

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

FORM 10-K

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

For the fiscal year ended December 31, 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 001-16517



PHOENIX

THE PHOENIX COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

06-1599088

(I.R.S. Employer Identification No.)

One American Row, Hartford, Connecticut

(Address of principal executive offices)

06102-5056

(Zip Code)

(860) 403-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock, \$.01 par value	New York Stock Exchange
7.45% Quarterly Interest Bonds, due 2032	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

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

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

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

Indicate by check mark whether the registrant 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if 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

As of June 30, 2014, the aggregate market value of voting common equity held by non-affiliates of the registrant was approximately \$0.3 billion based on the last reported sale price of \$48.39 per share of the common stock on the New York Stock Exchange on that date. On March 25, 2015, the registrant had 5.8 million shares of common stock outstanding; it had no non-voting common equity.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the registrant's fiscal year are incorporated by reference to Part III of this Annual Report on Form 10-K.

Explanatory Note

This Annual Report on Form 10-K for the year ended December 31, 2014 (this “2014 Form 10-K”), being filed by The Phoenix Companies, Inc. (“we,” “our,” “us,” the “Company” or “Phoenix”), contains audited consolidated financial statements of the Company for the years ended December 31, 2014, 2013 and 2012, and unaudited quarterly consolidated financial statements and financial information of the Company for each of the quarterly periods (including six and nine month periods) of 2014 and 2013, all of which are presented on a restated or revised basis to the extent contained in a periodic report previously filed by the Company with the Securities and Exchange Commission (the “SEC”), and except as indicated below, generally with the same level of disclosure as would be contained in such periodic reports of the Company, and with appropriate indication of the financial statements being restated or revised, as the case may be (the “Previously Issued Financial Statements”).

This 2014 Form 10-K also corrects the Previously Issued Financial Statements for certain known errors, some of which are recorded in preceding SEC periodic reports as out-of-period adjustments, and includes a note to financial statements regarding the impact of these prior period adjustments.

The Company filed a Current Report on Form 8-K with the SEC on February 6, 2015 disclosing its conclusion that the financial statements of the Company for the year and three-months ended December 31, 2013 and the three-months ended June 30, 2014 as contained in its historical Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, should no longer be relied upon and should be restated (the “Phoenix Restatement”). The other Previously Issued Financial Statements which are not restated but revised did not contain material errors, in the judgment of management of the Company, but are being revised to correct all prior period errors, whether or not previously identified and disclosed, as required by United States Generally Accepted Accounting Principles (“U.S. GAAP”).

This 2014 Form 10-K restates or revises, as applicable, the following financial statements and financial information of the Company: (i) the selected financial data as of and for each of the years ended December 31, 2014, 2013, 2012, 2011 and 2010; (ii) the consolidated statement of income and comprehensive income, statement of cash flow and statement of changes in stockholders’ equity for the year ended December 31, 2012; (iii) the consolidated statement of income and comprehensive income, balance sheet, statement of cash flow and statement of changes in stockholders’ equity for the year ended December 31, 2013; and (iv) the consolidated statements of income and comprehensive income for the quarterly and year-to-date periods ending March, June and September of 2013 and 2014, as well as the associated consolidated balance sheets, statements of cash flow and statements of changes in stockholders’ equity for each of the respective periods.

This 2014 Form 10-K also includes the following explanatory disclosures: (i) Note 2 “Restatement and Revision of Previously Reported Financial Information” discussing the cause and impact of the Phoenix Restatement and the correction of errors in the periods being restated or revised; (ii) table headers, where appropriate, indicating the financial information in specified columns is restated or revised; (iii) controls and procedures disclosures under Part II, Item 9A, describing material weaknesses in internal control over financial reporting identified by the Company and the related plan of remediation; and (iv) an amended Management’s Discussion and Analysis comparing the results of the fiscal year ended 2013 with those of 2012.

This 2014 Form 10-K is being filed by the Company in lieu of the Company separately filing with the SEC amendments to its previously filed Annual Report on Form 10-K for the year ended December 31, 2013 and Quarterly Reports on Form 10-Q for each of the quarterly periods in 2013 and the first three quarterly periods in 2014. Neither the notes to the interim financial statements noted above nor Management’s Discussion and Analysis for each interim period of 2014 as compared to the corresponding interim periods in 2013 are included. The errors corrected in the Phoenix Restatement were discovered when the Company conducted its annual assumption review (or “Unlock”) in accordance with U.S. GAAP during the fourth quarter of 2014. Certain errors were identified in its Universal Life business, where results did not align with management’s expectations. Upon further investigation, management determined that certain components of the Company’s Unlock conducted in the fourth quarter of 2013 or the 2013 Unlock contained errors deemed to be material to the year ended and three months ended December 31, 2013, and that immaterial errors relating to its second quarter 2014 financial statements, aggregated with the previously recorded \$6.2 million in out-of-period adjustments in that quarter, were deemed to be material to the financial statements for the three months ended June 30, 2014. The 2013 Unlock and the adjustment of out-of-period errors, as well as corrections made in accordance with ASC 250, “Accounting Changes and Error Corrections,” are described in more detail in Note 2 “Restatement and Revision of Previously Reported Financial Information.”

The errors identified in the Previously Issued Financial Statements are in areas of internal control over financial reporting previously identified and disclosed by the Company as containing material weaknesses and have not resulted in the identification of any new material weaknesses.

Management has concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2014. Further, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were not effective as of December 31, 2014. These material weaknesses have not been fully remediated as of the filing date of this 2014 Form 10-K.

For additional information regarding the risks associated with the Phoenix Restatement and the weaknesses in internal control over financial reporting identified by the Company, see the risk factors under “Item 1A: Risk Factors” in Part I of this 2014 Form 10-K. For a description of material weaknesses and management’s evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as well as management’s current remediation efforts and future remediation plans, see “Item 9A: Controls and Procedures” in Part II of this 2014 Form 10-K.

For more information on the matters leading to the Phoenix Restatement, the data previously reported and the out-of-period adjustments, see Note 2 “Restatement and Revision of Previously Reported Financial Information” and Note 26 “Supplemental Unaudited Quarterly Financial Information” to the consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this 2014 Form 10-K. For more information on the effects of the Phoenix Restatement see “Item 6: Selected Financial Data” for the fiscal years ended December 31, 2014 and 2013 and “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

THE PHOENIX COMPANIES, INC.
Annual Report on Form 10-K
For the year ended December 31, 2014

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PART I

Item 1. Business

Overview

The Phoenix Companies, Inc. (“we,” “our,” “us,” the “Company,” “PNX” or “Phoenix”) is a holding company incorporated in Delaware. Our operating subsidiaries provide life insurance and annuity products through independent agents and financial advisors. Our principal insurance company subsidiaries are Phoenix Life Insurance Company (“Phoenix Life”), domiciled in New York, and PHL Variable Insurance Company (“PHL Variable”), domiciled in Connecticut. Collectively with Phoenix Life and Annuity Company and American Phoenix Life and Reassurance, both domiciled in Connecticut, they are our “Life Companies.” Our policyholder base includes both affluent and middle market consumers, with our more recent business concentrated in the middle market. Most of our life insurance in force is permanent life insurance (whole life, universal life and variable universal life) insuring one or more lives. Our annuity products include fixed and variable annuities with a variety of death benefit and guaranteed living benefit options. As of December 31, 2014, we had \$95.8 billion of gross life insurance in force and \$5.7 billion of annuity funds under management.

In 2014, 99% of Phoenix product sales, as defined by total annuity deposits and total life premium, were annuities, and 93% of those sales were fixed indexed annuities. In addition, we have expanded sales of other insurance companies’ policies through our distribution subsidiary, Saybrus Partners, Inc. (“Saybrus”).

We operate two business segments: Life and Annuity and Saybrus. The Life and Annuity segment includes individual life insurance and annuity products, including our closed block. Saybrus provides dedicated life insurance and other consulting services to financial advisors in partner companies, as well as support for sales of Phoenix’s product line through independent distribution organizations.

Target Market

Our current target market consists of middle market and mass affluent families and individuals planning for or living in retirement. This market has a variety of financial planning needs, such as tax-deferred savings, safety of principal, guaranteed income during retirement, income replacement and death benefits. Our target customer is age 50 or older with investable assets of \$500,000 or less. Historically, our marketing strategies focused on high-net-worth and affluent households with sophisticated estate planning and other financial needs, and the majority of our life insurance and annuities in force reflects this market focus.

Competition

We operate in a highly competitive industry. While there is no single company that we identify as a dominant competitor in our business, many of our competitors are substantially larger, have better financial strength ratings, more financial resources and greater marketing and distribution capabilities. Our products compete with similar products sold by other insurance companies and also with savings and investment products offered by banks, asset managers and broker-dealers.

We believe our competitive strengths include product features, underwriting and mortality risk management expertise, partnering capabilities and value-added support provided to our distributors. Our ability to compete is based on these as well as other factors, including investment performance, service, price, distribution capabilities, scale, commission structure, brand recognition and financial strength ratings.

Major Products

Annuities

Fixed Indexed Annuities: This product provides single premium deferred annuities that offer a fixed interest account and a variety of indexed accounts that allow contract owners to earn index credits based on the performance of specific equity market or other price indices. Our major source of revenue on these contracts is the excess of investment income earned over interest and index credits, if any. Most contracts allow contract owners to change accounts once a year. One of the most popular indexed accounts credits the contract owners' accounts with a return equal to the annual appreciation of the S&P 500 index, subject to a specified cap. Caps are changed regularly to reflect current market conditions; during 2014, caps ranged from 2.00% to 5.50%. Certain contracts also provide "premium bonuses," which we contribute to contract owner account balances at issue and which also earn interest or index credits. Approximately 28% of indexed annuity deposits in 2014 included premium bonuses ranging from 4% to 15% of the initial deposit.

Contract owners also may elect a guaranteed minimum withdrawal benefit ("GMWB"), which for a separate fee provides a guaranteed income stream for the lifetime of the contract owners. The amount of income available is based on a separate "benefit base" that increases at a guaranteed rate established when the contract is sold and that is independent of the growth of the account balance. Withdrawals may begin immediately or after several years. Once a contract owner elects to receive income, withdrawals are first made from the account balance. If and when the balance is depleted, we continue to make the guaranteed income payments. In 2014, approximately 90% of all indexed annuity contracts sold included a GMWB. Certain annuities with a GMWB also include an enhanced withdrawal benefit ("EWB") that allows for an additional amount of guaranteed income if certain qualifying conditions are met (confinement to a nursing care facility and/or inability to perform activities of daily living). In 2014, approximately 18% of all indexed annuity contracts sold included an EWB. Certain fixed indexed annuities include a guaranteed minimum death benefit ("GMDB"), pursuant to which beneficiaries receive an amount in excess of contract value if the annuitant dies in exchange for an additional fee. In 2014, approximately 25% of all indexed annuity contracts sold included a GMDB.

Fixed Annuities: This product meets the needs of clients who want a guaranteed rate of return over a specified period. The contract owner receives a guaranteed rate of return over the initial interest rate guarantee period and has the option to elect a new guarantee period at the end of the initial term, at then current rates, subject to certain minimums.

Single Premium Immediate Annuities: This product provides guaranteed income beginning immediately, including one product that is designed for use in elder-care planning in conjunction with government benefits.

Variable Annuities: This product allows contract owners to direct deposits into a variety of separate investment accounts (accounts that are maintained separately from the other assets of the Life Companies) or into the general accounts of the Life Companies. Deposits allocated to the general account earn interest at a specified rate of return determined by us, subject to certain minimums. In the separate investment accounts, the contract owner bears the risk of investment results. We credit to the separate investment accounts the return on the underlying investments in the separate account specified net of specified fees and charges.

We collect fees for the management of these various investment accounts and assess charges against these accounts for the administrative services we provide. Our major sources of revenue from variable annuities are mortality and expense fees charged to the contract owner, generally determined as a percentage of the market value of any underlying separate account balances and a portion of the fees we collect for the management of the various investment accounts.

Many of our variable annuities include guaranteed minimum death ("GMDB"), accumulation ("GMAB"), withdrawal ("GMWB") and income ("GMIB") benefits.

Life Insurance

Whole Life: This product provides permanent insurance coverage and tax-deferred savings in return for predetermined premium payments. Premiums are invested in our general account. For whole life policies in our closed block (see Note 5 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K), policies typically provide a participation feature in the form of dividends. Policyholders may receive dividends in cash or apply them to increase death benefits, provide for paid-up additional insurance or reduce the premiums required.

Universal Life: This product provides permanent insurance coverage with a tax deferred savings element. It allows the policyholder to adjust the frequency and amount of premium payments subject to certain limitations. Premiums, net of cost of insurance charges and administrative expenses, are invested in our general account and are credited interest at rates determined by us, subject to certain minimums. We retain the right, within limits, to adjust the fees we assess for providing administrative services and the rate we charge for the cost of insurance; these may be adjusted by us, but may not exceed guaranteed contractual limits. Some universal life products provide secondary guarantees that protect the policy's death benefit even if there is insufficient value in the policy to pay the monthly deduction.

Indexed Universal Life: This product is a type of universal life where premiums may be allocated to a fixed interest account and/or a variety of indexed accounts that allow policyholders to earn index credits based on the performance of specific equity market or other price indices.

Variable Universal Life: This product is similar to universal life, except that premiums may be directed into a variety of separate investment accounts (accounts that are maintained separately from the other assets of the Life Companies) or into the general accounts of the Life Companies. In separate investment accounts, the policyholder bears the entire risk of the investment results. We collect fees for the management of these various investment accounts and the net return is credited directly to the policyholder's accounts. Account balances invested in the general account earn interest at rates determined by us, subject to certain minimums. Specific charges are made against the accounts for administrative expenses and cost of insurance charges. We retain the right, within limits, to adjust the fees we assess for providing administrative services and the rate we charge for the cost of insurance; these may be adjusted by us, but may not exceed guaranteed contractual limits. With some variable universal products, maintaining a certain premium level provides the policyholder with guarantees that protect the policy's death benefit if, due to adverse investment experience, the policyholder's account balance is zero.

Variable annuities, a limited number of fixed annuities and variable life products offered by the life insurance subsidiaries of the Company are registered under the federal securities laws. These life insurance subsidiaries have not offered these products to new customers since their audited financial statements for the most recent fiscal year end, in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), have not yet been completed. Existing customers with existing contracts have been able to continue to invest in these products and change investment elections, but certain investment alternatives have closed for new investment.

Term: This product provides insurance coverage for a temporary period of time in return for predetermined premium payments. After the level term period ends, coverage may be renewable annually at higher premium rates. Premiums are invested in our general account.

Distribution and Related Services

Independent Producers: We distribute our products through independent producers who serve the middle market and are typically affiliated with one or more independent marketing organizations ("IMOs"). We have established selling agreements with IMOs representing more than 14,600 independent producers. In 2014, nearly 2,800 producers sold Phoenix products. Our distribution strategy for IMOs is to continue to expand the number of relationships and producers who do business with us by providing competitive products at competitive commission rates, providing exclusive product designs and features to certain IMOs and enhancing our servicing and support technology.

Saybrus Partners, Inc.: Saybrus, Phoenix's distribution company, sells Phoenix products through selected independent producers and IMOs and provides consulting services to partner firms in support of policies written by companies other than Phoenix. Saybrus' revenues consist of commissions based on successful sales.

Saybrus' partner firms include institutional firms, banks, insurance retailers and broker/dealers. It brings expertise to help these firms' financial professionals address clients' needs with insurance solutions for basic protection as well as income, estate and business planning. Saybrus offers solutions for the middle, affluent and high-net-worth markets and customizes its services to best fit its partners' businesses with capabilities ranging from traditional wholesaling to comprehensive consultation and point of sale support.

Investments

Investment activities are an integral part of our business and net investment income is a significant component of our total revenues. We manage investments in our general account to match the durations of our insurance liabilities. We invest primarily in high-grade public and privately placed debt securities, balancing credit risk with investment yield. As of December 31, 2014, 93.3% of our total available-for-sale debt securities portfolio was investment grade. We invest a small percentage of our assets in limited partnerships and other investments that have variable returns. While our returns are more volatile, these asset classes have contributed substantially to our investment returns over time. As of December 31, 2014, 3.2% of cash and total investments were allocated to this asset class.

Hedging

Certain features of our variable and indexed annuity products expose us to risks such as equity price risk, equity volatility risk and interest rate risk. We hedge certain of those risks using derivatives. Our focus is on hedging the economic exposure related to potential future claims. For example, we hedge fixed indexed annuity premiums directed into indexed accounts by purchasing options designed to fund the index credits on these accounts. Our hedges generally do not qualify for hedge accounting and may result in significant reported accounting gains or losses. In addition, our hedges may expose us to counterparty credit risk. As of December 31, 2014, our net mark-to-market exposure to derivative counterparties prior to credit valuation adjustment (“CVA”) was \$75.4 million, and the post CVA net mark-to-market exposure was \$74.2 million. All of our counterparties had a credit rating of A or better with at least one Nationally Recognized Statistical Rating Organization (“NRSRO”). For additional information regarding hedging related business risks, please see the risk factors entitled “We may not be able to hedge our positions due to the inability to replace hedges as a result of our credit rating” and “Guaranteed benefits within our products that protect policyholders against significant downturns in equity markets may decrease our earnings, increase the volatility of our results if hedging strategies prove ineffective, result in higher hedging costs and expose us to increased counterparty risk, which may have a material adverse effect on our results of operations, financial condition and liquidity” contained in “Item 1A: Risk Factors” in Part I of this Form 10-K.

Policy Administration

As of December 31, 2014, we had 318,569 life insurance policies and 76,878 annuity contracts in force. Our Customer Care Center services policies on a number of administrative systems, supporting both policyholders and their advisors or agents. The cost of servicing policies is a significant component of our overall operating expenses. Servicing of some policies is outsourced to vendors who specialize in insurance policy administration.

Reinsurance

We use reinsurance agreements to limit potential losses, reduce exposure to larger risks and provide capital relief with respect to certain statutory requirements. We remain liable to the extent that reinsuring companies may not be able to meet their obligations under reinsurance agreements in effect. Failure of the reinsurers to honor their obligations could result in losses to the Company. Since we bear the risk of nonpayment, on a quarterly basis we evaluate the financial condition of our reinsurers and monitor concentrations of credit risk. Based on our review of their financial statements, reputation in the reinsurance marketplace and other relevant information, we believe that we have no material exposure to uncollectible life reinsurance. At December 31, 2014, five major reinsurance companies account for approximately 67% of the reinsurance recoverable.

We cede risk to other insurers under various agreements that cover individual life insurance policies. The amount of risk ceded depends on our evaluation of the specific risk and applicable retention limits. For business sold prior to December 31, 2010, our retention limit on any one life is \$10 million for single life and joint first-to-die policies and \$12 million for joint last-to-die policies. Beginning January 1, 2011, our retention limit on new business is \$5 million for single life and joint first-to-die policies and \$6 million for second-to-die policies. We also assume reinsurance from other insurers. Typically our reinsurance contracts allow us to recapture ceded policies after a specified period. This right is valuable in the event our mortality experience is sufficiently favorable to make it financially advantageous for us to reassume the risk rather than continue paying reinsurance premiums.

