Voya Financial, Inc.
Form 10-Q
November 01, 2018

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2018

OR

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

For the transition period from to

Commission File Number: 001-35897

Voya Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware	52-1222820
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

230 Park Avenue New York, New York	10169
(Address of principal executive offices)	(Zip Code)

(212) 309-8200

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

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

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

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
(Do not check if a smaller reporting company)	Emerging growth company o

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of October 26, 2018, 155,516,167 shares of Common Stock, $0.01 par value, were outstanding.

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

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements relating to future developments in our business or expectations for our future financial performance and any statement not involving a historical fact. Forward-looking statements use words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. Actual results, performance or events may differ materially from those projected in any forward-looking statement due to, among other things, (i) general economic conditions, particularly economic conditions in our core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels, (v) persistency and lapse levels, (vi) interest rates, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, (x) changes in the policies of governments and/or regulatory authorities, and (xi) our ability to successfully manage the separation of Venerable (as defined below), including the transition services, on the expected timeline and economic terms. Factors that may cause actual results to differ from those in any forward-looking statement also include those described under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations-Trends and Uncertainties" in the Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 001-35897) (the "Annual Report on Form 10-K") and "Risk Factors," in this Quarterly Report on Form 10-Q.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
Voya Financial, Inc.
Condensed Consolidated Balance Sheets
September 30, 2018 (Unaudited) and December 31, 2017
(In millions, except share and per share data)

	September 30, 2018	December 31, 2017
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $44,766 as of 2018 and $44,366 as of 2017)	$ 46,185	$ 48,329
Fixed maturities, at fair value using the fair value option	2,886	3,018
Equity securities, at fair value (cost of $299 as of 2018 and $353 as of 2017)	323	380
Short-term investments	86	471
Mortgage loans on real estate, net of valuation allowance of $2 as of 2018 and $3 as of 2017	8,862	8,686
Policy loans	1,832	1,888
Limited partnerships/corporations	1,123	784
Derivatives	422	397
Other investments	91	47
Securities pledged (amortized cost of $1,974 as of 2018 and $1,823 as of 2017)	2,063	2,087
Total investments	63,873	66,087
Cash and cash equivalents	1,789	1,218
Short-term investments under securities loan agreements, including collateral delivered	1,781	1,626
Accrued investment income	709	667
Premium receivable and reinsurance recoverable	7,068	7,632
Deferred policy acquisition costs and Value of business acquired	4,061	3,374
Current income taxes	190	4
Deferred income taxes	1,122	781
Other assets	1,283	1,310
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	1,585	1,795
Cash and cash equivalents	96	217
Corporate loans, at fair value using the fair value option	532	1,089
Other assets	10	75
Assets held in separate accounts	80,937	77,605
Assets held for sale	—	59,052
Total assets	$ 165,036	$ 222,532

The accompanying notes are an integral part of these

Condensed Consolidated Financial Statements.	4

Voya Financial, Inc.
Condensed Consolidated Balance Sheets
September 30, 2018 (Unaudited) and December 31, 2017
(In millions, except share and per share data)

	September 30, 2018	December 31, 2017
Liabilities and Shareholders' Equity:		
Future policy benefits	$ 14,957	$ 15,647
Contract owner account balances	50,566	50,158
Payables under securities loan agreement, including collateral held	2,097	1,866
Short-term debt	1	337
Long-term debt	3,459	3,123
Derivatives	126	149
Pension and other postretirement provisions	516	550
Other liabilities	1,990	2,076
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	502	1,047
Other liabilities	685	658
Liabilities related to separate accounts	80,937	77,605
Liabilities held for sale	—	58,277
Total liabilities	155,836	211,493
Commitments and Contingencies (Note 13)		
Shareholders' equity:		
Preferred stock ($0.01 par value per share; 325,000 shares authorized; 325,000 shares issued and outstanding; $325 aggregate liquidation preference)	—	—
Common stock ($0.01 par value per share; 900,000,000 shares authorized; 272,348,913 and 270,078,294 shares issued as of 2018 and 2017, respectively; 157,092,466 and 171,982,673 shares outstanding as of 2018 and 2017, respectively)	3	3
Treasury stock (at cost; 115,256,447 and 98,095,621 shares as of 2018 and 2017, respectively)	(4,705)	(3,827)
Additional paid-in capital	24,301	23,821
Accumulated other comprehensive income (loss)	777	2,731
Retained earnings (deficit):		
Appropriated-consolidated investment entities	—	—
Unappropriated	(11,853)	(12,719)
Total Voya Financial, Inc. shareholders' equity	8,523	10,009
Noncontrolling interest	677	1,030
Total shareholders' equity	9,200	11,039
Total liabilities and shareholders' equity	$ 165,036	$ 222,532

The accompanying notes are an integral part of these Condensed Consolidated

Financial
Statements.

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Voya Financial, Inc.
Condensed Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)
(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Net investment income	$855	$795	$2,491	$2,470
Fee income	704	684	2,040	1,960
Premiums	550	533	1,622	1,606
Net realized capital gains (losses):				
Total other-than-temporary impairments	(7)	—	(21)	(2)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	—	1	1	2
Net other-than-temporary impairments recognized in earnings	(7)	(1)	(22)	(4)
Other net realized capital gains (losses)	(39)	(52)	(325)	(160)
Total net realized capital gains (losses)	(46)	(53)	(347)	(164)
Other revenue	127	86	327	265
Income (loss) related to consolidated investment entities:				
Net investment income	62	139	199	295
Total revenues	2,252	2,184	6,332	6,432
Benefits and expenses:				
Policyholder benefits	876	791	2,290	2,274
Interest credited to contract owner account balances	392	401	1,156	1,203
Operating expenses	656	674	2,001	1,972
Net amortization of Deferred policy acquisition costs and Value of business acquired	86	209	260	468
Interest expense	47	49	142	140
Operating expenses related to consolidated investment entities:				
Interest expense	8	18	30	62
Other expense	1	2	5	5
Total benefits and expenses	2,066	2,144	5,884	6,124
Income (loss) from continuing operations before income taxes	186	40	448	308
Income tax expense (benefit)	21	(40)	70	53
Income (loss) from continuing operations	165	80	378	255
Income (loss) from discontinued operations, net of tax	—	134	457	36
Net income (loss)	165	214	835	291
Less: Net income (loss) attributable to noncontrolling interest	23	65	81	118
Net income (loss) available to Voya Financial, Inc.	$142	$149	$754	$173
Net income (loss) per common share:				
Basic				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	$0.89	$0.08	$1.79	$0.74
Income (loss) available to Voya Financial, Inc.'s common shareholders	$0.89	$0.83	$4.54	$0.93
Diluted				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	$0.87	$0.08	$1.73	$0.73

