

Voya Financial, Inc.
Form 10-Q
November 05, 2014

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2014

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

For the transition period from _ to _

Commission File Number: _001-35897_____

Voya Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware

52-1222820

(State or other jurisdiction of incorporation or
organization)

(IRS Employer Identification No.)

230 Park Avenue

New York, New York

10169

(Address of principal executive offices)

(Zip Code)

(212) 309-8200

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes

No

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

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

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 4, 2014, 246,298,579 shares of Common Stock, \$0.01 par value, were outstanding.

Voya Financial, Inc.
 Form 10-Q for the period ended September 30, 2014

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As used in this Quarterly Report on Form 10-Q, "Voya Financial," the "Company," "we," "our" and "us" refer to Voya Financial, Inc.

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 or terms of similar meaning in connection with a discussion of future operating or financial performance. Actual results, performance or events may differ materially from those projected in any forward-looking statement due to, among other things, (i) general economic conditions, particularly economic conditions in our core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels, (v) persistency and lapse levels, (vi) interest rates, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations and (x) changes in the policies of governments and/or regulatory authorities. Factors that may cause actual results to differ from those in any forward-looking statement also include those described under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations-Trends and Uncertainties" and "Business-Closed Blocks-CBVA" in the Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 001-35897) (the "Annual Report on Form 10-K"), "Risk Factors" in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 (File No. 001-35897) and 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, 2014 (Unaudited) and December 31, 2013

(In millions, except share and per share data)

	September 30, 2014	December 31, 2013
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$64,865.1 as of 2014 and \$65,033.8 as of 2013)	\$70,155.7	\$68,317.8
Fixed maturities, at fair value using the fair value option	3,557.8	2,935.3
Equity securities, available-for-sale, at fair value (cost of \$239.2 as of 2014 and \$267.4 as of 2013)	270.5	314.4
Short-term investments	1,173.1	1,048.1
Mortgage loans on real estate, net of valuation allowance of \$3.4 as of 2014 and \$3.8 as of 2013	9,949.7	9,312.2
Policy loans	2,104.2	2,147.0
Limited partnerships/corporations	348.2	236.4
Derivatives	1,136.8	1,149.3
Other investments	106.8	124.6
Securities pledged (amortized cost of \$951.7 as of 2014 and \$1,457.9 as of 2013)	1,021.6	1,465.7
Total investments	89,824.4	87,050.8
Cash and cash equivalents	1,908.5	2,840.8
Short-term investments under securities loan agreements, including collateral delivered	593.8	552.9
Accrued investment income	926.9	897.1
Reinsurance recoverable	6,752.5	6,702.2
Deferred policy acquisition costs and Value of business acquired	4,779.9	5,351.6
Sales inducements to contract holders	259.9	279.0
Current income taxes	8.4	—
Deferred income taxes	—	162.1
Goodwill and other intangible assets	296.1	323.7
Other assets	1,051.4	1,036.5
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	3,842.8	3,218.6
Cash and cash equivalents	560.9	710.7
Corporate loans, at fair value using the fair value option	6,262.9	4,965.3
Other assets	176.1	104.8
Assets held in separate accounts	107,059.3	106,827.1
Total assets	\$224,303.8	\$221,023.2

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

Voya Financial, Inc.
Condensed Consolidated Balance Sheets
September 30, 2014 (Unaudited) and December 31, 2013
(In millions, except share and per share data)

	September 30, 2014	December 31, 2013
Liabilities and Shareholders' Equity:		
Future policy benefits	\$ 15,048.1	\$ 14,098.4
Contract owner account balances	69,091.0	69,908.3
Payables under securities loan agreements, including collateral held	927.1	769.4
Long-term debt	3,515.5	3,514.7
Funds held under reinsurance agreements	1,136.7	1,181.5
Derivatives	656.8	1,351.8
Pension and other post-employment provisions	454.2	474.9
Current income taxes	—	44.1
Deferred income taxes	447.4	—
Other liabilities	1,315.8	1,274.1
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	6,344.4	5,161.6
Other liabilities	1,163.3	903.3
Liabilities related to separate accounts	107,059.3	106,827.1
Total liabilities	207,159.6	205,509.2
Shareholders' equity:		
Common stock (\$0.01 par value per share; 900,000,000 shares authorized, 263,531,836 and 261,754,931 shares issued as of 2014 and 2013, respectively; 246,430,073 and 261,675,811 shares outstanding as of 2014 and 2013, respectively)	2.6	2.6
Treasury stock (at cost; 17,101,763 and 79,120 shares as of 2014 and 2013, respectively)	(624.2) —
Additional paid-in capital	23,621.5	23,563.7
Accumulated other comprehensive income (loss)	2,820.2	1,849.1
Retained earnings (deficit):		
Appropriated-consolidated investment entities	21.4	18.4
Unappropriated	(11,256.4	) (12,161.6
Total Voya Financial, Inc. shareholders' equity	14,585.1	13,272.2
Noncontrolling interest	2,559.1	2,241.8
Total shareholders' equity	17,144.2	15,514.0
Total liabilities and shareholders' equity	\$ 224,303.8	\$ 221,023.2