Effective October 1, 2011, Phoenix Life entered into an agreement that provides modified coinsurance for approximately one-third of the closed block policies. This contract did not meet the requirements of risk transfer in accordance with U.S. GAAP, and, therefore, deposit accounting is applied.

See Note 4 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information regarding reinsurance.

Regulation

Our Life Companies are subject to regulation and supervision in each jurisdiction where they conduct business. Areas of regulation include the following:

- Financial considerations, including standards of solvency, statutory reserves, reinsurance and capital adequacy;
- Trade practices, market conduct and licensing of companies and agents;
- Mandating certain insurance benefits and regulating certain premium rates;
- Approval of policy forms and certain other related materials;
- Permitted types and concentration of investments;
- Permitted dividends or other distributions, as well as transactions between affiliates and changes in control; and
- Approval of interest payments on surplus notes.

Our Life Companies file regular reports, including detailed annual financial statements, with insurance regulatory authorities and are subject to periodic examination by such authorities. See Note 21 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information.

The National Association of Insurance Commissioners (“NAIC”) provides standardized insurance industry accounting and reporting guidance. However, statutory accounting principles continue to be established by individual state laws, regulations and permitted practices.

Most of the jurisdictions in which our Life Companies are admitted to transact business require us to participate in guaranty associations, which are organized to pay certain contractual insurance benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged.

As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records, accounts and business practices of insurers domiciled in their states. State insurance departments also have the authority to conduct examinations of non-domiciliary insurers that are licensed in their states. Phoenix Life is currently undergoing the New York Department of Financial Services (the “NYDFS”) quinquennial market conduct examination. The NYDFS issued the financial examination portion of its report for Phoenix Life on June 26, 2014 and we expect the market conduct portion of its report to be finalized in 2015. The Connecticut Insurance Department issued a financial examination report for PHL Variable on May 28, 2014 and a market conduct examination report for PHL Variable and Phoenix Life on December 29, 2014.

Annually, our Life Companies are required to conduct an analysis of the adequacy of all statutory reserves. In each case, a qualified actuary must submit an opinion which states that the statutory reserves, when considered in light of the assets held with respect to such reserves, make good and sufficient provision for the associated contractual obligations and related expenses of the insurer. If such an opinion cannot be provided, the insurer must set up additional reserves by moving funds from surplus. The most recent opinions were provided on a timely basis.

Each of our Life Companies reports its risk based capital (“RBC”) based on a formula calculated by applying factors to various risk characteristics of the insurer. The major categories of risks involved are asset risk, insurance risk, interest rate risk, market risk and business risk. The formula is used as an early warning tool by regulators to identify possible inadequately capitalized insurers for purposes of initiating regulatory action and not as a means to rank insurers generally. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose RBC ratio does not meet or exceed certain levels. As of December 31, 2014, all of our insurance subsidiaries had RBC ratios in excess of 200% of Company Action Level, the highest regulatory threshold.

Most states, including New York and Connecticut, have enacted legislation or adopted administrative regulations affecting the acquisition of control of insurance companies, as well as transactions between insurance companies and persons controlling them. Most states require administrative approval of the direct or indirect acquisition of 10% or more of the outstanding voting securities of an insurance company incorporated in the state.

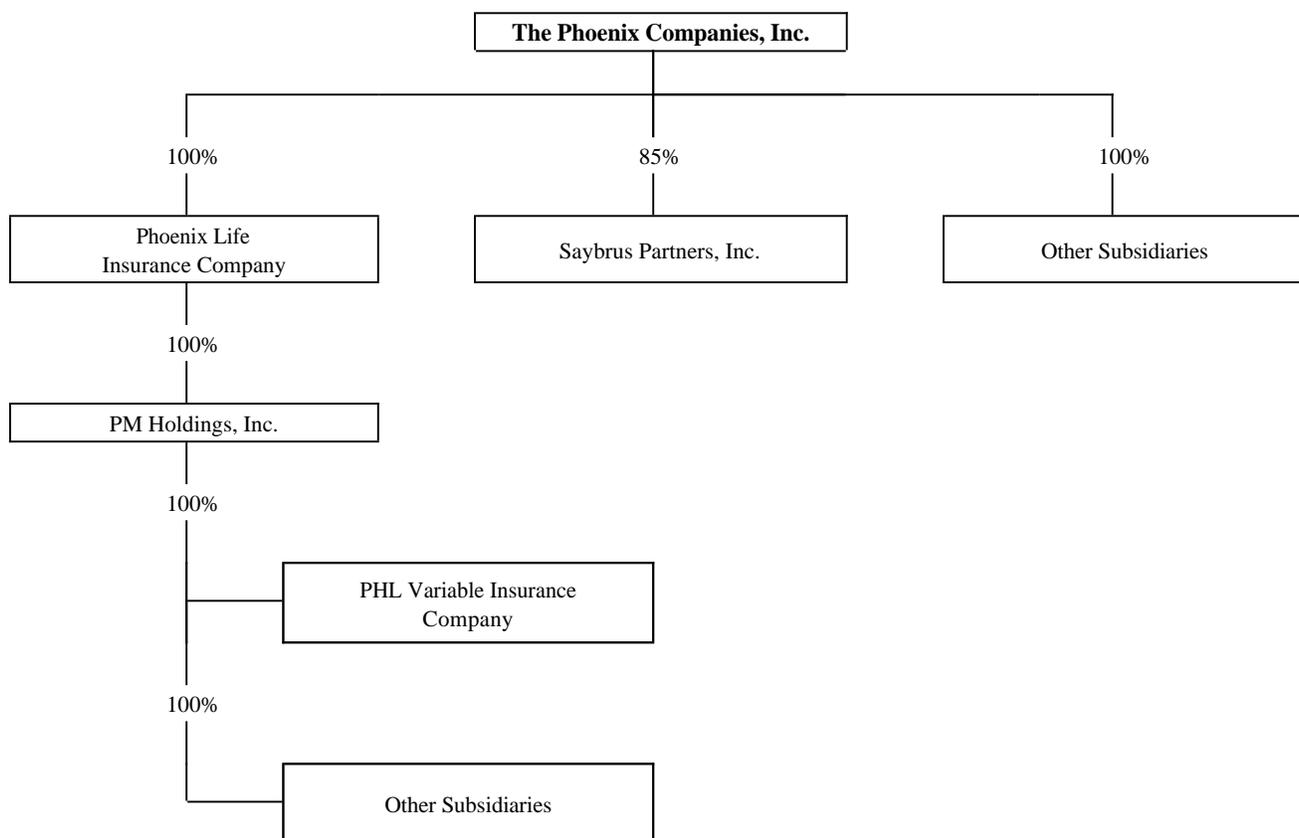
Employees

At December 31, 2014, we employed approximately 640 people. We have experienced no work stoppages or strikes and consider our relations with our employees to be good. None of our employees are represented by a union.

General Development of Business

With roots dating to 1851, Phoenix was incorporated in Delaware in 2000. Our principal executive offices are located at One American Row, Hartford, Connecticut 06102-5056. Our telephone number is (860) 403-5000. Our web site is located at www.phoenixwm.com. (This and all other URLs included herein are intended to be inactive textual references only. They are not intended to be an active hyperlink to our web site. The information on our web site is not, and is not intended to be, part of this Form 10-K and is not incorporated into this report by reference.)

The following chart illustrates our corporate structure as of December 31, 2014.



Executive Officers of the Registrant

See Part III, Item 10 herein.

Available Information

We make available free of charge on or through our Internet web site (<http://www.phoenixwm.com>) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Item 1A. Risk Factors

Risks Related to the Restatements of Prior Period Financial Statements and our Internal Control Over Financial Reporting

We face risks related to the restatements of our prior period financial statements and the prior period financial statements of our principal insurance company subsidiaries.

As discussed in the Explanatory Note and in Note 2 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K (and as previously reported in our Current Report on Form 8-K filed with the SEC on February 6, 2015), we concluded that certain of the Company’s previously issued U.S. GAAP financial statements should no longer be relied upon and should be restated because of certain errors in those financial statements (the “Phoenix Restatement”). This Form 10-K contains audited financial statements of the Company for the years ended December 31, 2014, 2013 and 2012 and interim unaudited financial statements presented for each period during the fiscal years 2013 and 2014, in each case presented on a restated and revised basis to the extent previously filed in a periodic report by the Company with the SEC, and other disclosures regarding the Phoenix Restatement.

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2012 (the “2012 Form 10-K”), and as previously reported in a Current Report on Form 8-K filed with the SEC on November 8, 2012 (as was amended by Forms 8-K/A filed by the Company on March 5, 2013 and April 24, 2013), we concluded that certain of the Company’s previously issued U.S. GAAP financial statements should no longer be relied upon and should be restated because of certain errors in those financial statements (the “Prior Phoenix Restatement”). Additionally, as previously reported by PHL Variable in a Current Report on Form 8-K filed with the SEC on September 18, 2012 (as was amended by Forms 8-K/A filed by the Company on November 8, 2012, March 15, 2013 and April 24, 2013), PHL Variable’s audit committee concluded that certain of PHL Variable’s previously issued U.S. GAAP financial statements should no longer be relied upon and should be restated because of certain errors in those financial statements (the “PHL Variable Restatement”). We refer herein to the Phoenix Restatement, the Prior Phoenix Restatement and the PHL Variable Restatement collectively as the “Restatements.”

On April 1, 2014, we filed with the SEC the 2012 Form 10-K containing audited financial statements of the Company for the years ended December 31, 2012, 2011 and 2010 and interim unaudited financial statements presented for each period during the fiscal years 2012 and 2011, in each case presented on a restated and amended basis to the extent previously filed in a periodic report by the Company with the SEC, and other disclosures regarding the Prior Phoenix Restatement. On April 25, 2014, PHL Variable filed with the SEC its 2012 Annual Report on Form 10-K containing audited financial statements of PHL Variable for the years ended December 31, 2012, 2011 and 2010 and interim unaudited financial statements presented for each period during the fiscal years 2012 and 2011, in each case presented on a restated and amended basis to the extent previously filed in a periodic report by PHL Variable with the SEC, and other disclosures regarding the PHL Variable Restatement.

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As a result of the Prior Phoenix Restatement, we were not current in our SEC reporting obligations until the filing of our Quarterly Report on Form 10-Q for the period ended September 30, 2014, and we did not resume our status as a timely SEC filer until the filing of this Form 10-K within the extension period afforded under Rule 12b-25 of the Exchange Act. Further, while PHL Variable resumed its status as a current SEC filer with the November 21, 2014 filing of its Quarterly Report on Form 10-Q for the period ended September 30, 2014, PHL Variable has not yet resumed its timely SEC filer status, though it expects to do so with the filing of its Annual Report on Form 10-K for the year ended December 31, 2014, within the extension period afforded under Rule 12b-25 of the Exchange Act, on or before April 15, 2015. Although the Company is resuming a timely SEC periodic report filing schedule with respect to its SEC periodic reports with the filing of this Form 10-K, the Company expects to continue to face many of the risks and challenges related to the Restatements, including the following:

- In the process of restating our prior period financial statements, we identified material weaknesses in our internal control over financial reporting, which existed as of December 31, 2014 and are reported under Item 9A “Controls and Procedures” in this Form 10-K and we may fail to remediate these material weaknesses in our internal control over financial reporting and other material weaknesses may be identified in the future, which would adversely affect the accuracy and timing of our financial reporting;
- The extraordinary processes undertaken to effect the Restatements, including restatements of our insurance company subsidiaries, may not have been adequate to identify and correct all errors in our prior period financial statements and, as a result, we may discover additional errors, and our financial statements remain subject to the risk of future restatement, which may impact our ability to timely complete our future SEC filings;
- The outcome of litigation and claims as well as regulatory examinations, investigations, proceedings and orders arising out of the Restatements and the failure by the Company and PHL Variable to have filed certain previously delayed SEC reports on a timely basis;
- The incurrence of significant expenses, including audit, consulting and other professional fees, related to the Restatements, the completion of our financial statements on a timely and accurate basis and the remediation of weaknesses in our internal control over financial reporting and disclosure controls and procedures and the negative impact of those expenses on the financial resources of the holding company and its ability to meet its obligations;
- Diversion of management and other human resources attention from the operation of our business associated with the Restatements and remediation of our internal controls;
- Risks associated with PHL Variable’s ability to timely file its Annual Report on Form 10-K for the year ended December 31, 2014, the PHL Variable Restatement, and PHL Variable’s ability to amend and update its existing registration statements on a timely basis filed under the Securities Act and the Investment Company Act, as well as risks associated with Phoenix Life’s ability to amend and update on a timely basis its existing registration statements, or file new registration statements, under the Securities Act and the Investment Company Act;
- Risks associated with the ongoing compliance obligations of the Company and PHL Variable under the SEC Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order, which was approved by the SEC in March 2014 (the “March 2014 Order”), as was subsequently amended by an amended SEC administrative order approved by the SEC in August 2014 (the March 2014 Order, as amended, the “Amended Order”), and the risk of noncompliance with such Amended Order;
- The risk that the filing of single, multi-period comprehensive Annual Reports on Form 10-K to effect the Prior Phoenix Restatement and the PHL Variable Restatement did not satisfy our obligations to file amended reports to each of the applicable previously filed Forms 10-K and 10-Q. We cannot provide assurance that such comprehensive reports satisfied our filing obligations and, if it is ultimately determined that they did not, we may be required to amend such comprehensive reports and/or file other amended reports. This would require us to devote substantial internal and external resources and cause us to incur significant fees and expenses for additional audit services as well as accounting and other consulting services. These fees and expenses, as well as the substantial time devoted by our management to make such filings with the SEC, could have a material adverse effect on our business, profitability and financial condition; and
- Risks associated with our insurance company subsidiaries’ failure to file timely and accurate reports with state regulatory authorities.

We cannot assure that all of the risks and challenges described above will be eliminated and that lost business opportunities can be recaptured or that general reputational harm will not persist. If one or more of the foregoing risks or challenges persist, our business, operations and financial condition are likely to be materially and adversely affected.

We have concluded that there are material weaknesses in our internal control over financial reporting, which have materially adversely affected our ability to timely and accurately report our results of operations and financial condition. These material weaknesses have not been fully remediated as of the filing date of this Form 10-K and we cannot assure you that other material weaknesses will not be identified in the future. If we fail to maintain an effective system of internal controls, the accuracy and timing of our financial reporting may be adversely affected.

As reported in “Item 9A: Controls and Procedures” of this Form 10-K, we have concluded that there are material weaknesses in our internal control over financial reporting and that our disclosure controls and procedures are ineffective as of December 31, 2014. Some of the interim measures we have taken to address weaknesses in our internal control over financial reporting are manual, which are more time consuming to prepare, more prone to errors than computerized systems, and require more exhaustive audit processes. It is necessary for us to maintain effective internal control over financial reporting to prevent fraud and errors and to maintain effective disclosure controls and procedures so that we can provide timely and reliable financial and other information. A failure to maintain adequate internal controls may adversely affect our ability to provide financial statements that accurately reflect our financial condition and timely report information. This could cause investors to lose confidence in our reported financial and other information, cause our securities to trade at a decreased price and cause an adverse effect on our business and results of operations. A failure to correct material weaknesses in our internal controls and to replace interim measures taken to address weaknesses could result in further restatements of financial statements and correction of other information filed with the SEC or delays in the filing of future SEC reports, the inability to update or file new registration statements covering the offer and sale of product offerings of our insurance company subsidiaries and the ability to access public markets for the offer and sale of our securities.

In addition, in May 2013, the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) issued a new version of its internal control framework, which became effective December 15, 2014. We intend to implement the 2013 COSO framework into our assessment of our internal control over financial reporting during 2015, which may reveal other deficiencies in our internal controls that may rise to the level of material weakness. Such an occurrence, or a failure to effectively remedy such a material weakness, could adversely affect investor confidence in the accuracy and timeliness of our financial reports. Failure to implement the 2013 COSO framework in 2015 may subject us to further scrutiny from the SEC.

The extraordinary processes undertaken to effect the Restatements may not have been adequate to identify and correct all errors in our historical financial statements and, as a result, we may discover additional errors and our financial statements remain subject to the risk of future restatement.

The completion of the Restatements involved many months of review and analysis, including highly technical analyses of our contracts and business practices, estimates and assumptions made by management, tax accounting and the proper application of relevant accounting rules and pronouncements. Many of the enhancements and changes to our processes are ongoing as of the filing date of this Form 10-K and we continue to integrate the complex changes we have already made. Given the complexity and scope of these exercises, and notwithstanding the extensive time, effort and expense that went into them, we cannot assure you that these extraordinary processes were adequate to identify and correct all material errors in our historical financial statements or that additional accounting errors will not come to light in the future in these or other areas.

While we have performed additional analyses and other procedures, and either implemented or plan to implement and test remediation measures as of the filing date of this Form 10-K, the previously identified material weaknesses have not been fully addressed and remediated. We continue to improve our internal control over financial reporting and disclosure controls and procedures by, among other things:

- enhancing our existing accounting policies and procedures;
- implementing changes in our finance and accounting organization;
- adopting new accounting and reporting processes and procedures; and
- introducing new or enhanced accounting systems and processes.

As a result, we cannot assure you that we will not discover additional errors, that future financial reports will not contain material misstatements or omissions, that future restatements will not be required, and that we will be able to timely complete our SEC filings for periods subsequent to this Form 10-K.

The Company's and PHL Variable's respective restatements and failure to timely file certain historical SEC periodic reports, as well as reported weaknesses in internal control over financial reporting and the failure to have compliant registration statements under the Securities Act and the Investment Company Act covering certain insurance products offered by PHL Variable and Phoenix Life, may subject the Company, PHL Variable and Phoenix Life to a broad range of potential actions that may be taken by the SEC including, but not limited to, SEC cease-and-desist orders, suspension of trading of our securities, deregistration of our securities and/or the assessment of possible civil monetary penalties and claims may be brought by other parties based on these and other restatement-related matters.

Any orders, actions or rulings relating to any of the foregoing that are not in our favor could have a material adverse effect on our financial condition, liquidity or results of operations.

We may not be able to hedge our positions due to the inability to replace hedges as a result of our credit rating.

We use derivative instruments to hedge the liability exposure and the volatility of earnings associated with certain variable and fixed indexed annuity liabilities. Certain derivative counterparty agreements of certain subsidiaries contain provisions that permit the parties to terminate the agreements upon the occurrence of a default under the indenture covering our 7.45% Quarterly Interest Bonds due 2032. In addition, certain of these agreements require our insurance companies' financial strength rating to be above a certain threshold. Given that our financial strength ratings are below a specified credit rating threshold in certain of our derivative agreements, the counterparties can request immediate payment, demand immediate and ongoing full collateralization on derivative instruments in net liability positions, or trigger a termination of existing derivatives and/or future derivative transactions. In certain derivative counterparty agreements, our financial strength ratings have been below the specified threshold levels since March 2009 and, when requested, the Company has provided collateralization on those derivative instruments.

If we are forced to terminate any derivative agreements, we may be unable to replace the derivative positions, thereby increasing our exposure to periods of significant and sustained downturns in equity markets, increased equity volatility, or reduced interest rates, which could result in an increase in the valuation of the future policy benefit associated with such products and result in a material adverse effect on our earnings and financial condition.

The process of undertaking the Restatements, the preparation of previously delayed SEC reports, the efforts otherwise necessary for the Company and PHL Variable to become current and timely filers under the Exchange Act and the ongoing remediation of material weaknesses in internal control over financial reporting have diverted, and continue to divert, management and other human resources from the operation of our business.