Income (loss) available to Voya Financial, Inc.'s common shareholders	$0.87	$0.81	$4.39	$0.92
Cash dividends declared per share of common stock	$0.01	$0.01	$0.03	$0.03

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

Voya Financial, Inc.
Condensed Consolidated Statements of Comprehensive Income
For the Three and Nine Months Ended September 30, 2018 and 2017 (Unaudited)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	$165	$214	$835	$291
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	(206)	196	(2,596)	1,243
Other-than-temporary impairments	—	2	30	14
Pension and other postretirement benefits liability	(4)	(5)	(10)	(12)
Other comprehensive income (loss), before tax	(210)	193	(2,576)	1,245
Income tax expense (benefit) related to items of other comprehensive income (loss)	(44)	68	(650)	435
Other comprehensive income (loss), after tax	(166)	125	(1,926)	810
Comprehensive income (loss)	(1)	339	(1,091)	1,101
Less: Comprehensive income (loss) attributable to noncontrolling interest	23	65	81	118
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	$(24)	$274	$(1,172)	$983

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

Voya Financial, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months Ended September 30, 2018 (Unaudited)
(In millions)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance as of January 1, 2018	$ —	$ 3	$ (3,827)	$ 23,821	$ 2,731	$ —	$ (12,719)	$ 10,009	$ 1,030	$ 11,039
Cumulative effect of changes in accounting:										
Adjustment for adoption of ASU 2014-09	—	—	—	—	—	—	84	84	—	84
Adjustment for adoption of ASU 2016-01	—	—	—	—	(28)	—	28	—	—	—
Balance as of January 1, 2018 - As adjusted	—	3	(3,827)	23,821	2,703	—	(12,607)	10,093	1,030	11,123
Comprehensive income (loss):										
Net income (loss)	—	—	—	—	—	—	754	754	81	835
Reversal of Other Comprehensive Income (Loss) due to Sale of Annuity and CBVA	—	—	—	—	(79)	—	—	(79)	—	(79)
Other comprehensive income (loss), after tax	—	—	—	—	(1,847)	—	—	(1,847)	—	(1,847)
Total comprehensive income (loss)								(1,172)	81	(1,091)
Effect of transaction for entities under common control	—	—	—	(31)	—	—	—	(31)	—	(31)
Net consolidations (deconsolidations) of consolidated investment entities	—	—	—	—	—	—	—	—	(33)	(33)
Preferred stock issuance	—	—	—	319	—	—	—	319	—	319
Common stock issuance	—	—	—	3	—	—	—	3	—	3
Common stock acquired - Share repurchase	—	—	(850)	100	—	—	—	(750)	—	(750)
Dividends on common stock	—	—	—	(5)	—	—	—	(5)	—	(5)
Share-based compensation	—	—	(28)	94	—	—	—	66	—	66
	—	—	—	—	—	—	—	—	(401)	(401)

Contributions from (Distributions to) noncontrolling interest, net										
Balance as of September 30, 2018	$ —	$ 3	$ (4,705)	$ 24,301	$ 777	$ —	$ (11,853)	$ 8,523	$ 677	$ 9,200

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

Voya Financial, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months Ended September 30, 2017 (Unaudited)
(In millions)

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance as of January 1, 2017 - As previously filed	$ —	$ 3	$ (2,796)	$ 23,609	$ 1,921	$ —	$ (9,742)	$ 12,995	$ 973	$ 13,968
Cumulative effect of changes in accounting:										
Adjustment for adoption of ASU 2016-09	—	—	—	—	—	—	15	15	—	15
Balance as of January 1, 2017 - As adjusted	—	3	(2,796)	23,609	1,921	—	(9,727)	13,010	973	13,983
Comprehensive income (loss):										
Net income (loss)	—	—	—	—	—	—	173	173	118	291
Other comprehensive income (loss), after tax	—	—	—	—	810	—	—	810	—	810
Total comprehensive income (loss)								983	118	1,101
Net consolidations (deconsolidations) of consolidated investment entities	—	—	—	—	—	—	—	—	(35)	(35)
Preferred stock issuance	—	—	—	—	—	—	—	—	—	—
Common stock issuance	—	—	—	3	—	—	—	3	—	3
Common stock acquired - Share repurchase	—	—	(623)	200	—	—	—	(423)	—	(423)
Dividends on common stock	—	—	—	(6)	—	—	—	(6)	—	(6)
Share-based compensation	—	—	(7)	94	—	—	—	87	—	87
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	—	(98)	(98)
Balance as of September 30, 2017	$ —	$ 3	$ (3,426)	$ 23,900	$ 2,731	$ —	$ (9,554)	$ 13,654	$ 958	$ 14,612

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

Statements.

Voya Financial, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2018 and 2017 (Unaudited)
(In millions)

	Nine Months Ended September 30,	
	2018	2017
Cash Flows from Operating Activities:		
Net cash provided by operating activities - continuing operations	$172	$510
Net cash provided by operating activities - discontinued operations	1,462	616
Net cash provided by operating activities	1,634	1,126
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	5,845	5,851
Equity securities	93	26
Mortgage loans on real estate	700	683
Limited partnerships/corporations	245	189
Acquisition of:		
Fixed maturities	(6,515)	(6,422)
Equity securities	(26)	(35)
Mortgage loans on real estate	(761)	(1,307)
Limited partnerships/corporations	(270)	(239)
Short-term investments, net	419	54
Derivatives, net	61	200
Sales from consolidated investment entities	888	1,621
Purchases within consolidated investment entities	(740)	(1,720)
Collateral received (delivered), net	76	(143)
Other, net	2	8
Net cash provided by (used in) investing activities - discontinued operations	34	(1,049)
Net cash provided by (used in) investing activities	51	(2,283)
Cash Flows from Financing Activities:		
Deposits received for investment contracts	4,327	3,734
Maturities and withdrawals from investment contracts	(4,197)	(3,962)
Proceeds from issuance of debt with maturities of more than three months	350	399
Repayment of debt with maturities of more than three months	(350)	(494)
Debt issuance costs	(6)	(4)
Borrowings of consolidated investment entities	588	807
Repayments of borrowings of consolidated investment entities	(543)	(779)
Contributions from (distributions to) participants in consolidated investment entities, net	(126)	552
Proceeds from issuance of common stock, net	3	3
Proceeds from issuance of preferred stock, net	319	—
Share-based compensation	(13)	(7)
Common stock acquired - Share repurchase	(750)	(423)
Dividends paid on common stock	(5)	(6)
Net cash (used in) provided by financing activities - discontinued operations	(1,209)	393
Net cash (used in) provided by financing activities	(1,612)	213
Net increase (decrease) in cash and cash equivalents	73	(944)
Cash and cash equivalents, beginning of period	1,716	2,911
Cash and cash equivalents, end of period	1,789	1,967

Less: Cash and cash equivalents of discontinued operations, end of period	—	496
Cash and cash equivalents of continuing operations, end of period	$1,789	$1,471

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

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

1. Business, Basis of Presentation and Significant Accounting Policies

Business

Voya Financial, Inc. and its subsidiaries (collectively the "Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products.

