notice of voluntary dismissal without prejudice. On July 12, 2017, the court ordered that this action and all claims therein, are dismissed in their entirety without prejudice. In August 2017, plaintiff re-filed a similar putative class action lawsuit, along with another plaintiff, Michael Torres, captioned *Avazian, et al v. Genworth Life and Annuity Insurance Company, et al,* in the Superior Court for the State of California, County of Los Angeles, naming GLAIC as a defendant. Plaintiffs allege similar causes of action as the previously dismissed lawsuit, and have added a claim for alleged violation of California Business and Professions Code. On August 31, 2017, we filed notice of the removal of this matter to the United States District Court for the Central District of California and on October 6, 2017, filed a motion to dismiss the complaint. On December 4, 2017, the court granted our motion to dismiss the complaint. In January 2018, the parties agreed in principle to resolve the case for a de minimis amount.

At this time, we cannot determine or predict the ultimate outcome of any of the pending legal and regulatory matters specifically identified above or the likelihood of potential future legal and regulatory matters against us. Except as disclosed above, we also are not able to provide an estimate or range of reasonably possible losses related to these matters. Therefore, we cannot ensure that the current investigations and proceedings will not have a material adverse effect on our business, financial condition or results of operations. In addition, it is possible that related investigations and proceedings may be commenced in the future, and we could become subject to additional unrelated investigations and lawsuits. Increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal precedents and industry-wide regulations or practices that could adversely affect our business, financial condition and results of operations.

(b) Commitments

As of December 31, 2017, we were committed to fund $6.0 million in limited partnership investments and $29.5 million in private placement investments.

(c) Guarantees

We guaranteed the payment of certain structured settlement benefits sold by Assigned Settlement, Inc., our wholly-owned subsidiary, from March 2004 through December 2005 which was funded by products of our parent and one of our affiliates. The structured settlement reserves related to this guarantee were $244.8 million as of December 31, 2017.

(20) Investment in Unconsolidated Subsidiary

Our investment in GLICNY is recorded under the equity method of accounting. As of December 31, 2017 and 2016, the carrying value of our investment in GLICNY was $722.0 million and $672.4 million, respectively, and was included in other invested assets.

The tables below provide summarized financial information for GLICNY:

	As of December 31,	
(Amounts in millions)	2017	2016
Total assets	$11,133.3	$11,762.3
Total liabilities	$ 9,040.7	$ 9,813.3
Total stockholders' equity	$ 2,092.6	$ 1,949.0

	Years ended December 31,		
(Amounts in millions)	2017	2016	2015
Net investment income	$325.8	$326.8	$321.1
Total revenues	$629.8	$635.2	$564.0
Net income	$203.8	$108.7	$ 53.3

(21) Changes in Accumulated Other Comprehensive Income (Loss)

The following tables show the changes in accumulated other comprehensive income (loss), net of taxes, by component as of and for the periods indicated:

(Amounts in millions)	Net unrealized investment gains (losses)[1]	Derivatives qualifying as hedges[2]	Total
Balances as of January 1, 2017	$242.1	$72.5	$314.6
OCI before reclassifications	32.2	6.8	39.0
Amounts reclassified from (to) OCI	(4.2)	(1.4)	(5.6)
Current period OCI	28.0	5.4	33.4
Balances as of December 31, 2017	$270.1	$77.9	$348.0

(1) Net of adjustments to DAC, PVFP, sales inducements and benefit reserves. See note 3 for additional information.

(2) See note 4 for additional information.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

(Amounts in millions)	Net unrealized investment gains (losses)[1]	Derivatives qualifying as hedges[2]	Total
Balances as of January 1, 2016	$177.7	$68.3	$246.0
OCI before reclassifications	64.2	6.0	70.2
Amounts reclassified from (to) OCI	0.2	(1.8)	(1.6)
Current period OCI	64.4	4.2	68.6
Balances as of December 31, 2016	$242.1	$72.5	$314.6

(1) Net of adjustments to DAC, PVFP, sales inducements and benefit reserves. See note 3 for additional information.

(2) See note 4 for additional information.

(Amounts in millions)	Net unrealized investment gains (losses)[1]	Derivatives qualifying as hedges[2]	Total
Balances as of January 1, 2015	$ 400.6	$63.6	$ 464.2
OCI before reclassifications	(216.2)	5.3	(210.9)
Amounts reclassified from (to) OCI	(6.7)	(0.6)	(7.3)
Current period OCI	(222.9)	4.7	(218.2)
Balances as of December 31, 2015	$ 177.7	$68.3	$ 246.0

(1) Net of adjustments to DAC, PVFP, sales inducements and benefit reserves. See note 3 for additional information.

(2) See note 4 for additional information.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
Years Ended December 31, 2017, 2016 and 2015

The following table shows reclassifications out of accumulated other comprehensive income (loss), net of taxes, for the periods presented:

(Amounts in millions)	Amount reclassified from accumulated other comprehensive income (loss) Years ended December 31, 2017	2016	2015	Affected line item in the consolidated statements of operations
Net unrealized investment (gains) losses:				
Unrealized (gains) losses on investments[1]	$(6.5)	$ 0.3	$(10.3)	Net investment (gains) losses
(Provision) benefit for income taxes	2.3	(0.1)	3.6	(Provision) benefit for income taxes
Total	$(4.2)	$ 0.2	$ (6.7)	
Derivatives qualifying as hedges:				
Investment in unconsolidated subsidiary	$(2.3)	$(2.7)	$ (0.9)	Equity in net income of unconsolidated subsidiary
(Provision) benefit for income taxes	0.9	0.9	0.3	(Provision) benefit for income taxes
Total	$(1.4)	$(1.8)	$ (0.6)	

(1) Amounts exclude adjustments to DAC, PVFP, sales inducements and benefit reserves.

(22) Sale of Business

In 2016, Genworth completed the sale of its term life insurance new business platform to Pacific Life Insurance Company. The sale primarily included a building we owned in Lynchburg, Virginia and software. We received cash proceeds of $18.0 million and recorded a pre-tax gain of approximately $1.0 million related to this sale.

Joel Morrison says:
Jules! I found out from Hannah that if you double click on the claim you can see the details. Ha! In reference to Shelly Hall, the claim was for a liability loss which we do not cede that portion to reinsurance and therefore would not have registered a debit to be deducted from the credited reinsurance amount owing to the reinsurer