The Board of Directors, members of management, and the accounting, legal, administrative and other staff of the Company spent significant time on the Restatements, and continue to spend significant time on the preparation of SEC filings, related disclosures, remediation of disclosure controls and procedures and internal control over financial reporting of the Company and its insurance company subsidiaries, and efforts otherwise necessary for the Company and PHL Variable to each become current and timely filers under the Exchange Act. These resources have been, and will likely continue to be, diverted from the strategic and day-to-day management of our business. In addition, current, accurate financial information is essential to the management of our complex business, including controlling the financial risk associated with the products that the Company offers and sells through its subsidiaries.

PHL Variable and Phoenix Life are delayed in filing with the SEC amendments to existing registration statements, or filing new registration statements, under the Securities Act or the Investment Company Act covering the offer and sale of certain of their respective insurance products, and errors were found in certain audited and unaudited Statutory financial statements of PHL Variable and Phoenix Life, any or all of which may have a material adverse impact on the business and financial condition of the Company.

We conduct the majority of our business through Phoenix Life and its indirect subsidiary, PHL Variable. PHL Variable previously announced that it will continue to not issue any new SEC-registered life insurance and annuity contracts until new registration statements or amendments to existing registration statements covering the offer and sale of these products have been filed with and declared effective by the SEC.

In addition, until the Company's insurance company subsidiaries have filed with the SEC new registration statements or amendments to their existing registration statements covering their products, and those new registration statements or amendments are effective, there will be ongoing uncertainty regarding our ability to continue to accept premiums, or to process certain other investment transaction requests, associated with the outstanding SEC-registered life insurance and annuity contracts of our insurance company subsidiaries. In such an event, these actions may have a material adverse impact on our future revenues, our competitive position and consumer perception of our products, and our retention of existing contracts and may result in claims related to these SEC-registered products against us and our insurance company subsidiaries, any of which could have a material adverse effect on the Company's business and financial results. In addition, in connection with its product offerings, PHL Variable relies on third-party vendors to supply vendor-generated products. PHL Variable's failure to file new registration statements or amendments to existing registration statements may cause such vendors to terminate their relationships with PHL Variable, which in turn may cause PHL Variable to terminate many of its product offerings.

As a result of the Restatements, certain errors were found in our insurance company subsidiaries' Statutory financial statements filed with the applicable state insurance regulators. Those errors were corrected in subsequent filings with the applicable state insurance regulators. We do not believe the state insurance regulators will deem it necessary to adjust our insurance company subsidiaries' historical unaudited Statutory financial statement filings with the applicable state insurance regulators. However, we concluded that the audited Statutory financial statements for the year ended December 31, 2012 filed by Phoenix Life with its applicable state insurance regulators, which restate Statutory financial statements for the year ended December 31, 2011, materially differ from the annual unaudited Statutory financial statements for the year ended December 31, 2012 previously filed by Phoenix Life. Also, the fact of the insurance company subsidiaries' U.S. GAAP financial statement restatements and the delay in PHL Variable's filing of periodic reports with the SEC could result in various regulatory bodies conducting examinations or investigations and/or making inquiries of our insurance company subsidiaries and the Company concerning compliance with applicable laws and regulations, which may increase our compliance costs and the potential for regulatory investigations or proceedings or other claims. Any existing or future litigation, investigations, proceedings or claims that we and the insurance company subsidiaries are or could become involved in, or become the subject of, could have a material adverse effect on the business and financial condition of the Company.

Our insurance company subsidiaries' failure to file, or timely file, audited Statutory financial statements with state regulatory authorities may result in, among other things, the imposition of sanctions and penalties against us, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Our insurance company subsidiaries are required to file audited Statutory financial statements with the applicable regulatory authorities annually. As a result of the U.S. GAAP restatements of prior period financial statements of the Company and its insurance company subsidiaries, the insurance company subsidiaries filed their respective audited Statutory financial statements for 2012 and 2013 after the initial due date, but within extensions granted by their respective domiciliary insurance regulators. Any delays in connection with the filing of audited Statutory financial statements with state regulatory authorities may result in, among other things, the imposition of sanctions and penalties against us, which could have a material adverse effect on our financial condition, results of operations and cash flows.

Risks Related to Our Business

Our business, financial condition and results of operations could be materially and adversely affected by unfavorable economic developments and the performance of the debt and equity markets.

Economic and market conditions materially and adversely affected us in the last recession. The economy may once again deteriorate. The resulting lack of credit, increase in defaults, lack of confidence in the financial sector, volatility in the financial markets and reduced business activity could materially and adversely affect our business, financial condition and results of operations.

These effects include, but are not limited to, the following:

- Lower fee revenue and higher expenses. Significant declines in equity markets would decrease assets in our variable annuity and variable life product lines, resulting in lower fee income and increased amortization of deferred policy acquisition costs.
- Realized and unrealized losses in our fixed income portfolio. The value of the portfolio would be depressed by general interest rate increases or credit spread widening, as well as by illiquidity and by changes in assumptions we use to estimate the fair value of securities. Bonds supported by residential and commercial mortgages could experience losses if the delinquency rates of the underlying mortgage loans increase.
- Realized and unrealized losses in alternative asset classes. We invest in private equity funds, mezzanine funds, and other limited partnerships, which generate returns that are more volatile than other asset classes and are relatively illiquid and, therefore, may be harder to value or sell in adverse market conditions.
- Higher statutory reserve and capital requirements. Certain regulatory reserve and capital requirements incorporate actual and expected future capital market conditions and could increase materially in the event of significant equity market declines or changes in interest rates, credit spreads and credit default rates.
- Losses due to changes in accounting estimates. Significant accounting estimates may be materially affected by the equity and debt markets and their impact on expected customer behavior. For example, in setting amortization schedules for our deferred policy acquisition costs, we make assumptions about future market performance, interest rates and policyholder behavior.
- Increased funding requirements for our pension plan. Future market declines could result in additional funding requirements. Also, the funding requirements of our pension plan are sensitive to interest rate changes. Should interest rates decrease materially, the plan liabilities would increase.
- Hedging losses or increased reserve requirements in our variable annuity business. We use derivatives to hedge the value of certain guaranteed benefits. These hedges and other management procedures could prove ineffective, especially during times of significant market volatility. For benefits that are not hedged, such as minimum death benefits and minimum income benefits we could be required to increase reserves in the event of a significant decline in the equity markets.

Persistent low interest rates or significant increases in interest rates could adversely affect our business and results of operations.

Our products expose us to significant interest rate risk. A substantial portion of our business is spread-based, meaning that profitability depends on our ability to invest premiums at yields in excess of the rates we credit to policyholders. The current low interest rate environment has meant that we have invested or reinvested cash flows at substantially lower yields than our existing portfolio yield, while our ability to reduce credited rates has been limited by contractual minimums. Persistent low interest rates could compound this spread compression. In addition, they could cause additional premium payments on products with flexible premium features, repayment of policy loans and lower policy surrenders.

Persistent low interest rates may also result in higher GAAP insurance liabilities. The long-term liability for profits followed by losses on the universal life business is particularly sensitive to interest rates.

Persistent low interest rates could also result in higher statutory reserve and capital requirements. Our insurance company subsidiaries are subject to annual asset adequacy testing, which requires additional reserves to be posted if projected asset cash flows and future premiums are not able to support future policy claims and surrenders under a range of possible scenarios.

Low interest rates also have increased the liability of our pension plans and other post-employment benefits. Further declines in interest rates could result in additional increases in these liabilities.

Conversely, if interest rates rise significantly, we could face an increase in unrealized losses in our investment portfolio. At the same time, it could cause life insurance policy loans, surrenders and withdrawals to increase as policyholders seek investments with higher returns. This could require us to sell invested assets at a time when their prices are depressed, which could cause us to realize investment losses.

Legal actions and proceedings are inherent in our businesses and could adversely affect our results of operations or financial position or harm our businesses or reputation.

We are regularly involved in litigation and arbitration, both as a defendant and as a plaintiff. In addition, various regulatory bodies regularly make inquiries of us and, from time to time, conduct examinations or investigations concerning our compliance with, among other things, insurance laws, securities laws, laws governing the activities of broker-dealers and other laws and regulations affecting our registered products. We are, and in the future may be, subject to and involved in legal actions and proceedings in the ordinary course of our businesses. Some of these proceedings have been brought, and may be brought in the future, on behalf of various alleged classes of complainants. In certain of these matters, the plaintiffs are seeking large and/or indeterminate amounts, including punitive or exemplary damages. Furthermore, certain institutional investors have purchased, or may purchase in the future, large numbers of life insurance policies in the secondary market and have asserted, or may assert, claims against us before regulatory agencies and in litigations. Substantial legal liability in these or future legal actions could have an adverse effect on us or cause us reputational harm, which in turn could, among other items, harm our business prospects, result in regulatory or legislative responses and have an adverse effect on our consolidated financial statements.

In addition to potential for legal actions and proceedings related to the ordinary course of our business, there is a risk of litigation and other claims as well as regulatory examinations, investigations, proceedings and orders arising out of the Restatements and the failure by the Company and PHL Variable to file SEC reports on a timely basis and the failure by our insurance company subsidiaries to have compliant registration statements covering certain insurance products offered and sold by them. The Company is providing information to the staff of the SEC in connection with the Restatements, which may result in further regulatory actions by the SEC. The potential outcomes and claims are unpredictable and any orders, actions or rulings not in our favor could have a material adverse effect on our financial condition, liquidity or results of operations.

It is difficult to predict or determine the ultimate outcome of legal or regulatory proceedings or to provide reasonable ranges of potential losses. We believe that the outcomes of our litigation and regulatory matters are not likely, either individually or in the aggregate, to have a material adverse effect on our consolidated financial statements. However, given the large or indeterminate amounts and/or other remedies sought in certain of these matters and the inherent unpredictability of litigation and regulatory matters, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the way we conduct our business and our financial condition, liquidity or consolidated financial statements in particular quarterly or annual periods. For a more detailed discussion of certain current litigation and other proceedings please refer to the discussion under “Item 3: Legal Proceedings” of this Form 10-K.

Downgrades or withdrawals of debt and financial strength ratings could result in an increase in policy surrenders and withdrawals, adversely affect relationships with distributors, reduce new sales, limit our ability to trade in derivatives and increase our costs of, or reduce our access to, future borrowings.

Rating agencies assign Phoenix Life and its insurance company subsidiaries financial strength ratings, and assign us debt ratings, based in each case on their opinions of the Company’s or Phoenix Life’s ability to meet their respective financial obligations.

Our ratings relative to other companies in the industry affect our competitive position. The Company, its insurance company subsidiaries and their securities have been placed on negative credit ratings watch and/or downgraded or withdrawn by certain rating agencies in connection with the events which caused the need for the Restatements and the failure to timely file the 2012 Form 10-K, the 2013 Form 10-K and certain of our other previously delayed SEC reports. These developments and any other events that could affect the ability of the Company to pay claims may cause downgrades or withdrawals which may cause reputational damage. This could materially and adversely affect our ability to distribute our products through unaffiliated third parties, new sales of our products, the persistency of existing customers, increase policy surrenders and withdrawals and our ability to borrow. We cannot predict what actions rating agencies may take, or what actions we may take in response. At this time, we cannot estimate the impact of specific future rating agency actions on sales or persistency.

In light of the difficulties experienced by many financial institutions, including insurance companies, rating agencies have increased the frequency and scope of their credit reviews and requested additional information from the companies that they rate, including us. They may also adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels.

Our actuarial reserve calculations, particularly for universal life death benefits and guaranteed annuity benefits, require many assumptions and significant management judgment, which, if incorrect, could adversely affect our results of operations and financial condition.

We establish reserves to pay future policyholder benefits and claims. A significant proportion of our reserves do not represent policyholder funds but rather are actuarial estimates based on assumptions that include future premiums, benefits, claims, expenses, interest credits, investment results (including equity market returns), mortality, morbidity and persistency. As a result, we cannot be certain that the assets supporting our policy liabilities, together with future premiums, will be sufficient for payment of benefits and claims. If, in the future, we determine this to be the case, we would need to increase our reserves in the period in which we make the determination, which would adversely affect our results of operations and financial condition.

We may experience losses if capital market conditions, mortality or longevity experience, policyholder behavior (e.g., persistency, premium payments, benefit utilization rates) or other factors differ significantly from the assumptions that we used in pricing products or that are reflected in our current financial results.

We set prices for our insurance and annuity products based upon capital market assumptions, expected mortality or longevity and expected policyholder behavior. For capital market assumptions such as equity market returns and investment portfolio yields we use current market observations, historical information and management judgment. For mortality and longevity rates we use standard actuarial tables, company experience and management judgment. For policyholder behavior assumptions we use available industry and company data. Assumptions used in pricing our products generally are consistent with assumptions used to initially determine the amortization of deferred policy acquisition costs. Adverse experience relative to these assumptions could have a material adverse effect on our results from operations and financial condition.

Recent trends in the life insurance industry may affect our mortality, persistency and funding levels. The evolution of the financial needs of policyholders and the emergence of a secondary market for life insurance and increased availability and subsequent contraction of premium financing suggest that the reasons for some purchases of our products changed. At the same time, prior to 2009, we experienced an increase in life insurance sales to older individuals. While we instituted certain controls and procedures to screen applicants, we believe that our sales of universal life products include sales of policies to third-party investors who, at the time of policy origination, had no insurable interest in the insured.

Deviations in experience from our pricing assumptions have had, and could continue to have, an adverse effect on the profitability of certain universal life products. Most of our current products permit us to increase charges and adjust crediting rates during the life of the policy or contract (subject to guarantees in the policies and contracts). However, most of our contracts are currently at or close to their minimum guaranteed crediting rates. In 2011 and 2010, we implemented increases in the cost of insurance (“COI”) rates for certain universal life policies. However, these and any other permitted adjustments do not allow us to recoup past losses and may not be sufficient to maintain profitability in the future. In addition, increasing charges on in force policies or contracts may adversely affect our relationships with distributors, future sales and surrenders. Furthermore, some of our in force business consists of products that do not permit us to adjust the charges and credited rates of in force policies or contracts.

Our fixed indexed annuity products have required us to make pricing assumptions about the behavior of policyholders in a market segment with which we are not historically familiar and for product features for which there is limited long-term industry experience. In particular, if our pricing assumptions with respect to persistency and benefit utilization in the future prove inaccurate, we may experience an adverse impact on our results of operations or financial condition.

Adverse experience relative to our pricing assumptions could also result in higher amortization of deferred policy acquisition costs. The recovery of deferred policy acquisition costs is dependent upon the future profitability of the related business. See “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Estimates” in this Form 10-K. If our estimates of future gross profits or margins cannot support the continued amortization or recovery of deferred policy acquisition costs the amortization of such costs is accelerated in the period in which the pricing assumptions are changed, resulting in an “unlocking” charge to income. Such adjustments may in the future have a material adverse effect on our results of operations or financial condition.

Guaranteed benefits within our products that protect policyholders against significant downturns in equity markets may decrease our earnings, increase the volatility of our results if hedging strategies prove ineffective, result in higher hedging costs and expose us to increased counterparty risk, which may have a material adverse effect on our results of operations, financial condition and liquidity.

Certain of our products include guaranteed benefits. These include GMDBs, GMABs, GMWBs and GMIBs. Periods of significant and sustained downturns in equity markets, increased equity volatility or reduced interest rates could result in an increase in the valuation of the future policy benefit associated with such products, resulting in a reduction to earnings. We use derivative instruments to hedge the liability exposure and the volatility of earnings associated with some of these liabilities and, even when these and other actions would otherwise successfully mitigate the risks related to these benefits, we remain liable for the guaranteed benefits in the event that derivative counterparties are unable or unwilling to pay. In addition, we are subject to the risk that hedging and other management procedures prove ineffective or that unanticipated policyholder behavior, including lower withdrawals or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed. Hedging instruments we hold to manage product and other risks have not, and may continue to not, perform as intended or expected, resulting in higher realized losses. Market conditions can also result in losses on product related hedges and such losses may not be recovered in the pricing of the underlying products being hedged. These factors, individually or collectively, may adversely affect our profitability, financial condition or liquidity.

Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risk, which could adversely affect our businesses or result in losses.

We have devoted significant resources to develop and periodically update our risk management policies and procedures to reflect our ongoing review of our risks. However, our policies and procedures to monitor and manage risks may not be fully effective and may leave us exposed to unidentified and unanticipated risks. We use models in many aspects of our operations, including but not limited to the pricing of products, estimation of actuarial reserves, amortization of deferred policy acquisition costs and the valuation of certain other assets and liabilities. These models rely on assumptions and projections that are inherently uncertain. In addition, the risk of a natural or man-made catastrophe, pandemic, malicious act, terrorist act, or the occurrence of climate change, could adversely affect mortality, morbidity, or other relevant factors and, as a result, have a significant negative impact on our business. Our risk management efforts and other precautionary plans and activities may not adequately predict the impact on our business from such events.

Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. Past or future misconduct by our employees or employees of our vendors could result in violations of law by us, regulatory sanctions and/or serious reputational or financial harm and the precautions we take to prevent and detect this activity may not be effective in all cases. A failure of our computer systems or a compromise of their security could also subject us to regulatory sanctions or other claims, harm our reputation, interrupt our operations and adversely affect our business, results of operations or financial condition.

Our statutory capital could decrease or our capital requirements could increase and adversely affect our business.

We conduct the majority of our business through Phoenix Life and its indirect subsidiary, PHL Variable. Accounting standards and statutory capital and reserve requirements for these entities are prescribed by their respective insurance regulators and the NAIC. In addition, NAIC regulations define minimum RBC requirements relating to insurance, business, asset and interest rate risks, which are intended to be used by insurance regulators to identify deteriorating or weakly capitalized companies. Separately, some rating agencies have their own capital models that are used to assess capital adequacy as part of the rating process.

Statutory surplus and regulatory or capital requirements may increase or decrease due to a variety of factors, including but not limited to the following: the amount of statutory income generated by our insurance company subsidiaries, changes in interest rates and equity market levels, unrealized gains or losses on equity and certain fixed income holdings, unrealized gains or losses on derivatives, changes in the credit quality of our fixed income investments, changes in policy reserves, funding requirements of our pension plan, additional reserve requirements as a result of annually required asset adequacy testing, changes in the capital models or applicable risk factors and changes in statutory accounting rules or regulatory determinations. Most of these factors are outside of our control. One or more of these factors could significantly decrease statutory surplus or increase required RBC. If so, we could experience downgrades, loss of distribution relationships, higher surrenders and increased regulatory supervision.

We may be unsuccessful in our efforts to generate earnings growth in new market segments, particularly the sale of fixed indexed annuities to middle market customers.

We are implementing a business plan that leverages existing product manufacturing strengths and partnering capabilities to focus new business development in areas that are less capital intensive and appeal to distributors with middle market clients. We have limited experience in the middle market and in the design and sale of fixed indexed annuities. These products have required us to institute new processes for ensuring product suitability, executing hedges using derivatives and processing transactions. In addition, the ultimate profitability of these products is significantly influenced by future investment earnings, policy holder behavior and estimates of longevity. If the new risk management processes we designed prove inadequate, or if future investment earnings, policyholder behavior or longevity differs significantly from expectations, our results from operations may be adversely affected and our growth may not be sustained.