On June 1, 2018, the Company consummated a series of transactions (collectively, the "Transaction") pursuant to a Master Transaction Agreement dated December 20, 2017 (the "MTA") with VA Capital Company LLC ("VA Capital") and Athene Holding Ltd. ("Athene"). As part of the Transaction, Venerable Holdings, Inc. ("Venerable"), a wholly owned subsidiary of VA Capital, acquired two of the Company's subsidiaries, Voya Insurance and Annuity Company ("VIAC") and Directed Services, LLC ("DSL"). The Transaction resulted in the disposition of substantially all of the Company's Closed Block Variable Annuity ("CBVA") and Annuities businesses. The assets and liabilities related to the businesses sold were classified as held for sale in the Condensed Consolidated Balance Sheet as of December 31, 2017. The results of operations and cash flows of the businesses sold were classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Cash Flows, respectively and are reported separately for all periods presented. See the Discontinued Operations Note to these Condensed Consolidated Financial Statements.

As a result of the Transaction, the Company no longer considers its CBVA and Annuities businesses as reportable segments. Additionally, the Company evaluated its segment presentation and determined that the retained CBVA and Annuities policies that are not included in the disposed businesses described above ("Retained Business") are insignificant. As such, the Company reported the results of the Retained Business in Corporate.

The Company provides its principal products and services through four segments: Retirement, Investment Management, Employee Benefits and Individual Life. In addition, the Company includes in Corporate the financial data not directly related to its segments, and other business activities that do not have an ongoing meaningful impact to the Company's results. See the Segments Note to these Condensed Consolidated Financial Statements.

On October 30, 2018, the Company announced that it will cease selling new business in its Individual Life segment, effective December 31, 2018. The Company will continue to manage its existing in-force Individual Life business as a separate segment, with results included in the Company's Adjusted operating earnings. In connection with this decision, the Company will incur a restructuring charge of approximately $10 to $15 in the fourth quarter of 2018 and additional amounts in 2019, which cannot currently be estimated.

Prior to May 2013, the Company was an indirect, wholly-owned subsidiary of ING Groep N.V. ("ING Group" or "ING"), a global financial services holding company based in The Netherlands. In May 2013, Voya Financial Inc. completed its initial public offering of common stock, including the issuance and sale of common stock by Voya Financial, Inc. and the sale of shares of common stock owned indirectly by ING Group. Between October 2013 and March 2015, ING Group completed the sale of its remaining shares of common stock of Voya Financial, Inc. in a series of registered public offerings.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and are unaudited. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates.

The Condensed Consolidated Financial Statements include the accounts of Voya Financial, Inc. and its subsidiaries, as well as partnerships (voting interest entities ("VOEs")) in which the Company has control and variable interest entities ("VIEs") for which

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

the Company is the primary beneficiary. See the Consolidated Investment Entities Note to these Condensed Consolidated Financial Statements. Intercompany transactions and balances have been eliminated.

The accompanying Condensed Consolidated Financial Statements reflect adjustments (including normal, recurring adjustments) necessary to present fairly the financial position of the Company as of September 30, 2018, its results of operations and comprehensive income for the three and nine months ended September 30, 2018 and 2017, and its changes in shareholders' equity and statements of cash flows for the nine months ended September 30, 2018 and 2017, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2017 Consolidated Balance Sheet is from the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K, filed with the SEC. Therefore, these unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K.

Significant Accounting Policies

Investments

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2016-01 "Financial Instruments-Overall (ASC Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01") (See the Adoption of New Pronouncements section below). As a result, the Company measures its equity securities at fair value and recognizes any changes in fair value in net income. Prior to adoption, equity securities were designated as available-for-sale and reported at fair value with unrealized capital gains (losses) recorded in Accumulated other comprehensive income (loss) ("AOCI").

Recognition of Revenue

As of January 1, 2018, the Company changed its method for recognizing costs to obtain and fulfill certain financial services contracts upon the adoption of ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" ("ASU 2014-09"). (See the Adoption of New Pronouncements section below.)

Financial services revenue is disaggregated by type of service in the following tables. For the three months ended September 30, 2018, such revenue represents approximately 23.6% of total Retirement revenue, all of Investment Management revenue, and 12.0% of Corporate revenue. For the nine months ended September 30, 2018, such revenue represents approximately 26.4% of total Retirement revenue, all of Investment Management revenue, and 19.8% of Corporate revenue. Such revenue is immaterial for Employee Benefits and Individual Life. For the three and nine months ended September 30, 2018, a portion of the revenue recognized in the current period from distribution services is related to performance obligations satisfied in previous periods.

	Three Months Ended September 30, 2018		
	Reportable Segments		
	Retirement	Investment Management	Corporate
Service Line			

Advisory	$57	$ 145	$ —
Asset management	—	38	—
Recordkeeping & administration	63	29	2
Distribution & shareholder servicing	68	46	8
Total financial services revenue	$188	$ 258	$ 10

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

	Nine Months Ended September 30, 2018		
	Reportable Segments		
	Retirement	Investment Management	Corporate
Service Line			
Advisory	$167	$ 422	$ —
Asset management	—	122	—
Recordkeeping & administration	185	111	6
Distribution & shareholder servicing	213	135	23
Total financial services revenue	$565	$ 790	$ 29

Receivables of $235 are included in Other assets on the Condensed Consolidated Balance Sheet as of September 30, 2018.

Financial Services Revenue
Revenue for various financial services is measured based on consideration specified in a contract with a customer and excludes any amounts collected on behalf of third parties. For advisory, asset management, and recordkeeping and administration services, the Company recognizes revenue as services are provided, generally over time. In addition, the Company may arrange for sub-advisory services for a customer under certain contracts. Revenue is recognized when the Company has satisfied a performance obligation by transferring control of a service to a customer. Contract terms are typically less than one year, and consideration is generally variable and due as services are rendered.