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, 2014 and 2013 (Unaudited)
 (In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Net investment income	\$1,163.6	\$1,221.6	\$3,430.1	\$3,532.5
Fee income	908.9	920.8	2,738.0	2,722.4
Premiums	595.1	494.2	1,825.4	1,440.9
Net realized capital gains (losses):				
Total other-than-temporary impairments	(19.5)	(5.6)	(25.4)	(26.9)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(0.1)	(1.2)	(0.2)	(4.3)
Net other-than-temporary impairments recognized in earnings	(19.4)	(4.4)	(25.2)	(22.6)
Other net realized capital gains (losses)	200.4	(512.7)	(350.9)	(1,935.2)
Total net realized capital gains (losses)	181.0	(517.1)	(376.1)	(1,957.8)
Other revenue	101.0	119.6	316.8	321.3
Income (loss) related to consolidated investment entities:				
Net investment income	248.0	135.3	630.0	346.3
Changes in fair value related to collateralized loan obligations	(6.5)	60.9	(4.1)	(11.1)
Total revenues	3,191.1	2,435.3	8,560.1	6,394.5
Benefits and expenses:				
Policyholder benefits	1,234.7	570.7	2,910.9	1,822.2
Interest credited to contract owner account balances	498.2	517.0	1,485.3	1,556.8
Operating expenses	767.3	762.8	2,315.1	2,292.1
Net amortization of Deferred policy acquisition costs and Value of business acquired	30.6	64.6	272.4	319.6
Interest expense	47.2	48.4	142.3	136.6
Operating expenses related to consolidated investment entities:				
Interest expense	56.6	50.4	152.3	130.6
Other expense	1.7	1.4	5.7	6.1
Total benefits and expenses	2,636.3	2,015.3	7,284.0	6,264.0
Income (loss) before income taxes	554.8	420.0	1,276.1	130.5
Income tax expense (benefit)	37.4	(27.7)	74.2	(6.4)
Net income (loss)	517.4	447.7	1,201.9	136.9
Less: Net income (loss) attributable to noncontrolling interest	116.6	101.1	296.7	84.5
Net income (loss) available to Voya Financial, Inc.'s common shareholders	\$400.8	\$346.6	\$905.2	\$52.4
Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share:				
Basic	\$1.59	\$1.33	\$3.54	\$0.21
Diluted	\$1.58	\$1.32	\$3.51	\$0.21
Cash dividends declared per share of common stock	\$0.01	\$0.01	\$0.03	\$0.01

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, 2014 and 2013 (Unaudited)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income (loss)	\$517.4	\$447.7	\$1,201.9	\$136.9
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	(510.8	) (223.2	) 1,478.4	(2,733.4)
Other-than-temporary impairments	5.9	13.5	30.2	44.8
Pension and other postretirement benefits liability	(3.4	) (3.4	) (10.3	) (10.3)
Other comprehensive income (loss), before tax	(508.3	) (213.1	) 1,498.3	(2,698.9)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(175.8	) (75.3	) 527.2	(938.2)
Other comprehensive income (loss), after tax	(332.5	) (137.8	) 971.1	(1,760.7)
Comprehensive income (loss)	184.9	309.9	2,173.0	(1,623.8)
Less: Comprehensive income (loss) attributable to noncontrolling interest	116.6	101.1	296.7	84.5
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	\$68.3	\$208.8	\$1,876.3	\$(1,708.3)

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

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Voya Financial, Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2014 (Unaudited)

(In millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Total Retained Earnings (Deficit) Appropriated	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance at January 1, 2014	\$ 2.6	\$—	\$23,563.7	\$ 1,849.1	\$ 18.4	\$(12,161.6)	\$ 13,272.2	\$ 2,241.8	\$ 15,514.0
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	905.2	905.2	296.7	1,201.9
Other comprehensive income (loss), after tax	—	—	—	971.1	—	—	971.1	—	971.1
Total comprehensive income (loss)							1,876.3	296.7	2,173.0
Reclassification of noncontrolling interest	—	—	—	—	3.0	—	3.0	(3.0)	—
Common stock issuance	—	—	—	—	—	—	—	—	—
Common stock acquired - Share repurchase	—	(609.4)	—	—	—	—	(609.4)	—	(609.4)
Dividends on common stock	—	—	(7.7)	—	—	—	(7.7)	—	(7.7)
Share-based compensation	—	(14.8)	65.5	—	—	—	50.7	—	50.7
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	23.6	23.6
Balance at September 30, 2014	\$ 2.6	\$(624.2)	\$23,621.5	\$ 2,820.2	\$ 21.4	\$(11,256.4)	\$ 14,585.1	\$ 2,559.1	\$ 17,144.2

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

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Voya Financial, Inc.