Our valuation of debt securities and equity securities may include methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may materially and adversely affect our results of operations and financial condition.

We record debt and equity securities at fair value on our consolidated balance sheets. During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, the valuation of securities may require the adoption of certain estimates and assumptions. In addition, prices provided by independent broker quotes or independent pricing services that are used in the determination of fair value can vary significantly for a particular security. As a result, valuations may include inputs and assumptions that require greater estimation and judgment as well as valuation methods which are more complex. These values may not be ultimately realizable in a market transaction and may change very rapidly as market conditions change or assumptions are modified. Significant changes in value may have a material adverse effect on our results of operations and financial condition.

In addition, a decline in fair value below the amortized cost of a security requires management to assess whether an other-than-temporary impairment (“OTTI”) has occurred. The decision on whether to record an OTTI or write-down is determined in part by our assessment of the financial condition and prospects of a particular issuer, projections of future cash flows and recoverability of the particular security as well as management’s assertion of whether it is more likely than not that we will sell the securities before recovery. See “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Estimates” in this Form 10-K for further information regarding our impairment decision-making process. Management’s determination of whether a decline in value is other-than-temporary includes our analysis of the underlying credit and our intention and ability not to have to sell the security, versus the extent and duration of a decline in value. Our conclusions on such assessments may ultimately prove to be incorrect as facts and circumstances change, which could result in a material adverse effect on our results of operation and financial condition.

We may incur losses if our reinsurers are unwilling or unable to meet their obligations under reinsurance agreements. The availability, pricing and terms of reinsurance may not be sufficient to protect us against losses.

We use reinsurance agreements to limit potential losses, reduce exposure to larger risks and provide capital relief with regard to certain reserves. Under these reinsurance arrangements, other insurers assume a portion of our losses and related expenses; however, we remain liable as the direct insurer on all risks reinsured. Consequently, reinsurance arrangements do not eliminate our obligation to pay claims and we assume credit risk with respect to our ability to recover amounts due from our reinsurers. Although we regularly evaluate the financial condition of our reinsurers, the inability or unwillingness of any reinsurer to meet its financial obligations could negatively affect our operating results. In addition, market conditions beyond our control determine the availability and cost of reinsurance. No assurances can be made that reinsurance will remain available to the same extent and on the same terms and rates as have been historically available. If we are unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient and at prices that we consider acceptable, we would have to either accept an increase in our net exposure or develop other alternatives to reinsurance. Any of these alternatives may adversely affect our business, financial condition or operating results.

We might be unable to attract or retain personnel who are key to our business.

The success of our business is dependent to a large extent on our ability to attract and retain key employees. Competition in the job market for senior executives and professionals such as sales personnel, technology professionals, finance, actuaries and investment professionals can be intense. In general, our employees are not subject to employment contracts or non-compete agreements. Difficulty in attracting and retaining employees could have a negative impact on us.

Our business operations and results could be adversely affected by inadequate performance of third-party relationships, including with respect to cyber security.

We are dependent on certain third-party relationships to maintain essential business operations. These services include, but are not limited to, information technology infrastructure including cyber security, application systems support, transfer agent and cash management services, custodial services, records storage management, backup tape management, security pricing services, medical information, payroll and employee benefit programs.

We periodically negotiate provisions and renewals of these agreements and there can be no assurance that their terms will remain acceptable to such third parties or us. An interruption in our continuing relationship with certain of these third parties or any material delay or inability to deliver essential services could materially affect our business operations and adversely affect our results of operations.

We face strong competition in our businesses from insurance companies and other financial services firms. If we are unable to price our products competitively or provide competitive service we could lose existing customers or fail to attract new customers.

We operate in a highly competitive industry. While there is no single company that we identify as a dominant competitor in our business, many of our competitors are substantially larger and enjoy better financial strength ratings, more financial resources and greater marketing and distribution capabilities. Our products compete with similar products sold by other insurance companies and also with savings and investment products offered by banks, asset managers, and broker-dealers. Larger competitors with better financial strength ratings, greater financial resources, marketing and distribution capabilities are better positioned competitively. Larger firms are also able to better withstand market disruption, offer more competitive pricing and more effectively access debt and equity capital. Moreover, a significant proportion of sales in the life insurance and annuity industries represent exchanges from one company's to another company's products. To the extent that a more competitive product alternative with better product features is offered by another company, we could experience higher policy surrenders.

If we fail to compete effectively in this environment, our results of operations and financial condition could be materially and adversely affected.

As a holding company, The Phoenix Companies, Inc., depends on the ability of its subsidiaries to transfer funds to meet its obligations and pay shareholder dividends.

The Phoenix Companies, Inc. is a holding company and has no operations of its own. Its ability to pay interest and principal on outstanding debt obligations and to pay dividends to shareholders and corporate expenses depends primarily upon the surplus and earnings of Phoenix Life and the ability of this subsidiary to pay dividends or to advance or repay funds. Payments of dividends and advances or repayment of funds by Phoenix Life are restricted by the applicable laws and regulations, including laws establishing minimum solvency and liquidity thresholds. Changes to these laws or the application or implementation of those laws by regulatory agencies could constrain the ability of the holding company to meet its debt obligations and corporate expenses.

In 2013 and 2014, The Phoenix Companies, Inc. made capital contributions for the benefit of PHL Variable Insurance Company and incurred significant restatement expenses related to audit, consulting and legal fees. The need for additional capital contributions to operating subsidiaries or an inability to reduce expenses at the holding company could constrain the ability of the holding company to meet its debt obligations.

We might need to fund deficiencies in our closed block, which would adversely impact results of operations and could also result in a reduction in investments in our ongoing business.

We have allocated assets to our closed block to produce cash flows that, together with additional revenues from the closed block policies, are reasonably expected to support our obligations relating to these policies. Our allocation of assets to the closed block was based on actuarial assumptions about the performance of policies in the closed block and the continuation of the non-guaranteed policyholder dividend scales in effect for 2000, as well as assumptions about the investment earnings the closed block assets will generate over time. Since actual performance is likely to be different from these assumptions, it is possible that the cash flows generated by the closed block assets and the anticipated revenues from the policies included in the closed block will prove insufficient to provide for the benefits guaranteed under these policies even if the non-guaranteed policyholder dividend scale were to be reduced. If this were to occur, we would have to fund the resulting shortfall from assets outside of the closed block, which could adversely affect our results of operations and reduce our ability to invest in other ongoing businesses.

Tax law and policy are frequently reviewed and changed by the Internal Revenue Service and Congress and future changes in laws or regulations could increase our tax costs and tax assets or make some of our products less attractive to consumers.

Significant and fundamental changes in U.S. federal income tax laws, U.S. Treasury and other regulations have been made in recent years and additional changes are likely. Any such change may affect us. Moreover, judicial decisions, regulations or administrative pronouncements could unfavorably affect our tax costs and tax assets or make certain of our products less attractive to consumers.

Certain products we offer, primarily life insurance and annuities, receive favorable tax treatment under current federal and state tax law. This favorable treatment may be considered as providing certain of our products a competitive tax advantage over non-insurance products. In particular, for individual owners of life insurance policies and annuity contracts, earnings credited to these policies and contracts are tax-deferred until such time as the amounts are withdrawn from the policies or contracts. This differs from the treatment of dividend or interest earnings on other investments. Moreover, for life insurance, the death benefit proceeds are often received tax-free. While an increasing proportion of our annuity contracts are issued in connection with Individual Retirement Accounts (“IRAs”), for which the tax-deferral benefit is the same regardless of whether the IRA is in connection with an annuity, annuities in IRAs often provide lifetime payout guarantees not offered by other IRA investments.

The tax consequences associated with our products could be altered at any time by legislative, judicial, or administrative action. Any such action that increases the taxation on our products or reduces the taxation on competing products could lessen the advantage or create a disadvantage for certain of our products making them less competitive.

In the recent past, there have been proposals to modify the tax treatment of IRAs, including one that would result in more rapid taxation of after-death distributions. These proposals do not target annuities in IRAs, but would impact all IRAs to the same extent. As a result, many of the competing IRA investment options would also be impacted.

With respect to life insurance company taxation, the administration's budget proposals in recent years have included changes in the computation of the dividends received deduction relative to both general account and separate account dividends. If enacted, these actions could increase our taxable income and unfavorably impact our tax provision allocated to continuing operations, which would reduce our consolidated net income. The current administration has proposed certain other changes which, if adopted, could have a material adverse effect on our financial position and our ability to sell our products and could result in the surrender of some existing contracts and policies.

We also benefit from certain tax provisions available to most insurance corporations, including but not limited to, tax-exempt bond interest, dividends-received deductions, tax credits (such as foreign tax credits) and insurance reserve deductions. Congress, as well as foreign, state and local governments, also considers from time to time legislation that could modify or eliminate these benefits, as well as other corporate tax provisions, thereby increasing our tax costs. If such legislation were to be adopted, our consolidated balance sheet and results of operations could be adversely impacted.

We cannot predict whether any relevant tax legislation will be enacted, what the impact of such legislation would be on our tax costs and sales of our products, what the specific terms of any such legislation will be or whether any such legislation would have a material adverse effect on our financial condition and results of operations.

Federal and state regulation may increase our cost of doing business, impose additional reserve or capital requirements, levy financial assessments, or constrain our operating and financial flexibility, any of which could adversely affect our business, results of operations, financial condition or liquidity.

We are subject to extensive laws and regulations administered and enforced by a number of different governmental authorities including state insurance regulators, state securities administrators, the SEC, the New York Stock Exchange, the Financial Industry Regulatory Authority, the U.S. Department of Justice, state attorneys general and foreign regulators. In light of recent events involving certain financial institutions and the last recession, the U.S. government has heightened its oversight of the financial services industry. In addition, it is possible that these authorities may adopt enhanced or new regulatory requirements intended to prevent future crises in the financial services industry and to assure the stability of institutions under their supervision. We cannot estimate whether such regulatory proposals will be adopted, or what impact, if any, such regulation could have on our business, consolidated operating results, financial condition or liquidity.

Each of the authorities that regulates us exercises a degree of interpretive latitude. Consequently, we are subject to the risk that compliance with any particular regulator's or enforcement authority's interpretation of a legal issue may not result in compliance with another regulator's or enforcement authority's interpretation of the same issue, particularly when compliance is judged in hindsight. In addition, there is risk that any particular regulator's or enforcement authority's interpretation of a legal issue may change over time to our detriment, or that changes in the overall legal environment may, even absent any particular regulator's or enforcement authority's interpretation of a legal issue changing, cause us to change our views regarding the actions we need to take from a legal risk management perspective, thus necessitating changes to our practices that may, in some cases, limit our ability to grow and improve the profitability of our business.

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"), which implements significant changes in the financial regulatory landscape and will impact institutions operating in many segments of the financial services industry, including the Company. Although certain provisions became effective immediately, many of the Act's provisions require adoption of rules that will govern implementation. The Act may, among other things, increase our regulatory compliance burden by requiring us to invest management attention and resources to evaluate and make necessary changes to our policies and procedures and the manner in which we conduct our business. The U. S. government has created the Federal Insurance Office ("FIO") under the Act as a branch of the U. S. Treasury Department. Under its charge to improve consumer protection, the FIO may regulate actual product design and mandate additional disclosure rules. We are uncertain as to the impact that this new legislation and regulatory guidance will have on the Company and cannot assure that it will not adversely affect our financial condition and results of operations.

State insurance laws regulate most aspects of our U.S. insurance businesses, and our insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled and licensed. State insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. State laws in the U.S. grant insurance regulatory authorities broad administrative powers with respect to, among other things:

- Financial considerations, including standards of solvency, statutory reserves, reinsurance and capital adequacy;
- Trade practices, market conduct and licensing of companies and agents;
- Mandating certain insurance benefits and regulating certain premium rates;
- Approval of policy forms and certain other related materials;
- Permitted types and concentration of investments;
- Permitted dividends or other distributions, as well as transactions between affiliates and changes in control; and
- Approval of interest payments on surplus notes.

Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the insurer and thus could have a material adverse effect on our business, consolidated operating results, financial condition and liquidity. Compliance with these laws and regulations is also time consuming and personnel-intensive, and changes in these laws and regulations may increase our direct and indirect compliance costs and other expenses of doing business, thus having an adverse effect on our business, consolidated operating results, financial condition and liquidity.

Regulatory actions or examinations could result in financial losses or harm to our businesses.

Various regulatory bodies regularly make inquiries of us and, from time to time, conduct examinations or investigations concerning our compliance with, among other things, insurance laws, securities laws and laws governing the activities of broker-dealers. During the past several years, there has been a significant increase in federal and state regulatory activity relating to financial services companies, with a number of recent regulatory inquiries focusing on valuation and COI increase issues. Financial services companies also have been the subject of broad industry inquiries by state regulators and attorneys general which do not appear to be company-specific, such as business practices upon notification of death. We continue to cooperate with the applicable regulatory authorities in these matters. We may be subject to further related or unrelated inquiries or actions in the future. In light of recent events involving certain financial institutions, the U.S. government has heightened its oversight of the financial services industry in general and of the insurance industry in particular. Further, recent adverse economic and market events may have the effect of encouraging litigation, arbitration and regulatory action in response to the increased frequency and magnitude of investment losses, which may result in unfavorable judgments, awards and settlements, regulatory fines and an increase in our related legal expenses.

It is not feasible to predict or determine the ultimate outcome of regulatory proceedings or to provide reasonable ranges of potential losses. We believe that the outcomes of regulatory matters are not likely, either individually or in the aggregate, to have a material adverse effect on our consolidated financial condition. However, given the inherent unpredictability of regulatory matters, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our consolidated financial statements in particular quarterly or annual periods.

We could have material losses in the future from our discontinued reinsurance business.

In 1999, we discontinued our reinsurance operations through a combination of sale, reinsurance and placement of certain retained group accident and health reinsurance business into run-off. We adopted a formal plan to stop writing new contracts covering these risks and to end the existing contracts as soon as those contracts would permit. However, we remain liable for claims under contracts which have not been commuted.

We have established reserves for claims and related expenses that we expect to pay on our discontinued group accident and health reinsurance business. These reserves are based on currently known facts and estimates about, among other things, the amount of insured losses and expenses that we believe we will pay, the period over which they will be paid, the amount of reinsurance we believe we will collect from our retrocessionaires and the likely legal and administrative costs of winding down the business.

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We expect our reserves and reinsurance to cover the run-off of the business; however, the nature of the underlying risks is such that the claims may take years to reach the reinsurers involved. Therefore, we expect to pay claims out of existing estimated reserves as the level of business diminishes. In addition, unfavorable or favorable claims and/or reinsurance recovery experience is reasonably possible and could result in our recognition of additional losses or gains in future years. In establishing our reserves described above for the payment of insured losses and expenses on this discontinued business, we have made assumptions about the likely outcome of the disputes referred to above, including an assumption that substantial recoveries would be available from our reinsurers on all of our discontinued reinsurance business. However, the inherent uncertainty of arbitrations and lawsuits, including the uncertainty of estimating whether any settlements we may enter into in the future would be on favorable terms, makes it hard to predict outcomes with certainty. Given the need to use estimates in establishing loss reserves, our actual net ultimate exposure likely will differ from our current estimate. If future facts and circumstances differ significantly from our estimates and assumptions about future events with respect to our discontinued reinsurance business, our current reserves may need to be increased materially, with a resulting material adverse effect on our results of operations and financial condition.

Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements.

Our financial statements are subject to the application of U.S. GAAP, which is periodically revised and/or expanded. Accordingly, from time to time we are required to adopt new or revised accounting standards or guidance issued by recognized authoritative bodies, including the Financial Accounting Standards Board.

It is possible that future accounting standards which we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could significantly affect our reported financial condition and results of operations. See Note 3 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data - Adoption of New Accounting Standards” in this Form 10-K for additional information.

Item 1B. Unresolved Staff Comments

As of December 31, 2014, the Company had no unresolved SEC staff comments regarding its periodic or current reports.

Item 2. Properties

Our executive headquarters consist of our main office building at One American Row in Hartford, Connecticut, which we own and occupy. As of December 31, 2014, we also leased space in one garage in Hartford, Connecticut for employee parking. Property is also leased for our home office in East Greenbush, New York.

Item 3. Legal Proceedings

The Company is regularly involved in litigation and arbitration, both as a defendant and as a plaintiff. The litigation and arbitration naming the Company as a defendant ordinarily involves our activities as an insurer, employer, investor, investment advisor or taxpayer.

It is not feasible to predict or determine the ultimate outcome of all legal or arbitration proceedings or to provide reasonable ranges of potential losses. Management of the Company believes that the outcome of our litigation and arbitration matters described below are not likely, either individually or in the aggregate, to have a material adverse effect on the financial condition of the Company. However, given the large or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation and arbitration, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the results of operations or cash flows in particular quarterly or annual periods.

SEC Cease-and-Desist Order

Phoenix and PHL Variable are subject to a Securities and Exchange Commission (the “SEC”) Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order, which was approved by the SEC in March 2014 (the “March 2014 Order”) and was subsequently amended by an amended SEC administrative order approved by the SEC in August 2014 (the March 2014 Order, as amended, the “Amended Order”). The Amended Order and the March 2014 Order (collectively, the “Orders”), directed Phoenix and PHL Variable to cease and desist from committing or causing any violations and any future violations of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder and Section 15(d) of the Exchange Act and Rules 15d-1 and 15d-13 thereunder. Phoenix and PHL Variable remain subject to these obligations. Pursuant to the Orders, Phoenix and PHL Variable were required to file certain periodic SEC reports in accordance with the timetables set forth in the Orders. All of such filings have been made. Phoenix and PHL Variable paid civil monetary penalties to the SEC in the aggregate amount of \$1.1 million pursuant to the terms of the Orders.

Cases Brought by Policy Investors

On June 5, 2012, Wilmington Savings Fund Society, FSB, as successor in interest to Christiana Bank & Trust Company and as trustee of 60 unnamed trusts, filed suit against Phoenix, Phoenix Life and PHL Variable in the United States District Court for the Central District of California; the case was later transferred to the District of Delaware (C.A. No. 13-499-RGA) by order dated March 28, 2013. After the plaintiffs twice amended their complaint, and dropped Phoenix as a defendant and dropped one of the plaintiff Trusts, the court issued an order on April 9, 2014 dismissing seven of the ten counts, and partially dismissing two more, with prejudice. The court dismissed claims alleging that Phoenix Life and PHL Variable committed RICO violations and fraud by continuing to collect premiums while concealing an intent to later deny death claims. The claims that remain in the case seek a declaration that the policies at issue are valid, and damages relating to cost of insurance increases. This case has been settled, and the settlement does not have a material impact on Phoenix’s financial statements.

On August 2, 2012, Lima LS PLC filed a complaint against Phoenix, Phoenix Life, PHL Variable, James D. Wehr, Philip K. Polkinghorn, Edward W. Cassidy, Dona D. Young and other unnamed defendants in the United States District Court for the District of Connecticut (Case No. CV12-01122). On July 1, 2013, the defendants’ motion to dismiss the complaint was granted in part and denied in part. Thereafter, on July 31, 2013, the plaintiff served an amended complaint against the same defendants, with the exception that Mr. Cassidy was dropped as a defendant. The plaintiffs allege that Phoenix Life promoted certain policy sales knowing that the policies would ultimately be owned by investors and then challenging the validity of these policies or denying claims submitted on these policies. Plaintiffs are seeking damages, including punitive and treble damages, attorneys’ fees and a declaratory judgment. We believe we have meritorious defenses against this lawsuit and we intend to vigorously defend against these claims. The outcome of this litigation and any potential losses are uncertain.