For distribution and shareholder servicing revenue, the Company provides distribution services at a point in time and shareholder services over time. Such revenue is recognized when the Company has satisfied a performance obligation and related consideration is received. Contract terms are less than one year, and consideration is variable. For distribution services, revenue may be recognized in periods subsequent to when the Company has satisfied a performance obligation, as a component of related consideration is constrained under certain contracts.

For a description of principal activities by reportable segment from which the Company generates revenue, see the Segments Note in Part II, Item 8. of the Company's Annual Report on Form 10-K for further information.

Revenue for various financial services is recorded in Fee income or Other revenue in the Condensed Consolidated Statements of Operations.

Contract Costs
Contract cost assets represent costs incurred to obtain or fulfill a contract that are expected to be recovered and, thus, have been capitalized and are subject to amortization. Capitalized contract costs include incremental costs of obtaining a contract and fulfillment costs that relate directly to a contract and generate or enhance resources of the Company that are used to satisfy performance obligations.

The Company defers (1) incremental commissions and variable compensation paid to the Company's direct sales force, consultant channel, and intermediary partners, as a result of obtaining certain financial services contracts and

(2) account set-up expenses on certain recordkeeping contracts. The Company expenses as incurred deferrable contract costs for which the amortization period would be one year or less (based on the U.S. GAAP practical expedient) and other contract-related costs. The Company periodically reviews contract cost assets for impairment. Capitalized contract costs are included in Other assets on the Condensed Consolidated Balance Sheets, and costs expensed as incurred are included in Operating expenses in the Condensed Consolidated Statements of Operations.

As of September 30, 2018, contract cost assets were $107. Capitalized contract costs are amortized on a straight-line basis over the estimated lives of the contracts, which typically range from 5 to 15 years. This method is consistent with the transfer of services to which the assets relate. For the three and nine months ended September 30, 2018, amortization expenses of $6 and $18, respectively, were recorded in Operating expenses in the Condensed Consolidated Statements of Operations. There was no impairment loss in relation to the contract costs capitalized.

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Adoption of New Pronouncements

Retirement Benefits
In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits (ASC Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which requires employers to report the service cost component of net periodic pension cost and net periodic postretirement benefit cost in the same line item as other compensation costs arising from services rendered by employees during the period. Other components of net benefit costs are required to be presented in the statement of operations separately from service costs. In addition, only service costs are eligible for capitalization in assets, when applicable.

The provisions of ASU 2017-07 were adopted by the Company on January 1, 2018 retrospectively for the presentation of service costs and other components in the statement of operations, and prospectively for the capitalization of service costs in assets. The adoption had no effect on the Company's financial condition, results of operations, or cash flows.

Derecognition of Nonfinancial Assets
In February 2017, the FASB issued ASU 2017-05, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (ASC Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance & Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"), which requires entities to apply certain recognition and measurement principles in ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" (see Revenue from Contracts with Customers below) when they derecognize nonfinancial assets and in substance nonfinancial assets through sale or transfer, and the counterparty is not a customer.

The provisions of ASU 2017-05 were adopted on January 1, 2018 using the modified retrospective approach. The adoption had no effect on the Company's financial condition, results of operations, or cash flows.

Statement of Cash Flows
In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (ASC Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on eight specific cash flow issues.

The provisions of ASU 2016-15 were adopted retrospectively on January 1, 2018 and resulted in the reclassification of the Company's cash payments for debt extinguishment costs from Cash Flows from Operating Activities to Cash Flows from Financing Activities in the Condensed Consolidated Statements of Cash Flows of $3 and $4 for the nine months ended September 30, 2018 and 2017, respectively. The adoption of the remaining provisions of ASU 2016-05 had no effect on the Company's financial condition, results of operations, or cash flows.

Share-Based Compensation
In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (ASC Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which simplifies the accounting for share-based payment award transactions with respect to:

- The income tax consequences of awards,
- The impact of forfeitures on the recognition of expense for awards,
- Classification of awards as either equity or liabilities, and
- Classification on the statement of cash flows.

The provisions of ASU 2016-09 were adopted by the Company on January 1, 2017 using the transition method prescribed for each applicable provision:

- On a prospective basis, all excess tax benefits and tax deficiencies related to share-based compensation will be reported in Net income (loss), rather than Additional paid-in capital. Prior year excess tax benefits will remain in Additional paid-in capital.
- The provision that removed the requirement to delay recognition of excess tax benefits until they reduce taxes payable was required to be adopted on a modified retrospective basis. Upon adoption, this provision resulted in a $15 increase

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in Deferred income tax assets with a corresponding increase to Retained earnings on the Condensed Consolidated Balance Sheet as of January 1, 2017, to record previously unrecognized excess tax benefits.

- The Company elected to retrospectively adopt the requirement to present cash inflows related to excess tax benefits as operating activities. For the nine months ended September 30, 2017, the Company had no excess tax benefits.
- The Company also elected to continue its existing accounting policy of including estimated forfeitures in the calculation of share-based compensation expense.

The adoption of the remaining provisions of ASU 2016-09 had no effect on the Company's financial condition, results of operations, or cash flows.

Financial Instruments - Recognition and Measurement

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (ASC Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), which requires:

- Equity investments (except those consolidated or accounted for under the equity method) to be measured at fair value with changes in fair value recognized in net income.
- Elimination of the disclosure of methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost.
- The use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
- Separate presentation in other comprehensive income of the portion of the total change in fair value of a liability resulting from a change in own credit risk if the liability is measured at fair value under the fair value option.
- Separate presentation on the balance sheet or financial statement notes of financial assets and financial liabilities by measurement category and form of financial asset.

The Company adopted the provisions of ASU 2016-01 on January 1, 2018 using a modified retrospective approach, except for certain provisions that were required to be applied prospectively. The impact to the January 1, 2018 Condensed Consolidated Balance Sheet was a $28 increase, net of tax, to Unappropriated retained earnings with a corresponding decrease of $28, net of tax, to Accumulated other comprehensive income to recognize the unrealized gain associated with Equity securities. The provisions that required prospective adoption had no effect on the Company's financial condition, results of operations, or cash flows. Under previous guidance, prior to January 1, 2018, Equity securities were classified as available for sale with changes in fair value recognized in Other comprehensive income.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the entity satisfies a performance obligation under the contract. ASU 2014-09 also updated the accounting for certain costs associated with obtaining and fulfilling contracts with customers and requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In addition, the FASB issued various amendments during 2016 to clarify the provisions and implementation guidance of ASU 2014-09. Revenue recognition for insurance contracts and financial instruments is explicitly scoped out of the guidance.