Condensed Consolidated Statements of Changes in Shareholders' Equity

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

(In millions)

	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 at January 1, 2013	\$ 2.3	\$ —	\$22,917.6	\$ 3,710.7	\$ 6.4	\$ (12,762.1)	\$ 13,874.9	\$ 2,186.3	\$ 16,061.2
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	52.4	52.4	84.5	136.9
Other comprehensive income (loss), after tax	—	—	—	(1,760.7)	—	—	(1,760.7)	—	(1,760.7)
Total comprehensive income (loss)							(1,708.3)	84.5	(1,623.8)
Reclassification of noncontrolling interest	—	—	—	—	(4.0)	—	(4.0)	4.0	—
Common stock issuance	0.3	—	571.3	—	—	—	571.6	—	571.6
Common stock acquired - Share repurchase	—	—	—	—	—	—	—	—	—
Dividends on common stock	—	—	(2.6)	—	—	—	(2.6)	—	(2.6)
Share-based compensation	—	—	38.4	—	—	—	38.4	—	38.4
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	(180.3)	(180.3)
Balance at September 30, 2013	\$ 2.6	\$ —	\$23,524.7	\$ 1,950.0	\$ 2.4	\$ (12,709.7)	\$ 12,770.0	\$ 2,094.5	\$ 14,864.5

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

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Voya Financial, Inc.
 Condensed Consolidated Statements of Cash Flows
 For the Nine Months Ended September 30, 2014 and 2013 (Unaudited)
 (In millions)

	Nine Months Ended September 30,	
	2014	2013
Net cash provided by operating activities	\$2,916.2	\$2,942.1
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	9,192.3	11,626.7
Equity securities, available-for-sale	63.7	47.1
Mortgage loans on real estate	937.6	1,253.5
Limited partnerships/corporations	137.6	274.8
Acquisition of:		
Fixed maturities	(9,172.3	) (14,281.7
Equity securities, available-for-sale	(18.3	) (17.9
Mortgage loans on real estate	(1,574.8	) (1,583.2
Limited partnerships/corporations	(261.3	) (81.0
Short-term investments, net	(124.5	) 3,443.2
Policy loans, net	42.8	52.8
Derivatives, net	(670.7	) (1,981.6
Other investments, net	38.5	34.3
Sales from consolidated investment entities	2,558.5	2,518.7
Purchases within consolidated investment entities	(4,292.6	) (3,352.2
Collateral received (delivered), net	116.8	(751.5
Purchases of fixed assets, net	(26.5	) (25.7
Net cash used in investing activities	(3,053.2	) (2,823.7
Cash Flows from Financing Activities:		
Deposits received for investment contracts	5,681.5	8,985.2
Maturities and withdrawals from investment contracts	(7,332.9	) (9,648.9
Proceeds from issuance of debt with maturities of more than three months	—	2,147.1
Repayment of debt with maturities of more than three months	—	(2,697.4
Short-term debt, net	—	(171.6
Debt issuance costs	(16.8	) (24.8
Borrowings of consolidated investment entities	340.5	32.0
Repayments of borrowings of consolidated investment entities	(66.6	) (8.5
Contributions from (distributions to) participants in consolidated investment entities	1,235.9	626.7
Proceeds from issuance of common stock, net	—	571.6
Common stock acquired - Share repurchase	(614.4) —
Share-based compensation	(14.8) —
Dividends paid	(7.7) —
Net cash used in financing activities	(795.3	) (188.6
Net decrease in cash and cash equivalents	(932.3	) (70.2
Cash and cash equivalents, beginning of period	2,840.8	1,786.8
Cash and cash equivalents, end of period	\$1,908.5	\$1,716.6
Supplemental cash flow information:		
Income taxes paid (received), net	\$44.4	\$(2.8
Interest paid	156.9	126.3

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. (which changed its name from ING U.S., Inc. on April 7, 2014) 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. The Company provides its principal products and services in three ongoing businesses (Retirement Solutions, Investment Management and Insurance Solutions) and reports results through five ongoing operating segments, including Retirement, Annuities, Investment Management, Individual Life and Employee Benefits. The Company also has a Corporate segment, which includes the financial data not directly related to the businesses, and Closed Block segments. See the Segments Note to these Condensed Consolidated Financial Statements.

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, with American Depository Shares listed on the New York Stock Exchange. In 2009, ING Group announced the anticipated separation of its global banking and insurance businesses, including the divestiture of the Company. On April