Cost of Insurance Cases

On November 18, 2011, Martin Fleisher and another plaintiff (the “Fleisher Litigation”), on behalf of themselves and others similarly situated, filed suit against Phoenix Life in the United States District Court for the Southern District of New York (C.A. No. 1:11-cv-08405-CM-JCF (U.S. Dist. Ct; S.D.N.Y.)) challenging COI rate adjustments implemented by Phoenix Life in 2010 and 2011, which Phoenix Life maintains were based on policy language permitting such adjustments. By order dated July 12, 2013, two separate classes were certified in the Fleisher Litigation; by subsequent order dated August 26, 2013, the court decertified one of the classes. The complaint seeks damages for breach of contract. The class certified in the court’s July 12, 2013 order, as limited by the court’s August 26, 2013 order, is limited to holders of Phoenix Life policies issued in New York subject to New York law and subject to Phoenix Life’s 2011 COI rate adjustment. By order dated April 29, 2014, the court denied Martin Fleisher’s motion for summary judgment in the Fleisher Litigation in its entirety, while granting in part and denying in part Phoenix Life’s motion for summary judgment.

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Phoenix Life's subsidiary, PHL Variable, has been named as a defendant in six actions challenging its COI rate adjustments implemented concurrently with the Phoenix Life adjustments. Five cases have been brought against PHL Variable, while one case has been brought against PHL Variable and Phoenix Life. These six cases, only one of which is styled as a class action, have been brought by (1) Tiger Capital LLC (C.A. No. 1:12-cv-02939-CM-JCF; U.S. Dist. Ct; S.D.N.Y., complaint filed on March 14, 2012; the "Tiger Capital Litigation"); (2-5) U.S. Bank National Association, as securities intermediary for Lima Acquisition LP ((2: C.A. No. 1:12-cv-06811-CM-JCF; U.S. Dist. Ct; S.D.N.Y., complaint filed on November 16, 2011; 3: C.A. No. 1:13-cv-01580-CM-JCF; U.S. Dist. Ct; S.D.N.Y., complaint filed on March 8, 2013; collectively, the "U.S. Bank N.Y. Litigations"); (4: C.A. No. 3:14-cv-00555-WWE; U.S. Dist. Ct; D. Conn., complaint originally filed on March 6, 2013, in the District of Delaware and transferred by order dated April 22, 2014, to the District of Connecticut; and 5: C.A. No. 3:14-cv-01398-WWE, U.S. Dist. Ct; D. Conn., complaint filed on September 23, 2014, and amended on October 16, 2014, to add Phoenix Life as a defendant (collectively the "U.S. Bank Conn. Litigations")); and (6) SPRR LLC (C.A. No. 1:14-cv-8714; U.S. Dist. Ct.; S.D.N.Y., complaint filed on October 31, 2014; the "SPRR Litigation"). SPRR LLC filed suit against PHL Variable, on behalf of itself and others similarly situated, challenging COI rate adjustments implemented by PHL Variable in 2011.

The Tiger Capital Litigation and the two U.S. Bank N.Y. Litigations were assigned to the same judge as the Fleisher Litigation, and discovery in these four actions has concluded. By orders in both U.S. Bank N.Y. Litigations dated May 23, 2014, the court denied U.S. Bank's motions for summary judgment in their entirety, while granting in part and denying in part PHL Variable's motions for summary judgment. U.S. Bank moved for reconsideration of the court's summary judgment decisions in the U.S. Bank N.Y. Litigations, which the court denied by orders dated June 4, 2014. By order in the Tiger Capital Litigation dated July 23, 2014, the court denied Tiger Capital's motion for summary judgment in its entirety, while granting in part and denying in part PHL Variable's motion for summary judgment. Plaintiff in the Tiger Capital Litigation seeks damages for breach of contract. Plaintiff in the U.S. Bank N.Y. Litigations and the U.S. Bank Conn. Litigations seeks damages and attorneys' fees for breach of contract and other common law and statutory claims. The plaintiff in the SPRR Litigation seeks damages for breach of contract for a nationwide class of policyholders.

The Fleisher Litigation, the U.S. Bank N.Y. Litigations and the Tiger Capital Litigation are scheduled for consecutive trials commencing on June 15, 2015.

Complaints to state insurance departments regarding PHL Variable's COI rate adjustments have also prompted regulatory inquiries or investigations in several states, with two of such states (California and Wisconsin) issuing letters directing PHL Variable to take remedial action in response to complaints by a single policyholder. PHL Variable disagrees with both states' positions. On March 23, 2015, an Administrative Law Judge ("ALJ") in Wisconsin ordered PHL Variable to pay restitution to current and former owners of seven policies and imposed a fine on PHL Variable which, in a total amount, does not have a material impact on PHL Variable's financial position (Office of the Commissioner of Insurance Case No. 13- C35362). PHL Variable disagrees with the ALJ's determination and intends to appeal the order.

Phoenix Life and PHL Variable believe that they have meritorious defenses against all of these lawsuits and regulatory directives and intend to vigorously defend against them, including by appeal if necessary. The outcome of these matters is uncertain and any potential losses cannot be reasonably estimated.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market

Shares of our common stock trade on the New York Stock Exchange under the ticker symbol “PNX”. As of March 25, 2015, there were 96,598 registered holders of our common stock.

Unregistered Shares

We issued the following shares of common stock to eligible policyholders of Phoenix Life, effective as of June 25, 2001, in connection with Phoenix Life’s demutualization on that date: 2,808,719 shares in 2001 and 275 shares in the 13 years ended December 31, 2014. We issued these shares in exchange for their membership interests without registration in reliance on an applicable exemption from registration under the Securities Act of 1933, as amended (the “Securities Act”).

Throughout 2014, we issued an aggregate of 13,063 restricted stock units (“RSUs”) to eight of our nine independent directors who served during the year in lieu of current compensation as elected by the directors, without registration in reliance on an applicable exemption from registration under Section 4(2) and Regulation D of the Securities Act. Each of the RSUs is potentially convertible into one share of our common stock.

Please note that these share and RSU amounts for all periods reflect the 1-for-20 reverse stock split, which was effective August 10, 2012. See Note 10 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information on the reverse stock split.

Securities Authorized for Issuance Under Equity Compensation Plans

The Company has compensation plans under which equity securities of the Company are authorized for issuance. See “Item 12: Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” in this Form 10-K.

Stock Price

The following table presents the intraday high and low per share prices for our common stock on the New York Stock Exchange for each fiscal quarter during the years 2014 and 2013. The closing price of our common stock was \$68.87 per share at December 31, 2014.

	2014		2013	
	High	Low	High	Low
First Quarter	\$ 61.40	\$ 41.22	\$ 31.15	\$ 24.26
Second Quarter	\$ 56.61	\$ 38.07	\$ 44.78	\$ 26.03
Third Quarter	\$ 64.89	\$ 46.47	\$ 43.60	\$ 36.19
Fourth Quarter	\$ 70.92	\$ 51.45	\$ 61.54	\$ 35.25

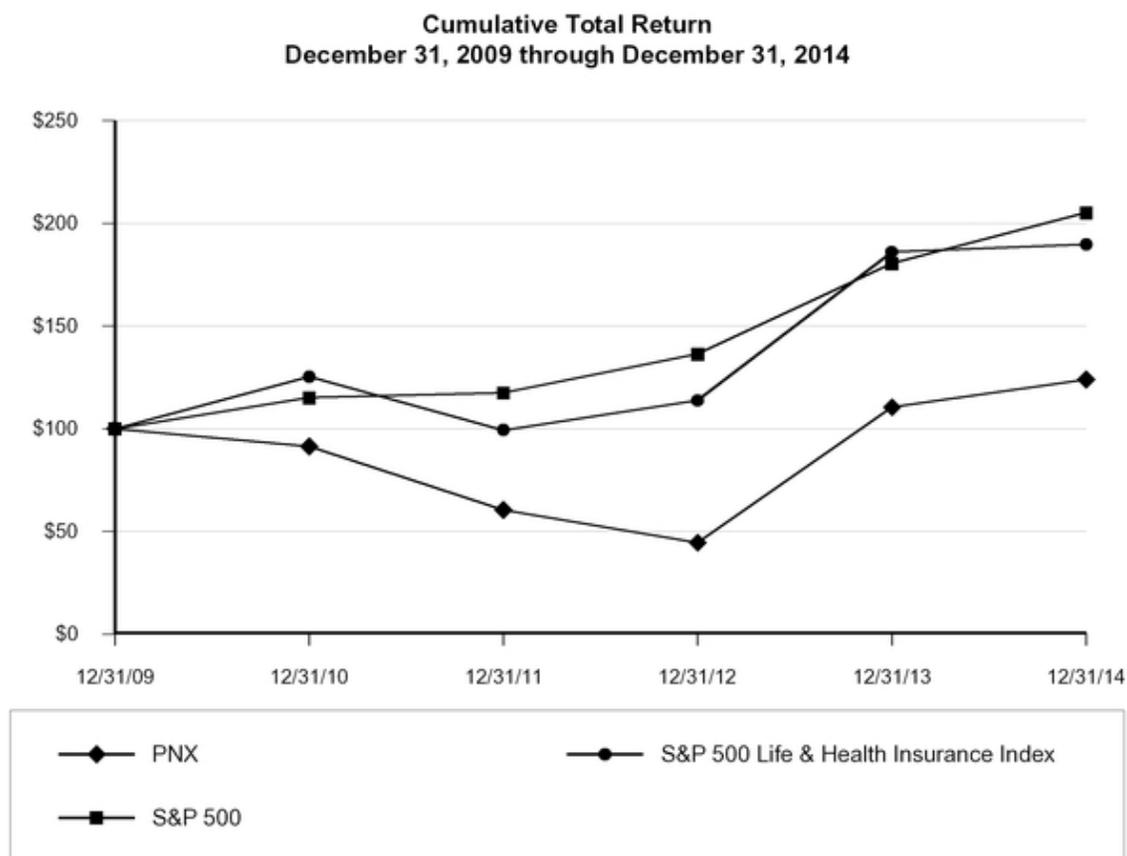
Dividends

In 2014, 2013 and 2012, we did not pay any stockholder dividends.

Stock Performance

The following graph compares the cumulative total return on PNX Common Stock with the cumulative total returns of the Standard & Poor’s 500 Stock Index and the Standard & Poor’s 500 Life and Health Insurance Index for the period December 31, 2009 through December 31, 2014.

The indices assume that \$100 was invested on December 31, 2009, with dividends being reinvested.



Item 6. Selected Financial Data

Our selected historical consolidated financial data as of and for each of the five years in the period ended December 31, 2014 is reflected in the schedule that follows. We obtained the balance sheet data for the years ended December 31, 2014 and 2013 and the income statement data for the years ended December 31, 2014, 2013 and 2012 from our audited consolidated financial statements in this Form 10-K. The selected consolidated financial data as of and for the years ended December 31, 2011 and 2010 has been obtained from our consolidated financial statements which are not contained in this report. Our historical results should not be viewed as indicative of results expected for any future period.

We prepared the following financial data, other than statutory data, in conformity with U.S. GAAP. We derived the statutory data from the Annual Statements of our Life Companies as filed with state insurance regulatory authorities and prepared it in accordance with statutory accounting practices prescribed or permitted by state insurance regulators, which vary in certain material respects from U.S. GAAP.

The following should be read in conjunction with “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements in this Form 10-K.

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Selected Financial Data:
(\$ in millions, except per share data)

	For the years ended December 31,				
	2014	2013	2012	2011	2010
		As restated	As revised	As revised	As revised
Income Statement Data [1]					
Premiums	\$ 332.1	\$ 351.6	\$ 402.3	\$ 449.4	\$ 507.9
Fee income	545.1	550.3	556.0	596.9	633.6
Net investment income	830.9	789.7	827.8	824.0	841.3
Net realized investment gains (losses):					
Total OTTI losses	(7.7)	(7.0)	(50.8)	(65.8)	(107.7)
Portion of OTTI losses recognized in other comprehensive income ("OCI")	(0.4)	(4.8)	22.9	38.5	58.7
Net OTTI losses recognized in earnings	(8.1)	(11.8)	(27.9)	(27.3)	(49.0)
Net realized investment gains (losses), excluding OTTI losses	(33.1)	27.8	11.1	(5.3)	37.4
Net realized investment gains (losses)	(41.2)	16.0	(16.8)	(32.6)	(11.6)
Gain on debt repurchase	—	—	11.9	0.2	—
Total revenues	\$ 1,666.9	\$ 1,707.6	\$ 1,781.2	\$ 1,837.9	\$ 1,971.2
Total benefits and expenses	\$ 1,862.1	\$ 1,669.5	\$ 1,934.7	\$ 1,843.3	\$ 2,005.7
Income (loss) from continuing operations	\$ (205.7)	\$ 29.6	\$ (148.8)	\$ (17.8)	\$ (27.4)
Loss from discontinued operations, net of income taxes	(3.5)	(2.9)	(15.6)	(21.6)	(3.6)
Net income (loss)	(209.2)	26.7	(164.4)	(39.4)	(31.0)
Less: Net income (loss) attributable to noncontrolling interests	4.0	0.7	0.6	(0.5)	(0.5)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (213.2)	\$ 26.0	\$ (165.0)	\$ (38.9)	\$ (30.5)
Basic Income (Loss) Per Share [2]					
Income (loss) from continuing operations	\$ (36.48)	\$ 5.04	\$ (25.90)	\$ (2.98)	\$ (4.64)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (37.09)	\$ 4.53	\$ (28.60)	\$ (6.69)	\$ (5.26)
Diluted Income (Loss) Per Share [2]					
Income (loss) from continuing operations	\$ (36.48)	\$ 5.01	\$ (25.90)	\$ (2.98)	\$ (4.64)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (37.09)	\$ 4.51	\$ (28.60)	\$ (6.69)	\$ (5.26)
Dividends per share	\$ —	\$ —	\$ —	\$ —	\$ —
Balance Sheet Data					
Cash and investments	\$ 16,750.1	\$ 16,083.1	\$ 16,228.7	\$ 15,294.7	\$ 14,211.3
Total assets	\$ 21,745.9	\$ 21,641.1	\$ 21,634.9	\$ 21,491.9	\$ 21,126.7
Indebtedness	\$ 378.9	\$ 378.8	\$ 378.8	\$ 426.9	\$ 427.7
Total liabilities	\$ 21,399.3	\$ 21,039.8	\$ 21,123.5	\$ 20,800.5	\$ 20,322.9
Total stockholders' equity	\$ 346.6	\$ 601.3	\$ 511.4	\$ 691.4	\$ 803.8
Combined Statutory Data					
Premiums, deposits and fees [3]	\$ 1,258.5	\$ 1,201.6	\$ 1,379.0	\$ 1,508.0	\$ 1,226.1
Net income (loss)	\$ 91.1	\$ (108.1)	\$ 208.7	\$ 157.9	\$ 188.1
Capital and surplus [4]	\$ 609.2	\$ 597.0	\$ 793.6	\$ 728.8	\$ 658.5
Asset valuation reserve ("AVR") [5]	158.3	150.6	136.4	124.2	108.0
Capital, surplus and AVR	\$ 767.5	\$ 747.6	\$ 930.0	\$ 853.0	\$ 766.5

[1] The reclassification of PFG and PLARNY to discontinued operations has been reflected for all years.

- [2] All share amounts for all periods reflect the 1-for-20 reverse stock split, which was effective August 10, 2012. See Note 10 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information on the reverse stock split.
- [3] Premiums, deposits and fees for 2011 include a reduction in premiums (ceded premiums) of \$2,930.8 million related to the initial consideration of the Nomura closed block treaty. This was offset by \$2,637.8 million for modified coinsurance (“MODCO”) reserve adjustments, which also flow through revenue and are offset in this line item. The remaining \$293.0 million offset for the coinsurance portion was presented through benefits (ceded reserves).
- [4] In accordance with accounting practices prescribed by the NYDFS, Phoenix Life’s capital and surplus includes \$126.2 million, \$126.1 million, \$126.1 million, \$174.2 million and \$174.1 million of surplus notes outstanding at December 31, 2014, 2013, 2012, 2011 and 2010, respectively.
- [5] Amounts include both the Phoenix Life and PHL Variable AVR. AVR is a statutory reserve intended to mitigate changes to the balance sheet as a result of fluctuations in asset values.