The Company adopted the provisions of ASU 2014-09 on January 1, 2018, using the modified retrospective approach. The adoption had no impact on revenue recognition. However, the adoption resulted in a $106 increase in Other assets to capitalize costs to obtain and fulfill certain financial services contracts in the Retirement segment and Corporate. This adjustment was offset by a related $22 decrease in Deferred income taxes, resulting in a net $84 increase to Retained earnings (deficit) on the Condensed Consolidated Balance Sheet as of January 1, 2018. In addition, disclosures have been updated to reflect accounting policy changes made as a result of the implementation of ASU 2014-09. (See the Significant Accounting Policies section above.)

Comparative information has not been adjusted and continues to be reported under previous revenue recognition guidance. As of September 30, 2018, the adoption of ASU 2014-09 resulted in a $107 increase in Other assets, reduced by a related $22 decrease in Deferred income taxes, resulting in a net $85 increase to Retained earnings (deficit) on the Condensed Consolidated Balance Sheet. For the three and nine months ended September 30, 2018, the adoption resulted in a $1 and $2 increase, respectively, in Operating expenses on the Condensed Consolidated Statement of Operations. For the nine months ended September 30, 2018, adopting the provisions of ASU 2014-09 had no impact on Net cash provided by operating activities.

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Future Adoption of Accounting Pronouncements

Cloud Computing Arrangements

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (ASC Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" ("ASU 2018-15"), which requires a customer in a hosting arrangement that is a service contract to follow the guidance for internal-use software projects to determine which implementation costs to capitalize as an asset. Capitalized implementation costs are required to be expensed over the term of the hosting arrangement. In addition, a customer is required to apply the impairment and abandonment guidance for long-lived assets to the capitalized implementation costs. Balances related to capitalized implementation costs must be presented in the same financial statement line items as other hosting arrangement balances, and additional disclosures are required.

The provisions of ASU 2018-15 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. Initial adoption of ASU 2018-15 is required to be reported on a prospective or retrospective basis. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2018-15.

Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans" ("ASU 2018-14"), which eliminates certain disclosure requirements that are no longer considered cost beneficial and requires new disclosures that are considered relevant.

The provisions of ASU 2018-14 are effective for fiscal years ending after December 15, 2020, with early adoption permitted. Initial adoption of ASU 2018-14 is required to be reported on a retrospective basis for all periods presented. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2018-14.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13"), which simplifies certain disclosure requirements for fair value measurement.

The provisions of ASU 2018-13 are effective for fiscal years beginning after December 15, 2019, including interim periods, with early adoption permitted. The transition method varies by provision. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2018-13.

Long-Duration Contracts

In August 2018, the FASB issued ASU 2018-12, "Financial Services - Insurance (Topic 944) Targeted Improvements to the Accounting for Long-Duration Contracts" ("ASU 2018-12"), which changes the measurement and disclosures of insurance liabilities and deferred acquisition costs for long-duration contracts issued by insurers, as follows:

- Requires insurers to review and, if necessary, update cash flow assumptions at least annually when measuring the liability for future policy benefits for nonparticipating traditional and limited payment insurance contracts. The effect of updating cash flow assumptions will be measured on a retrospective catch-up basis and presented in the Statement of operations in the period in which the update is made. The rate used to discount the liability for future policy benefits will be required to be updated quarterly, with related changes in the liability recorded in Accumulated other comprehensive income. The application of periodic assumption updates for nonparticipating traditional and limited payment insurance contracts is significantly different from the current accounting approach for such liabilities, which is based on assumptions that are locked in at contract inception unless a premium deficiency occurs. The discount rate will be based on an upper-medium grade fixed-income corporate instrument yield reflecting the duration characteristics of the relevant liabilities. Under the current accounting guidance, the liability discount rate is based on expected yields on the underlying investment portfolio held by the insurer.

- Creates a new category of benefit features called market risk benefits, defined as features that protect contract holders from capital market risk and expose the insurers to that risk. Market risk benefits will be required to be measured at fair value, with changes in fair value recognized in the Statement of operations, except for changes in fair value attributable to changes in the instrument-specific credit risk, which will be recorded in Accumulated other comprehensive income. Under the current accounting guidance, certain features that are expected to meet the definition of market risk benefits are accounted for as either insurance liabilities (for example, GMDB and GMIB) or embedded derivatives (for example, GMWBL and GMWB).

- Requires DAC (and other balances that refer to the DAC model, such as deferred sales inducement costs and unearned revenue liabilities) for all long-duration contracts to be measured on a basis that is constant relative to the value of insurance in force over the expected life of the contract. This approach is intended to approximate straight-line amortization and cannot be based on revenue or profits as it is under the current accounting model. ASU 2018-12 did not change the existing accounting guidance related to VOBA and net cost of reinsurance, which allows, but does not require, insurers to amortize such balances on a basis consistent with DAC.
- Significantly expands interim and annual disclosures, including requirements for disaggregated rollforwards of the liability for future policy benefits, contract owner account balances, market risk benefits, and DAC, as well as qualitative and quantitative information about expected cash flows, estimates and assumptions.

The provisions of ASU 2018-12 are effective for fiscal years beginning after December 15, 2020, including interim periods, with early adoption permitted. Initial adoption of the changes to the liability for future policy benefits and deferred acquisition costs is required to be reported using either a retrospective or modified retrospective approach. For the changes to market risk benefits, retrospective application is required. The Company is currently in the process of evaluating the provisions of ASU 2018-12. While it is not possible to estimate the expected impact of adoption at this time, the Company believes there is a reasonable possibility that implementation of ASU 2018-12 may result in a significant impact on Shareholders' equity and future earnings patterns.

Reclassification of Certain Tax Effects

In February 2018, the FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (ASC Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"), which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted Tax Cuts and Jobs Act of 2017 ("Tax Reform"). Stranded tax effects arise because U.S. GAAP requires that the impact of a change in tax laws or rates on deferred tax liabilities and assets be reported in net income, even if related to items recognized within accumulated other comprehensive income. The amount of the reclassification would be based on the difference between the historical corporate income tax rate and the newly enacted 21% corporate income tax rate, applied to deferred tax liabilities and assets reported within accumulated other comprehensive income.

The provisions of ASU 2018-02 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Initial adoption of ASU 2018-02 may be reported either in the period of adoption or on a retrospective basis in each period in which the effect of the change in the U.S. federal corporate income tax rate resulting from Tax Reform is recognized. The Company is currently evaluating the provisions of ASU 2018-02.

Derivatives & Hedging

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic ASC 815): Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"), which enables entities to better portray risk management activities in their financial statements, as follows:

- Expands an entity's ability to hedge nonfinancial and financial risk components and reduces complexity in accounting for fair value hedges of interest rate risk,
- Eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item,
- Eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness, and
- Modifies required disclosures.