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

FORWARD-LOOKING STATEMENTS

The discussion in this Form 10-K may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We intend for these forward-looking statements to be covered by the safe harbor provisions of the federal securities laws relating to forward-looking statements. These forward-looking statements include statements relating to trends in, or representing management's beliefs about our future transactions, strategies, operations and financial results and often contain words such as "will," "anticipate," "believe," "plan," "estimate," "expect," "intend," "is targeting," "may," "should" and other similar words or expressions. Forward-looking statements are made based upon management's current expectations and beliefs concerning trends and future developments and their potential effects on us. They are not guarantees of future performance. Our actual business, financial condition or results of operations may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties which include, among others: (A) risks related to the Restatements, failure to file timely periodic reports with the SEC and our internal control over financial reporting, which include (i) the presence of material weaknesses in our internal control over financial reporting, the potential failure to remediate material weaknesses in our internal control over financial reporting and that other material weaknesses may be identified in the future, which would adversely affect the accuracy and timing of our financial reporting; (ii) the extraordinary processes undertaken to effect the Restatements, including restatements of our insurance company subsidiaries, may not have been adequate to identify and correct all errors in our prior period financial statements and, as a result, we may discover additional errors and our financial statements remain subject to the risk of future restatement; (iii) the outcome of litigation and claims as well as regulatory examinations, investigations, proceedings and orders arising out of the Restatements and the failure by the Company and PHL Variable to have filed certain previously delayed SEC reports on a timely basis; (iv) further downgrades or withdrawals of our debt or financial strength credit ratings, which could increase policy surrenders and withdrawals, adversely affect our relationships with distributors, reduce new sales, limit our ability to trade in derivatives and increase our costs of, or reduce our access to, future borrowings; (v) our inability to hedge our positions due to our inability to replace hedges as a result of our credit rating; (vi) the incurrence of significant expenses, audit fees and consulting fees related to the restatement of our prior period financial statements; (vii) diversion of management and other human resources from the operation of our business; (viii) risks associated with PHL Variable's ability to timely file its Annual Report on Form 10-K for the year ended December 31, 2014, the PHL Variable Restatement, and PHL Variable's ability to amend and update its existing registration statements filed under the Securities Act and the Investment Company Act of 1940, as amended (the "Investment Company Act"), as well as risks associated with Phoenix Life's ability to amend and update its existing registration statements filed under the Securities Act and the Investment Company Act; (ix) risks associated with ongoing compliance obligations of the Company and PHL Variable under the SEC's Cease-and-Desist Order, dated March 21, 2014, as amended by the Amended Cease-and-Desist Order, dated August 1, 2014; (x) risk that the filing of single, multi-period comprehensive Annual Reports on Form 10-K to effect the Prior Phoenix Restatement and the PHL Variable Restatement did not satisfy our filing obligations and that we may be required to file additional reports to effect such restatements; and (xi) risks associated with our insurance company subsidiaries' failure to file certain reports with state regulatory authorities; (B) risks related to our business, which include (i) unfavorable general economic developments including, but not limited to, specific related factors such as the performance of the debt and equity markets; (ii) the potential adverse effect of interest rate fluctuations on our business and results of operations; (iii) the potential adverse effect of legal actions and proceedings inherent in our business on our results of operations, financial position, business or reputation; (iv) the impact on our results of operations and financial condition of any required increase in our reserves for future policyholder benefits and claims if such reserves prove to be inadequate; (v) the possibility that mortality rates, persistency rates, funding levels or other factors may differ significantly from our assumptions used in pricing products; (vi) the effect of guaranteed benefits within our products; (vii) potential exposure to unidentified or unanticipated risk that could adversely affect our businesses or result in losses; (viii) the consequences related to variations in the amount of our statutory capital could adversely affect our business; (ix) the possibility that we may not be successful in our efforts to implement a business plan focused on new market segments; (x) changes in our investment valuations based on changes in our valuation methodologies, estimations and assumptions; (xi) the availability, pricing and terms of reinsurance coverage generally and the inability or unwillingness of our reinsurers to meet their obligations to us specifically; (xii) our ability to attract and retain key personnel in a competitive environment and while delayed in our SEC reporting obligations; (xiii) our dependence on third parties to maintain critical business and administrative functions; (xiv) the strong competition we face in our business from banks, insurance companies and other financial services firms; (xv) our reliance, as a holding company, on dividends and other payments from our subsidiaries to meet our financial obligations and pay future dividends, particularly since our insurance subsidiaries' ability to pay dividends is subject to regulatory restrictions; (xvi) the potential need to fund deficiencies in our closed block; (xvii) changes in tax law and policy may affect us directly or indirectly through the cost of, the demand for or profitability of our products or services; (xviii) the possibility that federal and state regulation may increase our cost of doing business, impose additional reserve or capital requirements, levy financial assessments or constrain our operating and financial flexibility; (xix) regulatory actions or examinations may harm our business; (xx) potential future material losses from our discontinued reinsurance business; and (xxi) changes in accounting standards; and (C) other risks and uncertainties described herein or in any of our filings with the SEC. Certain other factors which may impact our business, financial condition or results of operations or which may cause actual results to differ from such forward-looking statements are discussed or included in our periodic reports filed with the SEC and are available on our website at www.phoenixwm.com under "Investor Relations." You are urged to carefully consider all such factors. We do not undertake or plan to update or revise forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections, or other circumstances occurring after the date of this Form 10-K, even if such results changes or circumstances make it clear that any forward-looking information will not be realized. If we make any future public statements or disclosures which modify or impact any of the forward-looking statements contained in or accompanying this Form 10-K, such statements or disclosures will be deemed to modify or supersede such statements in this Form 10-K.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section reviews our consolidated financial condition at December 31, 2014 and 2013; our consolidated results of operations for the years 2014, 2013 and 2012; and, where appropriate, factors that may affect our future financial performance. This discussion should be read in conjunction with "Item 6: Selected Financial Data" and our consolidated financial statements in this Form 10-K. We define increases or decreases greater than or equal to 200% as "NM" or not meaningful.

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During the Company's annual assumption review (or "Unlock") performed in the fourth quarter of 2014, management determined that certain components of the 2013 Unlock contained errors that were determined to be material to certain periods. The Company filed a Current Report on Form 8-K with the SEC on February 6, 2015 disclosing its conclusion that the financial statements of the Company for the year and three-months ended December 31, 2013 and the three-months ended June 30, 2014 as contained in its historical Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, should no longer be relied upon and should be restated. During the restatement process, the Company revised all other prior periods to correct all prior period errors, whether or not previously identified and disclosed. The impact of the restatement of the Company's consolidated financial statements is detailed in Note 2 "Restatement and Revision of Previously Reported Financial Information" to our consolidated financial statements and under "Item 8: Financial Statements and Supplementary Data" in this 2014 Form 10-K. The errors identified are in areas of internal control over financial reporting previously identified and disclosed by the Company as containing material weaknesses and have not resulted in the identification of any new material weaknesses. These weaknesses, an evaluation of the effectiveness of the Company's disclosure controls and procedures and the Company's remediation plans are more fully described in "Item 9A: Controls and Procedures" in Part II of this 2014 Form 10-K.

Overview

Business

The Phoenix Companies, Inc. ("we," "our," "us," the "Company," "PNX" or "Phoenix") is a holding company incorporated in Delaware. Our operating subsidiaries provide life insurance and annuity products through independent agents and financial advisors. Our policyholder base includes both affluent and middle market consumers, with our more recent business concentrated in the middle market. Most of our life insurance in force is permanent life insurance (whole life, universal life and variable universal life) insuring one or more lives. Our annuity products include fixed and variable annuities with a variety of death benefit and guaranteed living benefit options.

We believe our competitive strengths include:

- competitive and innovative products;
- underwriting and mortality risk management expertise;
- ability to develop business partnerships; and
- value-added support provided to distributors by our wholesalers and operating personnel.

In 2014, 99% of Phoenix product sales, as defined by total annuity deposits and total life premium, were annuities, and 93% of those sales were fixed indexed annuities. In addition, we have expanded sales of other insurance companies' policies through our distribution subsidiary, Saybrus Partners, Inc. ("Saybrus").

We operate two business segments: Life and Annuity and Saybrus. The Life and Annuity segment includes individual life insurance and annuity products, including our closed block. Saybrus provides dedicated life insurance and other consulting services to financial advisors in partner companies, as well as support for sales of Phoenix's product line through independent distribution organizations.

Earnings Drivers

A gradually declining amount of our Life and Annuity segment earnings are derived from the closed block, which consists primarily of participating life insurance policies sold prior to our demutualization and initial public offering in 2001. We do not expect the net income contribution from the closed block to deviate materially from its actuarially projected path as long as actual cumulative earnings continue to meet or exceed expected cumulative earnings. See Note 5 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K for additional information on the closed block.

Our Life and Annuity segment's profitability is driven by interaction of the following elements:

- *Fees on life and annuity products* consist primarily of: (i) COI charges, which are based on the difference between policy face amounts and the account values (referred to as the net amount at risk or "NAR"); (ii) asset-based fees (including mortality and expense charges for variable annuities) which are calculated as a percentage of assets under management within our separate accounts; (iii) premium-based fees to cover premium taxes and renewal commissions; and (iv) surrender charges.
- *Policy benefits* include death claims net of reinsurance cash flows, including ceded premiums and recoverables, interest credited to policyholders and changes in policy liabilities and accruals. Certain universal life reserves are based on management's assumptions about future COI fees and interest margins which, in turn, are affected by future premium payments, surrenders, lapses and mortality rates. Actual experience can vary significantly from these assumptions, resulting in greater or lesser changes in reserves. In addition, we regularly review and reset our assumptions in light of actual experience, which can result in material changes to these reserves. For fixed indexed annuities, policy benefits include the change in the liability associated with guaranteed minimum withdrawal benefits. Certain of our variable annuity contracts include guaranteed minimum death and income benefits. The change in the liability associated with these guarantees is included in policy benefits. The value of these liabilities is sensitive to changes in equity markets, equity market volatility and interest rates, as well as subject to management assumptions regarding future surrenders, rider utilization rates and mortality.

In addition, the universal life block of business has experience which produces profits in earlier periods followed by losses in later periods for which an additional liability is required to be held above the account value liability. These reserves for future losses are determined by accruing ratably over historical and anticipated positive income. The assumptions used in estimating these liabilities are subject to the same variability and risk, and these factors can vary significantly from period to period, particularly the impact from changes in interest rates.

- *Interest margins* consist of net investment income earned on universal life, fixed indexed annuities and other policyholder funds, gains on options purchased to fund index credits less the interest or index credits applied to policyholders on those funds. Interest margins also include investment income on assets supporting the Company's surplus.
- *Non-deferred operating expenses* are expenses related to servicing policies, premium taxes, reinsurance allowances, non-deferrable acquisition expenses and commissions and general overhead, including professional fees and outside consulting and legal services. They also include pension and other benefit costs which involve significant estimates and assumptions.
- *Deferred policy acquisition cost ("DAC") amortization* is based on the amount of expenses deferred, actual results in each quarter and management's assumptions about the future performance of the business. The amount of future profit or margin is dependent principally on investment returns in our separate accounts, interest and default rates, reinsurance costs and recoveries, mortality, surrender rates, premium persistency and expenses. These factors enter into management's estimates of gross profits or margins, which generally are used to amortize DAC. Actual equity market movements, net investment income in excess of amounts credited to policyholders, claims payments and other key factors can vary significantly from our assumptions, resulting in a change in estimated gross profits or margins, and a change in amortization, with a resulting impact to income. In addition, we regularly review and reset our assumptions in light of actual experience (or "unlock"), which can result in material changes in amortization for the period of the unlock.
- *Net realized investment gains or losses* related to investments and hedging programs include transaction gains and losses, OTTI and changes in the value of certain derivatives and embedded derivatives. Certain of our variable and fixed annuity contracts include guaranteed minimum withdrawal and accumulation benefits which are classified as embedded derivatives. The fair value of the embedded derivative liability is calculated using significant management estimates, including: (i) the expected value of index credits on the next policy anniversary dates; (ii) the interest rate used to project the future growth in the contract liability; (iii) the discount rate used to discount future benefit payments, which includes an adjustment for our credit worthiness; and (iv) the expected costs of annual call options that will be purchased in the future to fund index credits beyond the next policy anniversary. These factors can vary significantly from period to period.

- *Income tax expense/benefit* consists of both current and deferred tax provisions. The computation of these amounts is a function of pre-tax income and the application of relevant tax law and U.S. GAAP accounting guidance. In assessing the realizability of our deferred tax assets, we make significant judgments with respect to projections of future taxable income, the identification of prudent and feasible tax planning strategies and the reversal pattern of the Company's book-to-tax differences that are temporary in nature. We also consider the expiration dates and amounts of carryforwards related to net operating losses, capital losses, foreign tax credits and general business tax credits. We have recorded a valuation allowance against a significant portion of our deferred tax assets based upon our conclusion that there is insufficient objective positive evidence to overcome the significant negative evidence from our cumulative losses in recent years. This assessment could change in the future, resulting in a release of the valuation allowance and a benefit to income.

Under U.S. GAAP, premiums and deposits for variable life, universal life and annuity products are not immediately recorded as revenues. For certain investment options of variable products, deposits are reflected on our consolidated balance sheets as an increase in liabilities. Premiums and deposits for universal life, fixed annuities and certain investment options of variable annuities are reflected on our consolidated balance sheets as an increase in policyholder deposit funds. Premiums and deposits for other products are reflected on our consolidated balance sheets as an increase in policy liabilities and accruals.

Saybrus is a fee-based business driven by the commission revenue earned on consultation services provided to partner companies as well as on sales of Phoenix Life and PHL Variable product lines. These fees are offset by compensation-related expenses attributable to our sales force.

Recent Trends in Earnings Drivers

- *Policy benefits.* The most significant drivers of policy benefits expense are claims incurred in the period net of reinsurance, changes in the liability for profits followed by losses on the universal life business, and changes in liabilities associated with guaranteed benefits. Recent trends in these drivers are as follows:
 - The liability for profits followed by losses ("PFBL"), excluding the impact of unlocking, continues to increase during the periods in which we expect to have gross profits on the business. This long-term liability is sensitive to projected future interest rates, most notably the expected yield on invested assets. The liability increased more significantly in the current year compared to the prior year as a result of decreases in the new money yield for the year, and a change in the slope of the forward curve, which indicates the market expectation of future changes in interest rates.

As part of the annual assumption review and unlock, assumptions used in the calculation of the liability for PFBL are updated. In both 2013 and 2014, updates were made to long-term mortality assumptions that impacted expected future gross profits favorably. These updates resulted in an unlock benefit of \$13.0 million for the year ended December 31, 2014 and a benefit of \$129.9 million for the year ended December 31, 2013.
 - While mortality has overall remained relatively stable between the 2013 and 2014 periods, the impact on earnings is driven by mortality outside of the closed block, as any earnings in the closed block inure to the policyholders through changes in the expected policyholder dividends. While mortality in the closed block improved in 2014, mortality outside of the closed block was worse in 2014, resulting in higher benefit expenses for the year. On an overall basis, mortality is in line with our expectations for the year.
 - Changes in the liabilities associated with guaranteed benefits are impacted by changes in actual policyholder behavior and expected policyholder behavior, as well as market changes and investment results. The most significant driver of changes in liabilities associated with guaranteed benefits is the fixed indexed annuity business. As a result of realized losses on the investments that are used to hedge this business, the liability accrual for the year ended December 31, 2014 was less than that for the year ended December 31, 2013. Generally, realized losses on the derivatives used to hedge this business will be offset by a benefit to the guaranteed benefit liabilities.
- *Other operating expenses.* Other operating expenses have remained at elevated levels and have significantly impacted our earnings. These expenses are driven primarily by higher professional fees, including audit, outside consulting and legal services due to the preparation of financial statements and remediation efforts. Audit, other professional fees and outside consulting and legal services continue to be a significant driver of other operating expenses for the Company.

- *Deferred policy acquisition cost amortization.* Policy acquisition cost amortization can fluctuate significantly between periods. The most significant drivers of the changes in policy acquisition cost amortization are due to realized gains / losses on the underlying investment portfolios, and changes due to the annual assumption review and unlock. Realized losses on the derivatives that are used to hedge the fixed indexed annuity business have provided benefits to amortization for the year ended December 31, 2014, while the assumption updates implemented as part of the annual unlock provided a benefit for the year ended December 31, 2013 and a loss for the year ended December 31, 2014.
- *Net realized investment gains or losses.* Net realized investment gains, excluding OTTI, have been driven primarily by realized gains or losses on both the embedded policy derivatives associated with the fixed indexed annuity and variable annuity guarantees, and the derivative investments that are used to hedge these businesses. The changes in the fair value of the policy embedded derivatives and the derivative investments are driven by changes in the equity markets, including interest rates, market volatility, and overall market levels, as well as changes in actual and projected policyholder behavior. In 2014, there were realized losses on the embedded derivatives, while there were gains on the variable annuity embedded derivatives and losses on the fixed indexed annuity embedded derivative in 2013. In 2014, the losses on the embedded derivatives were primarily driven by the continued decline of interest rates and increased volatility in the equity markets.
- *Income taxes.* The effective tax rate for 2014 and 2013 was (5.4)% and 22.3% respectively. The primary drivers of the differences between the effective tax rate and the U.S. tax statutory rate of 35.0% in 2014 are increases in the valuation allowance on the pre-tax loss, expired tax attribute carryforwards and the dividends received deduction. The primary drivers of the differences between the effective tax rate and the U.S. tax statutory rate of 35.0% in 2013 are decreases in the valuation allowance on the pre-tax loss, expired tax attribute carryforwards and the dividends received deduction.

Since its formation in 2009, Saybrus' results of operations have steadily improved as revenue has increased. Inclusive of intercompany transactions, revenue in 2014 was \$37.5 million, compared with \$26.8 million in 2013. Of these amounts, revenue of \$11.5 million and \$9.2 million was earned from the sales of Phoenix life and annuity products in 2014 and 2013, respectively. Operating expenses increased to \$31.3 million in 2014 from \$23.7 million in 2013. The change was primarily driven by an increase in compensation related expenses.

Strategy and Outlook

Since 2009, we have pursued a strategy focused on balance sheet strength, policyholder service, operational efficiency and profitable growth. Within the growth portion of the strategy, we shifted our target market to middle market and mass affluent families and individuals planning for or living in retirement and focused the majority of our efforts on building and distributing a competitive portfolio of fixed indexed annuity products. On a smaller scale, we developed life insurance products for the same target market. In addition, we established a distribution company to sell Phoenix products through independent marketing organizations and producers and provide consulting services to partner firms in support of policies written by companies other than Phoenix. These efforts have produced a firm foundation for continued growth, even as our business remains sensitive to general economic conditions and capital market trends including equity markets and interest rates.

We believe there is significant demand for our products among middle market and mass affluent households, which have a variety of financial planning needs, such as tax-deferred savings, safety of principal, guaranteed income during retirement, income replacement and death benefits. The current low interest rate environment provides limited opportunities for consumers to protect principal and generate predictable income. Our fixed indexed annuity products are positioned favorably vis-à-vis traditional investments such as conventional fixed annuities and bank certificates of deposits since they offer principal protection, lifetime income options and earnings potential tied to stock market indices.

Recent trends in the life insurance industry may affect our mortality, policy persistency and premium persistency for certain blocks of in force business. Deviations in experience from our assumptions have had, and could continue to have, an adverse effect on the profitability of certain universal life products. Most of our current products permit us to increase charges and adjust crediting rates during the life of the policy or contract (subject to guarantees in the policies and contracts). We have made, and may in the future make, such adjustments.

Each year we perform a comprehensive assumption review or an unlocking where we revise our assumptions to reflect the results of recent experience studies, thereby changing our estimate of estimated gross profits (“EGPs”) in the DAC and unearned revenue amortization models, as well as projections within the death benefit and other insurance benefit reserving models.

Impact of New Accounting Standards

For a discussion of accounting standards and changes in accounting, see Note 3 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. In preparing these consolidated financial statements in conformity with U.S. GAAP, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are made in the determination of EGPs and estimated gross margins (“EGMs”) used in the valuation and amortization of assets and liabilities associated with universal life and annuity contracts; policyholder liabilities and accruals; valuation of investments in debt and equity securities; limited partnerships and other investments; valuation of deferred tax assets; pension and other post-employment benefits liabilities; and accruals for contingent liabilities. Actual results could differ from these estimates.

Certain of our critical accounting estimates are as follows:

Deferred Policy Acquisition Costs

We amortize DAC based on the related policy’s classification. For individual participating life insurance policies, deferred policy acquisition costs are amortized in proportion to EGMs arising principally from investment results, mortality, dividends to policyholders and expense margins. For universal life, variable universal life and deferred annuities, deferred policy acquisition costs are amortized in proportion to EGPs discussed more fully below. EGPs are also used to amortize other assets and liabilities in the Company’s consolidated balance sheets, such as sales inducement assets (“SIA”) and unearned revenue reserves (“URR”). Components of EGPs are used to determine reserves for universal life and fixed indexed and variable annuity contracts with death and other insurance benefits such as guaranteed minimum death and guaranteed minimum income benefits. Both EGMs and EGPs are based on historical and anticipated future experience which is updated periodically.

DAC is adjusted through OCI each period as a result of unrealized gains or losses on securities classified as available-for-sale in a process commonly referred to as shadow accounting. This adjustment is required in order to reflect the impact of these unrealized amounts as if these unrealized amounts had been realized.

The projection of EGPs and EGMs requires the extensive use of actuarial assumptions, estimates and judgments about the future. Future EGPs and EGMs are generally projected for the estimated lives of the contracts. Assumptions are set separately for each product and are reviewed at least annually based on our current best estimates of future events.

The Company has updated a number of assumptions that have resulted in changes to expected future gross profits. The most significant assumption updates made over the last several years resulting in a change to future gross profits and the amortization of DAC, SIA and URR are related to changes in expected premium persistency, the incorporation of a mortality improvement assumption, and other updates to mortality based on updated experience. Other of the more significant drivers of changes to expected gross profits over the last several years include changes in expected separate account investment returns due to changes in equity markets; changes in expected future interest rates and default rates based on continued experience and expected interest rate changes; changes in mortality, lapses and other policyholder behavior assumptions that are updated to reflect more recent policyholder and industry experience; and changes in expected policy administration expenses. The unlock provided a benefit of approximately \$4 million for the year ended December 31, 2014 and a benefit of \$127.3 million for the year ended December 31, 2013.

See Note 3 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information related to DAC.

Policy Liabilities and Accruals

Future policy benefits are generally payable over an extended period of time and related liabilities are calculated recognizing future expected benefits, expenses and premiums. Such liabilities are established based on methods and underlying assumptions in accordance with U.S. GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policyholder behavior, investment returns, inflation, expenses and other contingent events as appropriate. These assumptions are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a cohort basis, as appropriate. If experience is less favorable than assumed, additional liabilities may be established, resulting in a charge to policyholder benefits and claims.

Additional policyholder liabilities for guaranteed benefits on variable annuity and on fixed index annuity contracts are based on estimates of the expected value of benefits in excess of the projected account balance, recognizing the excess over the accumulation period based on total expected assessments. Because these estimates are sensitive to capital market movements, amounts are calculated using multiple future economic scenarios.

Additional policyholder liabilities are established for certain contract features that could generate significant reductions to future gross profits (e.g., death benefits when a contract has zero account value and a no-lapse guarantee). The liabilities are accrued over the lifetime of the block based on assessments. The assumptions used in estimating these liabilities are consistent with those used for amortizing deferred policy acquisition costs, and are, thus, subject to the same variability and risk. The assumptions of investment performance and volatility for variable and equity index products are consistent with historical experience of the appropriate underlying equity indices.

We expect that our universal life block of business will generate profits followed by losses and, therefore, we establish an additional liability (“PFBL”) to accrue for the expected losses over the period of expected profits. The assumptions used in estimating these liabilities are consistent with those used for amortizing deferred policy acquisition costs and are subject to the same variability and risk.

See Note 3 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” and the “Enterprise Risk Management” section of “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-K for additional information.

Embedded Derivative Liabilities

We make guarantees on certain variable annuity contracts, including GMAB, GMWB and combination rider (“COMBO”) as well as provide credits based on the performance of certain indices (“index credits”) on our fixed indexed annuity contracts that meet the definition of an embedded derivative. The GMAB, GMWB and COMBO embedded derivative liabilities associated with our variable annuity contracts are accounted for at fair value, using a risk neutral stochastic valuation methodology with changes in fair value recorded in realized investment gains. The inputs to our fair value methodology include estimates derived from the asset derivatives market, including the equity volatility and the swap curve. Several additional inputs are not obtained from independent sources, but instead reflect our internally developed assumptions related to mortality rates, lapse rates and policyholder behavior. The fair value of the embedded derivative liabilities associated with the index credits on our fixed indexed annuity contracts is calculated using the budget method with changes in fair value recorded in realized investment gains. The initial value under the budget method is established based on the fair value of the options used to hedge the liabilities. The value of the index credits in future years is estimated to be the budgeted amount. The budget amount is based on the impact of projected interest rates on the discounted liabilities. Several additional inputs reflect our internally developed assumptions related to lapse rates and policyholder behavior. As there are significant unobservable inputs included in our fair value methodology for these embedded derivative liabilities, we consider the above-described methodology as a whole to be Level 3 within the fair value hierarchy.

Our fair value calculation of embedded derivative liabilities includes a credit standing adjustment (the “CSA”). The CSA represents the adjustment that market participants would make to reflect the risk that guaranteed benefit obligations may not be fulfilled (“non-performance risk”). We estimate our CSA using the credit spread (based on publicly available credit spread indices) for financial services companies similar to the Life Companies.

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The CSA is updated every quarter and, therefore, the fair value will change with the passage of time even in the absence of any other changes that would affect the valuation. For example, the December 31, 2014 fair value of \$160.7 million would increase to \$170.5 million if the spread were decreased by 50 basis points. If the spread were increased by 50 basis points, the fair value would decrease to \$151.7 million.

Valuation of Debt and Equity Securities

We classify our debt and equity securities as available-for-sale and report them in our consolidated balance sheets at fair value. Fair value is based on quoted market price or external third-party information, where available. When quoted market prices are not available, we estimate fair value by discounting debt security cash flows to reflect interest rates currently being offered on similar terms to borrowers of similar credit quality, by quoted market prices of comparable instruments and by independent pricing sources or internally developed pricing models.

**Fair Value of Securities
by Pricing Source: [1]**

(\$ in millions)

	As of December 31, 2014	
	Fixed Maturities at Fair Value	% of Total Fair Value
Priced via independent market quotations	\$ 8,806.4	68.6%
Priced via matrices	3,676.2	28.7%
Priced via broker quotations	52.3	0.4%
Priced via other methods	144.4	1.1%
Short-term investments [2]	149.7	1.2%
Total	\$ 12,829.0	100.0%

[1] Inclusive of short-term investments.

[2] Short-term investments are valued at amortized cost, which approximates fair value.

See Note 13 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional disclosures of our fair value methodologies.

Other-than-Temporary Impairments on Available-for-Sale Securities

We recognize realized investment losses when declines in fair value of debt and equity securities are considered to be an OTTI.

In evaluating whether a decline in value is other-than-temporary, we consider several factors including, but not limited to, the following:

- the extent and the duration of the decline;
- the reasons for the decline in value (credit event, interest related or market fluctuations);
- our intent to sell the security, or whether it is more likely than not that we will be required to sell it before recovery; and
- the financial condition and near term prospects of the issuer.

An impairment of a debt security, or certain equity securities with debt-like characteristics, is deemed other-than-temporary if:

- we either intend to sell the security, or it is more likely than not that we will be required to sell the security before recovery; or
- it is probable we will be unable to collect cash flows sufficient to recover the amortized cost basis of the security.

Impairments due to deterioration in credit that result in a conclusion that the present value of cash flows expected to be collected will not be sufficient to recover the amortized cost basis of the security are considered other-than-temporary. Other declines in fair value (for example, due to interest rate changes, sector credit rating changes or company-specific rating changes) that result in a conclusion that the present value of cash flows expected to be collected will not be sufficient to recover the amortized cost basis of the security may also result in a conclusion that an OTTI has occurred.

An equity security impairment is deemed other-than-temporary if:

- the security has traded at a significant discount to cost for an extended period of time; or
- we determined we may not realize the full recovery on our investment.

Equity securities are determined to be other-than-temporarily impaired based on management judgment and the consideration of the issuer's financial condition along with other relevant facts and circumstances. Those securities which have been in a continuous decline for over twelve months and declines in value that are severe and rapid are considered for reasonability of whether the impairment would be temporary. Although there may be sustained losses for over twelve months or losses that are severe and rapid, additional information related to the issuer performance may indicate that such losses are not other-than-temporary.

The closed block policyholder dividend obligation, applicable deferred policy acquisition costs and applicable, which offset realized investment gains and losses and OTTI, are each reported separately as components of net income.

See Notes 3 and 8 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" and the "Debt and Equity Securities" and "Enterprise Risk Management" sections of "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K for additional information.

Income Taxes

We account for income taxes in accordance with ASC 740, *Accounting for Income Taxes*.

Deferred tax assets and/or liabilities are determined by multiplying the differences between the financial reporting and tax reporting bases for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled. U.S. GAAP requires an assessment of the realizability of deferred tax assets in order to determine whether a valuation allowance should be recorded. The total deferred tax asset, net of any valuation allowance, represents the deferred tax asset that management estimates to be realizable. The assessment of the realizability of deferred tax assets involves management making assumptions and judgments about all available positive and negative evidence including the reversal of gross deferred tax liabilities, projected future taxable income, prudent and feasible tax planning strategies and recent operating results, including the existence of cumulative income (loss) incurred over the three-year period ended December 31, 2014.

As of December 31, 2014, we concluded that our estimates of future taxable income, certain tax planning strategies and other sources of income did not constitute sufficient positive evidence to assert that it is more likely than not that certain deferred tax assets would be realizable. Accordingly, a valuation allowance of \$613.0 million has been recorded on net deferred tax assets of \$647.2 million. The remaining deferred tax asset of \$34.2 million attributable to available-for-sale debt securities with gross unrealized losses does not require a valuation allowance due to our ability and intent to hold these securities until recovery of principal value through sale or contractual maturity, thereby avoiding the realization of taxable losses. This conclusion is consistent with prior periods. The impact of the valuation allowance on the allocation of tax to the components of the financial statements included an increase of \$79.3 million in continuing operations, an increase of \$40.6 million in OCI-related deferred tax balances and an increase of \$0.7 million recorded in discontinued operations.

The calculation of tax liabilities involves uncertainties in applying certain tax laws. ASC 740 provides that a tax benefit that arises from an uncertain tax position that is more likely than not to be upheld upon IRS examination shall be recognized in the financial statements. The more likely than not threshold requires judgments made by management and the related tax liability is adjusted accordingly as new information becomes available. Due to the complexities of such uncertainties, tax payments made upon IRS examination may be materially different from the current estimate of tax liabilities. The impact of payments that differ from the recognized liability are reflected in the period in which the examinations are completed.

The Company has minimal uncertain tax positions and accordingly, the liability for uncertain tax positions is not material to the financial statements.

See Note 14 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K for additional information related to income taxes.

Pension and Other Post-Employment Benefits

We have three defined benefit pension plans. The employee pension plan provides benefits not to exceed the amount allowed under the Internal Revenue Code. The two supplemental plans provide benefits in excess of the primary plan. Retirement benefits under the plans are a function of years of service and compensation. Effective March 31, 2010, all benefit accruals under all of our funded and unfunded defined benefit plans were frozen.

The net periodic costs for the plans consider an assumed discount (interest) rate, an expected rate of return on plan assets and trends in health care costs. Of these assumptions, our expected rate of return assumptions, and to a lesser extent our discount rate assumptions, have historically had the most significant effect on our net period costs associated with these plans. The Company uses a building block approach in estimating the long-term rate of return for plan assets by asset class. The historical relationships between equities, fixed income and other asset classes are reviewed. We apply long-term asset return estimates to the plan's target asset allocation to determine the weighted-average long-term return. Our long-term asset allocation was determined through modeling long-term returns and asset return volatilities. Our assumed long-term rate of return for 2014 was 7.50% for our pension plan. Given the amount of plan assets as of December 31, 2013, the beginning of the measurement year, if we had assumed an expected rate of return for our pension that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic costs would have been a decrease of \$5.0 million and an increase of \$5.0 million, respectively. These amounts consider only changes in our assumed long-term rate of return given the level and mix of invested assets at the beginning of the measurement year, without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed long-term rate of return.

We determine our discount rate, used to value the pension and post-employment benefit obligations, based upon rates commensurate with current yields on high quality corporate bonds. Our assumed discount rate for 2014 was 4.84% for our pension plan, 4.69% for the supplemental retirement plan and 4.21% for our other post-employment benefit plan. Given the amount of pension and post-employment obligations as of December 31, 2013, the beginning of the measurement year, if we had assumed a discount rate for our pension plans and our other post-employment benefit plan that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic costs would have been as shown in the table below. These amounts consider only changes in our assumed discount rate without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed discount rate.

Net Periodic Costs:

(\$ in millions)

	For the year ended December 31, 2014		
	Balance after -100 Basis Point Change	Net Pension Expense	Balance after +100 Basis Point Change
Pension plan	\$ 1.0	\$ 0.8	\$ (0.1)
Supplemental plan	8.9	9.0	8.8
Other post-employment	0.2	0.1	0.1

As of December 31, 2014, the projected benefit obligation for the Company's pension plan, supplemental plan and other post-employment plan were \$714.9 million, \$153.7 million and \$33.4 million, respectively.

Our assumed discount rate as of December 31, 2014 was 4.10% for our pension plan, 3.97% for the supplemental retirement plan and 3.62% for our other post-employment benefit plan. Given the amount of pension and post-employment obligations as of December 31, 2014, if we had assumed a discount rate for our pension plans and our other post-employment benefit plan that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in projected benefit obligation would have been as shown in the table below.

Projected Benefit Obligations:

(\$ in millions)

	As of December 31, 2014		
	Balance after -100 Basis Point Change	Projected Benefit Obligation	Balance after +100 Basis Point Change
Pension plan	\$ 813.7	\$ (714.9)	\$ 628.0
Supplemental plan	171.8	(153.7)	137.4
Other post-employment	36.0	(33.4)	30.8

The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics. These differences may have a significant effect on the Company's consolidated financial statements and liquidity. See Note 16 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K information on these and other assumptions used in measuring liabilities relating to the Company's pension and other post-employment benefits.

We have historically provided our employees with other post-employment benefits that include health care and life insurance. In December 2009, we announced the decision to eliminate retiree medical coverage for active employees whose age plus years of service did not equal at least 65 as of March 31, 2010. Employees who remain eligible must still meet all other plan requirements to receive benefits.

In addition, the cap on the Company's contribution to pre-65 retiree medical costs per participant was reduced beginning with the 2011 plan year. In October 2012, we announced that effective January 1, 2013, the Company's contribution for pre-65 retiree medical and for post-65 retiree medical was reduced per covered member. These decisions affected retiree medical contributions for both past service and active employees. Curtailments were recognized as a result of the plan changes. The net effect was a reduction of our projected benefit obligation.

See Note 16 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K for additional information on our pension and other post-employment benefits.

Litigation Contingencies

The Company is a party to legal actions and is involved in regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on our financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations, and litigation-related contingencies to be reflected in the Company's consolidated financial statements. It is possible that an adverse outcome in certain of the Company's litigation or the use of different assumptions in the determination of amounts recorded could have a material effect upon the Company's consolidated net income or cash flows in particular quarterly or annual periods.

Consolidated Results of Operations

Summary Consolidated Financial Data: (\$ in millions)	For the years ended December 31,			Increase (decrease) and percentage change			
	2014	2013	2012	2014 vs. 2013		2013 vs. 2012	
		As restated	As revised				
REVENUES							
Premiums	\$ 332.1	\$ 351.6	\$ 402.3	\$ (19.5)	(6%)	\$ (50.7)	(13%)
Fee income	545.1	550.3	556.0	(5.2)	(1%)	(5.7)	(1%)
Net investment income	830.9	789.7	827.8	41.2	5%	(38.1)	(5%)
Net realized investment gains (losses):							
Total other-than-temporary impairment (“OTTI”) losses	(7.7)	(7.0)	(50.8)	(0.7)	10%	43.8	(86%)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(0.4)	(4.8)	22.9	4.4	(92%)	(27.7)	(121%)
Net OTTI losses recognized in earnings	(8.1)	(11.8)	(27.9)	3.7	(31%)	16.1	(58%)
Net realized investment gains (losses), excluding OTTI losses	(33.1)	27.8	11.1	(60.9)	NM	16.7	150%
Net realized investment gains (losses)	(41.2)	16.0	(16.8)	(57.2)	NM	32.8	(195%)
Gain on debt repurchase	—	—	11.9	—	NM	(11.9)	(100%)
Total revenues	1,666.9	1,707.6	1,781.2	(40.7)	(2%)	(73.6)	(4%)
BENEFITS AND EXPENSES							
Policy benefits	1,119.2	965.1	1,162.4	154.1	16%	(197.3)	(17%)
Policyholder dividends	244.8	235.9	292.1	8.9	4%	(56.2)	(19%)
Policy acquisition cost amortization	119.6	103.1	196.1	16.5	16%	(93.0)	(47%)
Interest expense on indebtedness	28.3	28.3	30.8	—	—%	(2.5)	(8%)
Other operating expenses	350.2	337.1	253.3	13.1	4%	83.8	33%
Total benefits and expenses	1,862.1	1,669.5	1,934.7	192.6	12%	(265.2)	(14%)
Income (loss) from continuing operations before income taxes	(195.2)	38.1	(153.5)	(233.3)	NM	191.6	(125%)
Income tax expense (benefit)	10.5	8.5	(4.7)	2.0	24%	13.2	NM
Income (loss) from continuing operations	(205.7)	29.6	(148.8)	(235.3)	NM	178.4	(120%)
Income (loss) from discontinued operations, net of income taxes	(3.5)	(2.9)	(15.6)	(0.6)	21%	12.7	(81%)
Net income (loss)	(209.2)	26.7	(164.4)	(235.9)	NM	191.1	(116%)
Less: Net income (loss) attributable to noncontrolling interests	4.0	0.7	0.6	3.3	NM	0.1	17%
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (213.2)	\$ 26.0	\$ (165.0)	\$ (239.2)	NM	\$ 191.0	(116%)

Analysis of Consolidated Results of Operations

Year ended December 31, 2014 compared to year ended December 31, 2013

The decrease in net income of \$239.2 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 is primarily due to the following items:

- Premium revenue decreased \$19.5 million for the year ended December 31, 2014 compared with the year ended December 31, 2013 as a result of lower renewal premiums and paid up additions on policies within the closed block due to declining policies in force. The lower premiums in the closed block are offset by reductions in policyholder dividends.
- Realized losses increased by \$57.2 million for the year ended December 31, 2014 compared to the year ended December 31, 2013. In 2014, there were realized losses on the embedded derivatives both in the fixed indexed annuity business and the variable annuity business, while there were gains on the variable annuity embedded derivatives and losses on the fixed indexed annuity embedded derivative in 2013. In 2014, the losses on the embedded derivatives were primarily driven by the continued decline of interest rates and increased volatility in the equity markets. In 2013, the gains were driven primarily by strong equity market performance decreasing the liability associated with the variable annuity guarantees.
- The increase in policy benefits expense of \$154.1 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 is primarily driven by the following:
 - A decrease of \$121.4 million in the unlock benefit in 2014 related to PFBL and liabilities for guaranteed benefits for which the impact is recorded within policy benefits. In 2013, the benefit recorded was \$137.5 million while the benefit recorded in 2014 was \$16.1 million. The unlock benefit in the current year is driven primarily by changes in policyholder behavior assumptions in the universal life business, most significantly positive impacts from improved mortality. The benefit in 2013 was driven primarily by the incorporation of a mortality improvement assumption in the universal life business.
 - An increase of \$40.2 million in PFBL, excluding unlock, in 2014 compared to 2013. The increase in PFBL was primarily driven by a decrease in the new money yield for the year and the slope of the forward curve, which indicates the market expectation of future changes in interest rates which reduces expected future profitability and increases the liability.
 - While overall mortality is better in 2014 than in 2013, mortality outside of the closed block was worse in 2014, resulting in higher policy benefit expense for the year ended December 31, 2014 compared to the year ended December 31, 2013. While the worse mortality in 2014 was in the universal life business, our long-term assumptions for improved mortality continue to result in benefits through the unlocks. The better mortality in the closed block is offset by policyholder dividend expense.
 - The guaranteed liability for the fixed indexed annuity GMWB and GMDB increased in both periods, excluding unlock, but increased \$33.1 million for the year ended December 31, 2014 and increased \$60.5 million for the year ended December 31, 2013. The reduction in the current year expense is primarily driven by realized capital losses on the derivative investments used to hedge this business, which generally positively impact the guaranteed benefit liabilities.
- Operating expenses have increased by \$13.1 million for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in operating expenses is primarily due to higher professional fees, including audit, outside consulting and legal expenses in the first quarter of 2014 primarily as a result of the preparation of restated financial statements.