In addition, in October 2018 the FASB issued ASU 2018-16, "Derivatives and Hedging (Topic ASC 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes" ("ASU 2018-16"), which expands the list of U.S. benchmark interest rates permitted in the application of hedge accounting. The provisions of ASU 2017-12 and ASU 2018-16 are effective for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-12 is required to be reported using a modified retrospective approach, with the exception of the presentation and disclosure requirements which are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-12 and ASU 2018-16.

Debt Securities

In March 2017, the FASB issued ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (ASC Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities" ("ASU 2017-08"), which shortens the amortization period for certain callable debt securities held at a premium by requiring the premium to be amortized to the earliest call date.

The provisions of ASU 2017-08 are effective for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-08 is required to be reported using a modified retrospective approach. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-08.

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which:

- Introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments,
- Modifies the impairment model for available-for-sale debt securities, and
- Provides a simplified accounting model for purchased financial assets with credit deterioration since their origination.

The provisions of ASU 2016-13 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted for fiscal years beginning after December 15, 2018. Initial adoption of ASU 2016-13 is required to be reported on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, except for certain provisions that are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-13.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases (ASC Topic 842)" ("ASU 2016-02"), which requires lessees to recognize a right-of-use asset and a lease liability for all leases with terms of more than 12 months. The lease liability will be measured as the present value of the lease payments, and the asset will be based on the liability. For income statement purposes, expense recognition will depend on the lessee's classification of the lease as either finance, with a front-loaded amortization expense pattern similar to current capital leases, or operating, with a straight-line expense pattern similar to current operating leases. Lessor accounting will be similar to the current model, and lessors will be required to classify leases as operating, direct financing, or sales-type.

ASU 2016-02 also replaces the sale-leaseback guidance to align with the new revenue recognition standard, addresses statement of operation and statement of cash flow classification, and requires additional disclosures for all leases. In addition, the FASB issued various amendments during 2018 to clarify and simplify the provisions and implementation guidance of ASU 2016-02.

The provisions of ASU 2016-02 are effective on a modified retrospective basis for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. In July 2018, the FASB issued an amendment that adds an optional transition method to apply the guidance on a modified retrospective basis at the adoption date, which is January 1, 2019. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-02.

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2. Discontinued Operations

As noted in the Business, Basis of Presentation and Significant Accounting Policies Note, on June 1, 2018, the Company closed the Transaction with VA Capital and Athene (the "Buyers") pursuant to which Venerable acquired two of the Company's subsidiaries, VIAC and DSL. The Transaction resulted in the disposition of substantially all of the Company's CBVA and Annuities businesses.

The purchase price for VIAC was equal to the difference between the Required Adjusted Book Value (as defined in the MTA) and the Statutory capital in VIAC at closing, after giving effect to certain restructuring and other pre-sale transactions, including the reinsurance of the fixed and fixed indexed annuity business of VIAC to affiliates of Athene. Following the closing of the Transaction, the Company, through its other insurance subsidiaries, continues to own surplus notes issued by VIAC in an aggregate principal amount of $350 and acquired a 9.99% equity interest in VA Capital. The investment in surplus notes is reported in Fixed maturities, available-for-sale on the Company's Condensed Consolidated Balance Sheet as of September 30, 2018. In the summary of major categories of assets and liabilities related to discontinued operations as of December 31, 2017 presented below, VIAC's corresponding liability for the surplus notes is included in Notes payable.

Pursuant to the terms of the MTA and prior to the closing of the Transaction, VIAC undertook certain restructuring transactions with several affiliates in order to transfer businesses and assets into and out of VIAC from and to the Company's affiliates. Such transactions included, but were not limited to, the following reinsurance transactions:

- VIAC recaptured the CBVA business previously assumed by Roaring River II, Inc., a subsidiary of the Company.
- the Company, through its subsidiary ReliaStar Life Insurance Company ("RLI") ceded, under modified coinsurance agreements, fixed and fixed indexed annuity reserves of $451 to Athene Annuity & Life Assurance Company ("AADE") and Athene Life Re, Ltd. ("ALRe"). Under the terms of the agreements, AADE and ALRe contractually assumed from the Company the policyholder liabilities and obligations related to the policies, although the Company remains obligated to the policyholders. Upon the consummation of the agreements, the Company recognized no gain or loss in the Condensed Consolidated Statements of Operations.
- the Company, through its subsidiary RLI, assumed, under coinsurance and modified coinsurance agreements, certain individual life and deferred annuity policies from VIAC. Upon the consummation of the agreements, the Company recognized no gain or loss in the Condensed Consolidated Statements of Operations. As of September 30, 2018, assumed reserves related to these agreements were $835.

In connection with the closing, Voya Investment Management Co., LLC ("Voya IM") or its affiliated advisors, entered into one or more agreements to perform asset management and ancillary services for Venerable as part of the transaction. As part of the agreements, Voya IM will serve as the preferred asset management partner for Venerable. Under the agreements, subject to certain criteria, Voya IM will manage and service certain assets, including, for at least five years following the closing of the transaction, certain general account assets. The Company and Voya IM also agreed to provide certain transitional services to Venerable following the closing of the Transaction. The length of each service varies depending on the type of service provided.

The Company has determined that the CBVA and Annuities businesses disposed of in the Transaction meet the criteria to be classified as discontinued operations and that the sale represents a strategic shift that has a major effect on the Company's operations. Accordingly, the results of operations of the businesses sold have been presented as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Condensed

Consolidated Statements of Cash Flows for all periods presented, and the assets and liabilities of the businesses sold were classified as held for sale in the Condensed Consolidated Balance Sheet as of December 31, 2017.

The results of discontinued operations are reported in "Income (loss) from discontinued operations, net of tax" in the accompanying Condensed Consolidated Statements of Operations for all periods presented. As of December 31, 2017, the Company recorded an estimated loss on sale, net of tax of $2,423 which included estimated transactions costs of $31 as well as the loss of $692 of deferred tax assets to write down the assets of the businesses sold to fair value less cost to sell as of December 31, 2017. Income (loss) from discontinued operations, net of tax, for the nine months ended September 30, 2018 includes a favorable adjustment to the estimated loss on sale of $505, net of tax. The loss on sale, net of tax as of September 30, 2018 of $1,918, which includes the loss of $460 of deferred tax assets, represents the excess of the carrying value, immediately prior to the sale, of the businesses classified as discontinued operations over the purchase price, which approximates fair value, less cost to sell. Additionally, in connection with the Transaction, the Company reversed $79 of other comprehensive income, net of tax that was previously recorded and related to the Annuity and CBVA businesses sold. The Buyers have the option to inquire or request changes to the closing Required Adjusted Book Value and/or Statutory capital of VIAC during a period of 180 days after the close of the Transaction. Based on the Company's receipt and review of any inquiries, the Company may determine that additional updates to the closing Required Adjusted Book Value and/or Statutory capital of VIAC are required which may cause changes to the purchase price for VIAC. Consequently, this may impact the final loss on sale related to the Transaction which will result in changes to be recorded in the Company's Condensed Consolidated Statements of Operations in future periods related to the loss on sale.

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The following table summarizes the major categories of assets and liabilities classified as discontinued operations in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2017:

	December 31, 2017
Assets:	
Investments:	
Fixed maturities, available-for-sale, at fair value	$ 21,904
Fixed maturities, at fair value using the fair value option	615
Short-term investments	352
Mortgage loans on real estate, net of valuation allowance	4,212
Derivatives	1,514
Other investments[1]	351
Securities pledged	861
Total investments	29,809
Cash and cash equivalents	498
Short-term investments under securities loan agreements, including collateral delivered	473
Deferred policy acquisition costs and Value of business acquired	805
Sales inducements	196
Deferred income taxes	404
Other assets[2]	396
Assets held in separate accounts	28,894
Write-down of businesses held for sale to fair value less cost to sell	(2,423)
Total assets held for sale	$ 59,052
Liabilities:	
Future policy benefits and contract owner account balances	$ 27,065
Payables under securities loan agreement, including collateral held	1,152
Derivatives	782
Notes payable	350
Other liabilities	34
Liabilities related to separate accounts	28,894
Total liabilities held for sale	$ 58,277

[1] Includes Other investments, Equity securities, Limited Partnerships/corporations and Policy loans.
[2] Includes Other assets, Accrued investment income, Premium receivable and reinsurance recoverable.

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The following table summarizes the components of Income (loss) from discontinued operations, net of tax for the five months ended May 31, 2018 (the Transaction closed on June 1, 2018) and the nine months ended September 30, 2017:

	Five Months Ended May 31, 2018	Nine Months Ended September 30, 2017
Revenues:		
Net investment income	$ 510	$ 949
Fee income	295	609
Premiums	(50)	144
Total net realized capital gains (losses)	(345)	(780)
Other revenue	10	15
Total revenues	420	937
Benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	442	634
Operating expenses	(14)	190
Net amortization of Deferred policy acquisition costs and Value of business acquired	49	95
Interest expense	10	17
Total benefits and expenses	487	936
Income (loss) from discontinued operations before income taxes	(67)	1
Income tax expense (benefit)	(19)	(35)
Adjustment to loss on sale, net of tax	505	—
Income (loss) from discontinued operations, net of tax	$ 457	$ 36

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3. Investments (excluding Consolidated Investment Entities)

Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities were as follows as of September 30, 2018:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3][4]
Fixed maturities:						
U.S. Treasuries	$ 1,800	$ 294	$ 5	$ —	$ 2,089	$ —
U.S. Government agencies and authorities	204	34	—	—	238	—
State, municipalities and political subdivisions	1,648	21	38	—	1,631	—
U.S. corporate public securities	19,421	1,231	271	—	20,381	—
U.S. corporate private securities	6,405	162	149	—	6,418	—
Foreign corporate public securities and foreign governments[1]	5,407	239	104	—	5,542	—
Foreign corporate private securities[1]	5,128	94	119	—	5,103	—
Residential mortgage-backed securities:						
Agency	2,840	125	67	12	2,910	—
Non-Agency	1,600	92	13	10	1,689	13
Total Residential mortgage-backed securities	4,440	217	80	22	4,599	13
Commercial mortgage-backed securities	3,176	17	77	—	3,116	—
Other asset-backed securities	1,997	33	13	—	2,017	2
Total fixed maturities, including securities pledged	49,626	2,342	856	22	51,134	15
Less: Securities pledged	1,974	126	37	—	2,063	—
Total fixed maturities	$ 47,652	$ 2,216	$ 819	$ 22	$ 49,071	$ 15

[1] Primarily U.S. dollar denominated.
[2] Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[3] Represents Other-than-Temporary-Impairments ("OTTI") reported as a component of Other comprehensive income (loss).
[4] Amount excludes $306 of net unrealized gains on impaired available-for-sale securities.

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Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2017:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3][4]
Fixed maturities:						
U.S. Treasuries	$ 2,047	$ 477	$ 2	$ —	$ 2,522	$ —
U.S. Government agencies and authorities	223	52	—	—	275	—
State, municipalities and political subdivisions	1,856	68	11	—	1,913	—
U.S. corporate public securities	20,857	2,451	50	—	23,258	—
U.S. corporate private securities	5,628	255	50	—	5,833	—
Foreign corporate public securities and foreign governments[1]	5,241	493	18	—	5,716	—
Foreign corporate private securities[1]	4,974	251	64	—	5,161	10
Residential mortgage-backed securities:						
Agency	2,990	164	30	21	3,145	—
Non-Agency	1,257	110	4	16	1,379	16
Total Residential mortgage-backed securities	4,247	274	34	37	4,524	16
Commercial mortgage-backed securities	2,646	69	11	—	2,704	—
Other asset-backed securities	1,488	43	3	—	1,528	3
Total fixed maturities, including securities pledged	49,207	4,433	243	37	53,434	29
Less: Securities pledged	1,823	284	20	—	2,087	—
Total fixed maturities	47,384	4,149	223	37	51,347	29
Equity securities:						
Common stock	272	1	—	—	273	—
Preferred stock	81	26	—	—	107	—
Total equity securities	353	27	—	—	380	—
Total fixed maturities and equity securities investments	$ 47,737	$ 4,176	$ 223	$ 37	$ 51,727	$ 29

[1] Primarily U.S. dollar denominated.
[2] Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[3] Represents OTTI reported as a component of Other comprehensive income (loss).
[4] Amount excludes $441 of net unrealized gains on impaired available-for-sale securities.

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The amortized cost and fair value of fixed maturities, including securities pledged, as of September 30, 2018, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called or prepaid. Mortgage-backed securities ("MBS") and Other asset-backed securities ("ABS") are shown separately because they are not due at a single maturity date.

	Amortized Cost	Fair Value
Due to mature:		
One year or less	$ 1,059	$ 1,070
After one year through five years	7,230	7,313
After five years through ten years	10,009	9,993
After ten years	21,715	23,026
Mortgage-backed securities	7,616	7,715
Other asset-backed securities	1,997	2,017
Fixed maturities, including securities pledged	$ 49,626	$ 51,134

The investment portfolio is monitored to maintain a diversified portfolio on an ongoing basis. Credit risk is mitigated by monitoring concentrations by issuer, sector and geographic stratification and limiting exposure to any one issuer.

As of September 30, 2018 and December 31, 2017, the Company did not have any investments in a single issuer, other than obligations of the U.S. Government and government agencies, with a carrying value in excess of 10% of the Company's Total shareholders' equity.

The following tables present the composition of the U.S. and foreign corporate securities within the fixed maturity portfolio by industry category as of the dates indicated:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Fair Value
September 30, 2018				
Communications	$ 2,568	$ 198	$ 22	$ 2,744
Financial	5,395	327	74	5,648
Industrial and other companies	15,840	586	297	16,129
Energy	4,014	269	74	4,209
Utilities	6,379	270	134	6,515
Transportation	1,313	57	25	1,345
Total	$ 35,509	$ 1,707	$ 626	$ 36,590
December 31, 2017				
Communications	$ 2,587	$ 341	$ 4	$ 2,924
Financial	5,094	487	5	5,576
Industrial and other companies	16,478	1,391	98	17,771
Energy	4,268	459	45	4,682
Utilities	6,243	607	22	6,828
Transportation	1,295	121	4	1,412

Total	$ 35,965	$ 3,406	$ 178	$ 39,193

Fixed Maturities and Equity Securities

The Company's fixed maturities are currently designated as available-for-sale, except those accounted for using the FVO. Prior to the adoption of ASU 2016-01 as of January 1, 2018, equity securities were also designated as available-for-sale. Available-for-sale securities are reported at fair value and unrealized capital gains (losses) on these securities are recorded directly in AOCI and presented net of related changes in Deferred policy acquisition costs ("DAC"), Value of business acquired ("VOBA") and Deferred income taxes. In addition, certain fixed maturities have embedded derivatives, which are reported with the host contract on the Condensed Consolidated Balance Sheets.

The Company has elected the FVO for certain of its fixed maturities to better match the measurement of assets and liabilities in the Condensed Consolidated Statements of Operations. Certain collateralized mortgage obligations ("CMOs"), primarily interest-only and principal-only strips, are accounted for as hybrid instruments and reported at fair value with changes in the fair value recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

The Company invests in various categories of CMOs, including CMOs that are not agency-backed, that are subject to different degrees of risk from changes in interest rates and defaults. The principal risks inherent in holding CMOs are prepayment and extension risks related to significant decreases and increases in interest rates resulting in the prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of September 30, 2018 and December 31, 2017, approximately 40.5% and 43.2%, respectively, of the Company's CMO holdings, were invested in the above mentioned types of CMOs such as interest-only or principal-only strips, that are subject to more prepayment and extension risk than traditional CMOs.

Public corporate fixed maturity securities are distinguished from private corporate fixed maturity securities based upon the manner in which they are transacted. Public corporate fixed maturity securities are issued initially through market intermediaries on a registered basis or pursuant to Rule 144A under the Securities Act of 1933 (the "Securities Act") and are traded on the secondary market through brokers acting as principal. Private corporate fixed maturity securities are originally issued by borrowers directly to investors pursuant to Section 4(a)(2) of the Securities Act, and are traded in the secondary market directly with counterparties, either without the participation of a broker or in agency transactions.

Repurchase Agreements

As of September 30, 2018, the Company had immaterial securities pledged in repurchase agreement transactions and did not have any securities pledged in dollar rolls or reverse repurchase agreements. As of December 31, 2017, the Company did not have any such securities pledged.

Securities Lending

The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions, through a lending agent, for short periods of time. The Company has the right to approve any institution with whom the lending agent transacts on its behalf. Initial collateral is required at a rate of 102% of the market value of the loaned securities. The lending agent retains the collateral and invests it in high quality liquid assets on behalf of the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. The lending agent indemnifies the Company against losses resulting from the failure of a counterparty to return securities pledged where collateral is insufficient to cover the loss. As of September 30, 2018 and December 31, 2017, the fair value of loaned securities was $1,809 and $1,854, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets.

If cash is received as collateral, the lending agent retains the cash collateral and invests it in short-term liquid assets on behalf of the Company. As of September 30, 2018 and December 31, 2017, cash collateral retained by the lending agent and invested in short-term liquid assets on the Company's behalf was $1,739 and $1,589, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Condensed Consolidated Balance Sheets. As of September 30, 2018 and December 31, 2017, liabilities to return collateral of $1,739 and $1,589, respectively, are included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

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The Company accepts non-cash collateral in the form of securities. The securities retained as collateral by the lending agent may not be sold or re-pledged, except in the event of default, and are not reflected on the Company's Condensed Consolidated Balance Sheets. This collateral generally consists of U.S. Treasury, U.S. Government agency securities and MBS pools. As of September 30, 2018 and December 31, 2017, the fair value of securities retained as collateral by the lending agent on the Company's behalf was $132 and $308, respectively.

The following table presents borrowings under securities lending transactions by class of collateral pledged for the dates indicated:

	September 30, 2018 [1][2]	December 31, 2017 [1][2]
U.S. Treasuries	$ 445	$ 587
U.S. Government agencies and authorities	9	5
U.S. corporate public securities	1,016	967
Short-term investments	—	—
Foreign corporate public securities and foreign governments	401	338
Payables under securities loan agreements	$ 1,871	$ 1,897

[1]As of September 30, 2018 and December 31, 2017, borrowings under securities lending transactions include cash collateral of $1,739 and $1,589, respectively.
[2]As of September 30, 2018 and December 31, 2017, borrowings under securities lending transactions include non-cash collateral of $132 and $308, respectively.

The Company's securities lending activities are conducted on an overnight basis, and all securities loaned can be recalled at any time. The Company does not offset assets and liabilities associated with its securities lending program.

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Unrealized Capital Losses

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of September 30, 2018:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	$ 21	$ —*	$ 81	$ 3	$ 54	$ 2	$ 156	$ 5
State, municipalities and political subdivisions	467	9	307	13	220	16	994	38
U.S. corporate public securities	2,727	53	3,084	139	732	79	6,543	271
U.S. corporate private securities	1,010	11	1,268	44	846	94	3,124	149
Foreign corporate public securities and foreign governments	987	17	1,223	62	194	25	2,404	104
Foreign corporate private securities	977	52	805	33	336	34	2,118	119
Residential mortgage-backed	384	6	432	25	537	49	1,353	80
Commercial mortgage-backed	1,031	14	749	41	298	22	2,078	77
Other asset-backed	714	5	239					