The closed block contributed \$24.7 million to net income for the year ended December 31, 2014 compared to \$24.8 million for the year ended December 31, 2013. The closed block contribution to net income remains in line with its actuarially projected path that will continue to gradually decline as the inforce in the closed block declines. Any closed block earnings that are in excess of expected amounts are offset by policyholder dividend expense.

Partially offsetting the decrease in net income are the following:

- Net investment income increased \$41.2 million for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in net investment income is primarily driven by higher asset levels in the fixed indexed annuity business as the business continues to grow, as well as higher net investment income associated with limited partnerships and other alternative investments due to the increase in value of the underlying funds.

Year ended December 31, 2013 compared to year ended December 31, 2012

The increase in net income of \$191.0 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 is primarily due to the following items:

- Net realized investment gains, excluding OTTI, of \$27.8 million were recognized for the twelve months ended December 31, 2013 compared to net realized investment gains, excluding OTTI, of \$11.1 million for the twelve months ended December 31, 2012. The change in the net realized investment gains is primarily attributable to a decrease in realized losses on derivatives that are used to hedge the risks associated with variable annuity guarantees and the fixed indexed annuity liabilities. For the twelve months ended December 31, 2013 there were losses on the derivatives of \$27.7 million, while there were losses of \$50.4 million for the twelve months ended December 31, 2012. The continued improvement in the equity markets results in losses on the derivatives that are used to hedge the risk associated with the variable annuity guarantees, that are offset by gains on the derivatives that are used to hedge the risks associated with the fixed indexed annuities. The fixed indexed annuity hedging gains were more significant in 2013 due to more significant increases in the equity market in 2013 than in 2012, as well as additional derivatives purchased as due to continued sales of fixed indexed annuities.
- The decrease in policy benefits expense of \$197.3 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 is primarily driven by the following:
 - A decrease of \$180.1 million in the unlock of PFBL and guaranteed benefit liabilities, which provided a benefit of \$137.5 million for the year ended December 31, 2013 compared to a charge of \$42.6 million for the year ended December 31, 2012. The unlock benefit in 2013 is driven primarily by changes in policyholder behavior assumptions in the universal life business, most significantly positive impacts from improved expected mortality.
 - Overall mortality was better for the year ended December 31, 2013 compared to the year ended December 31, 2012, which reduced policy benefits expense in 2013 compared to 2012.
 - The decreases in policy benefits expense were offset by an increase in the reserve accrual for guaranteed benefit liabilities and PFBL, excluding unlock, of \$40.6 million in 2013 compared to 2012. The increase in the liability accrual for the year ended December 31, 2013 is primarily driven by continued new business in FIA.
- Policyholder dividends decreased \$56.2 million for the twelve months ended December 31, 2013 compared to the twelve months ended December 31, 2012 primarily due to a decrease in revenue of \$88.0 million, driven by lower net investment income and a decrease in premiums as total in-force life insurance policies within the closed block continue to decline as the block ages.
- Policy acquisition cost amortization decreased \$93.0 million for the twelve months ended December 31, 2013 compared with the twelve months ended December 31, 2012. The decrease in amortization is primarily attributable to a positive unlock impact as a result of the annual comprehensive review of assumptions in the fourth quarter of 2013. For the twelve months ended December 31, 2013 the unlock resulted in a benefit to amortization of \$25.4 million, while for the twelve months ended December 31, 2012 the unlock resulted in an additional \$55.6 million worth of amortization. The most significant driver of the positive 2013 unlock results was the incorporation of a mortality improvement assumption in the overall mortality table, which resulted in improved expected mortality on universal life and variable universal life products.

Partially offsetting the increase in income from continuing operations were the following items:

- Premium revenue decreased \$50.7 million for the twelve months ended December 31, 2013 compared with the twelve months ended December 31, 2012 as a result of lower renewal premiums and paid up additions on policies within the closed block due to declining policies in force. The lower premiums in the closed block are offset by reductions in policyholder dividends.
- Net investment income decreased by \$38.1 million for the twelve months ended December 31, 2013 compared to the twelve months ended December 31, 2012. The decrease was primarily due to \$39.8 million in lower investment income on long-term debt securities as bonds mature and are reinvested at lower yields. Of the reduction in net investment income, \$43.7 million is attributable to the closed block and is offset by a decrease in policyholder dividends.
- Operating expenses increased by \$83.8 million for the twelve months ended December 31, 2013, compared to the twelve months ended December 31, 2012. The increase in operating expenses was a result of higher professional fees and outside consulting and legal services primarily due to the preparation of financial statements and remediation efforts.

A net loss from discontinued operations of \$2.9 million was recognized for the twelve months ended December 31, 2013, compared to a net loss of \$15.6 million for the twelve months ended December 31, 2012. The change is primarily the result of outside legal fees in the prior year as well as the commutation of certain contracts in the second quarter of 2012 that did not recur in 2013.

Effects of Inflation

For the years 2014, 2013 and 2012, inflation did not have a material effect on our consolidated results of operations.

Enterprise Risk Management

We have an enterprise-wide risk management program. Our Chief Risk Officer reports to the Chief Executive Officer and monitors our risk management activities. The Chief Risk Officer provides regular reports to the Board without the presence of other members of management. Our risk management governance consists of several management committees to oversee and address issues pertaining to all our major risks—operational, market and product—as well as capital management. In all cases, these committees include one or more of our Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and Chief Risk Officer.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. As reported in “Item 9A: Controls and Procedures” of this Form 10-K, the Company has concluded that there are material weaknesses in its internal control over financial reporting, which have materially adversely affected its ability to timely and accurately report its results of operations and financial condition, and that its disclosure controls and procedures are ineffective as of December 31, 2014. These material weaknesses have not been fully remediated as of the filing date of this report and the Company cannot assure that other material weaknesses will not be identified in the future. It is necessary for the Company to maintain effective internal control over financial reporting to prevent fraud and errors, and to maintain effective disclosure controls and procedures so that it can provide timely and reliable financial and other information. If the Company fails to maintain an effective system of internal controls, the accuracy and timing of its financial reporting may be adversely affected. Further, the absence of timely and reliable financial and other information about the Company’s business operations may inhibit the Company’s ability to identify operational risk. A failure to correct material weaknesses in our internal controls could result in further restatements of financial statements and correction of other information filed with the SEC. See “Item 1A: Risk Factors” in Part I of this Form 10-K for a description of these and other risks that may impact the Company’s operations. Also see “Item 9A: Controls and Procedures” in Part II of this Form 10-K for more information regarding these weaknesses, an evaluation of the effectiveness of the Company’s disclosure controls and procedures, and the Company’s remediation plans.

The Operational Risk Committee, chaired by the Chief Risk Officer, develops an enterprise-wide framework for managing operational risks. This committee meets periodically and includes membership that represents all significant operating, financial and staff departments of the Company. Among the risks the committee reviews and manages and for which it provides general oversight are business continuity risk, disaster recovery risk and risks related to the Company's information technology systems.

Market Risk

Market risk is the risk that we will incur losses due to adverse changes in market rates and prices. We have exposure to market risk through both our investment activities and our insurance operations. Our investment objective is to maximize after-tax investment return within defined risk parameters. Our primary sources of market risk are:

- interest rate risk, which relates to the market price and cash flow variability associated with changes in market interest rates;
- credit risk, which relates to the uncertainty associated with the ongoing ability of an obligor to make timely payments of principal and interest; and
- equity risk, which relates to the volatility of prices for equity and equity-like investments, such as limited partnerships.

We measure, manage and monitor market risk associated with our insurance and annuity business as part of our ongoing commitment to fund insurance liabilities. We have developed an integrated process for managing the interaction between product features and market risk. This process involves our Corporate Finance, Corporate Portfolio Management and Life and Annuity Product Development departments. These areas coordinate with each other and report results and make recommendations to our Asset-Liability Management Committee ("ALCO") chaired by the Chief Risk Officer.

We also measure, manage and monitor market risk associated with our investments, both those backing insurance liabilities and those supporting surplus. This process primarily involves Corporate Portfolio Management. This organization makes recommendations and reports results to our Investment Policy Committee, chaired by the Chief Investment Officer. Please refer to the sections that follow, including "Debt and Equity Securities," following this discussion of Enterprise Risk Management, for more information on our investment risk exposures. Within the parameters specified in our investment policy, we regularly refine our allocations based on factors including ratings, duration and type of fixed income security to appropriately balance market risk exposure and expected return.

Interest Rate Risk Management

Interest rate risk is the risk that we will incur economic losses due to adverse changes in interest rates. Our debt security investments include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, asset-backed securities and mortgage-backed securities, most of which are exposed to changes in medium-term and long-term U.S. Treasury rates. Our exposure to interest rate changes results primarily from our significant holdings of fixed rate investments and our interest-sensitive insurance liabilities. Our insurance liabilities largely comprise dividend-paying individual whole life and universal life policies and annuity contracts.

We manage interest rate risk as part of our asset-liability management and product development processes. Asset-liability management strategies include the segmentation of investments by product line and the construction of investment portfolios designed to satisfy the projected cash needs of the underlying product liabilities. All asset-liability strategies are approved by the ALCO. We manage the interest rate risk in portfolio segments by modeling and analyzing asset and product liability durations and projected cash flows under a number of interest rate scenarios.

We also manage interest rate risk by purchasing securities that feature prepayment restrictions and call protection. Our product design and pricing strategies include the use of surrender charges or restrictions on withdrawals in some products. We regularly undertake a sensitivity analysis that calculates liability durations under various cash flow scenarios. In addition, we monitor the short- and medium-term asset and liability cash flows profiles by portfolio to manage our liquidity needs.

One of the key measures we use to quantify our interest rate exposure is duration, a measure of the sensitivity of the fair value of assets and liabilities to changes in interest rates. For example, if interest rates increase by 100 basis points, or 1%, the fair value of an asset or liability with a duration of five is expected to decrease by 5%. We believe that as of December 31, 2014, our asset and liability portfolio durations were reasonably matched.

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The Company uses an industry recognized analytic model to calculate the fair value of its fixed income portfolio. The Company's interest rate sensitivity analysis reflects the change in market value assuming a +/-100 basis point parallel shift in the yield curve. The 100 basis point downward shift has a floor of zero to prevent rates from becoming negative. The table below shows the estimated interest rate sensitivity of our fixed income financial instruments measured in terms of fair value.

Interest Rate Sensitivity of Fixed Income Financial Instruments:

(\$ in millions)

	As of December 31, 2014		
	-100 Basis Point Change	Fair Value	+100 Basis Point Change
Cash and short-term investments	\$ 600.1	\$ 599.7	\$ 599.2
Available-for-sale debt securities	13,381.3	12,679.3	11,997.7
Available-for-sale equity securities [1]	128.6	117.2	105.8
Fair value investments [2]	122.8	111.9	102.5
Totals	\$ 14,232.8	\$ 13,508.1	\$ 12,805.2

[1] Fair value of available-for-sale equity securities excludes \$62.3 million of common stock securities, which are not directly related to interest rates.

[2] Includes debt securities where the fair value option has been elected.

See Note 13 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K for additional information on fair value instruments.

We also use derivative financial instruments, primarily interest rate swaps, to manage our residual exposure to fluctuations in interest rates. We enter into derivative contracts with a number of highly rated financial institutions, to both diversify and reduce overall counterparty credit risk exposure.

We enter into interest rate swap agreements to reduce market risks from changes in interest rates. We do not enter into interest rate swap agreements for trading purposes. Under interest rate swap agreements, we exchange cash flows with another party at specified intervals for a set length of time based on a specified notional principal amount. Typically, one of the cash flow streams is based on a fixed interest rate set at the inception of the contract and the other is based on a variable rate that periodically resets. No premium is paid to enter into the contract and neither party makes payment of principal. The amounts to be received or paid on these swap agreements are accrued and recognized in net investment income.

The table below shows the interest rate sensitivity of our derivatives measured in terms of fair value, excluding derivative liabilities embedded in products. These exposures will change as our insurance liabilities are created and discharged and as a result of portfolio and risk management activities.

Interest Rate Sensitivity of Derivatives:

(\$ in millions)

	As of December 31, 2014				
	Notional Amount	Weighted-Average Term (Years)	-100 Basis Point Change	Fair Value	+100 Basis Point Change
Interest rate swaps	\$ 114.0	9.9	\$ 17.2	\$ 7.8	\$ (0.7)
Variance swaps	0.9	2.0	(8.7)	(8.6)	(8.5)
Swaptions	777.0	0.2	—	0.1	8.3
Put options	692.5	4.0	35.6	31.1	26.8
Call options [1]	1.5	0.9	0.8	0.9	0.9
Cross currency swaps	10.0	1.5	0.6	0.6	0.6
Equity futures	4.1	0.3	(0.5)	(0.5)	(0.5)
Total	\$ 1,600.0		\$ 45.0	\$ 31.4	\$ 26.9

[1] Excludes call options used to hedge fixed indexed annuity products.

See Note 12 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K for additional

information on derivative instruments.

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To calculate duration for liabilities, we project liability cash flows under a number of stochastically generated interest rate scenarios and discount them to a net present value using a risk-free market rate increased for CSA. For interest-sensitive liabilities the projected cash flows reflect the impact of the specific scenarios on policyholder behavior as well as the effect of minimum guarantees. Duration is calculated by revaluing these cash flows at an alternative level of interest rates and by determining the percentage change in fair value from the base case.

Liabilities in excess of the policyholder account balance for universal life contracts, some of which contain secondary guarantees, are generally determined by estimating the expected value of benefits and expenses when claims are triggered and recognizing those benefits and expenses over the accumulation period based on total expected assessments. The assumptions used in estimating these liabilities are consistent with those used for amortizing DAC. The universal life block of business has experience which produces profits in earlier periods followed by losses in later periods for which a liability is required to be held in addition to the policy liabilities recorded.

See the “Critical Accounting Estimates” section above for more information on DAC and policy liabilities and accruals.

To estimate the impact of a 100 basis point increase or decrease in interest rates, the Company revised estimated future new money yields thereby modifying future expected portfolio returns. These shocks resulted in higher or lower investment margins and discount rates for products subject to loss recognition and profits followed by losses. All material, interest sensitive blocks of business were considered; the most significant of which is universal life. We measured the impact upon deferred policy acquisition costs and policy liabilities.

The selection of a 100 basis point immediate increase or decrease in interest rates at all points on the yield curve is a hypothetical rate scenario used to demonstrate potential risk. While a 100 basis point immediate increase or decrease of this type does not represent our view of future market changes, it is a hypothetical near-term change that illustrates the potential effect of such events. Although these measurements provide a representation of interest rate sensitivity, they are based on our exposures at a point in time and may not be representative of future market results. These exposures will change as a result of new business, management’s assessment of changing market conditions and available investment opportunities.

The table below shows the interest rate sensitivity of our deferred policy acquisition costs and policy liabilities.

**Interest Rate Sensitivity of
DAC and Policy Liabilities:**

(\$ in millions)

	As of December 31, 2014					
	-100 Basis Point Change	DAC [1]	+100 Basis Point Change	-100 Basis Point Change	Policy Liabilities [1]	+100 Basis Point Change
Universal life PFBL	\$ —	\$ —	\$ —	\$ 421.0	\$ 335.9	\$ 297.7
Other universal life	298.3	312.2	318.6	214.1	212.1	211.4
Other life and annuity products [2]	3.3	3.3	3.3	217.7	208.4	200.5

[1] The values below represent changes to balances before adjustment for unrealized gains/losses.

[2] Includes term life and payout annuity products subject to loss recognition.

The profits followed by losses reserve is, as indicated above, particularly sensitive to interest rate changes. Investment earnings on the portfolio backing these policies as well as the discount rate on the liability are based on assumptions regarding the portfolio earned rates, both in the near term as well as the ultimate long-term earned rate. The long-term earned rate is reviewed annually as part of the unlock. Near term portfolio yields are assumed to revert to the long-term yield based on market implied forward rates. This analysis is updated quarterly and can result in volatility in net income during periods in which forward rates change significantly.

Guaranteed Minimum Interest Crediting Rates

The primary potential risk to our operations related to guaranteed minimum interest crediting rates could arise mainly in our universal life product since the account values with higher guarantees, primarily 4.0%, are concentrated in this product. Our other annuity products also contain guaranteed minimum interest rates but the aggregate account values or the guaranteed minimum rates are relatively lower compared to universal life. At December 31, 2014, we have approximately \$16.4 billion of policyholder insurance liabilities and policyholder deposit funds. Of this amount, approximately \$5.2 billion represents contracts with crediting rates that may be adjusted over the life of the contract, subject to certain guaranteed minimums. The table below summarizes the related account values of policies with guaranteed minimum interest rates using ranges indicating the percentage of account values at the guaranteed minimum interest rate range. Our products that do not have an account value with a guaranteed minimum crediting rate are not included in the table below, even though most of our products to some degree are sensitive to interest rates. The table below focuses on products with both an account value and a guaranteed minimum interest rate. See the “Low Interest Rate Environment” section below for further discussion.

Range of Guaranteed Minimum Interest Crediting Rates:

(\$ in billions)

	As of December 31, 2014	
	Account Values	% of Account Values at Guaranteed Minimum Crediting Rate
Less than 1.5% [1]	\$ 2.8	83.1%
Equal to or greater than 1.5% but less than 3.5%	0.5	77.5%
Equal to or greater than 3.5% but less than or equal to 4.0%	1.5	83.6%
Greater than 4.0% but less than 5.0%	0.3	79.3%
Equal to or greater than 5.0%	0.1	60.2%
Total	\$ 5.2	

[1] Of the \$2.8 billion, \$2.7 billion represents account value in fixed indexed annuity products. Most of these contracts have guaranteed minimum interest crediting rates of 0%, or close to 0%.

Credit Risk Management

We manage credit risk through the fundamental analysis of the underlying obligors, issuers and transaction structures. Through internal staff and an outsource relationship, we employ experienced credit analysts who review obligors’ management, competitive position, cash flow, coverage ratios, liquidity and other key financial and non-financial information. These analysts recommend the investments needed to fund our liabilities while adhering to diversification and credit rating guidelines. In addition, when investing in private debt securities, we rely upon broad access to management information, negotiated protective covenants, call protection features and collateral protection. We review our debt security portfolio regularly to monitor the performance of obligors and assess the stability of their current credit ratings.

We also manage credit risk through industry and issuer diversification and asset allocation. Maximum exposure to an issuer or derivatives counterparty is defined by quality ratings, with higher quality issuers having larger exposure limits. We have an overall limit on below-investment-grade rated issuer exposure. In addition to monitoring counterparty exposures under current market conditions, exposures are monitored on the basis of a hypothetical “stressed” market environment involving a specific combination of declines in stock market prices and interest rates and a spike in implied option activity.

Equity Risk Management

Equity risk is the risk that we will incur economic losses due to adverse changes in equity prices. At December 31, 2014, we held certain financial instruments that are sensitive to equity market movements, including available-for-sale equity securities, primarily related to our holdings of common stock and mutual funds, private equity partnership interests and other equities, as well as fair value equity instruments, equity options and other investments. We manage equity price risk through industry and issuer diversification and asset allocation techniques.

The table below shows the sensitivity of our investments that are sensitive to public equity market movements measured in terms of their fair value.

Sensitivity to Public Equity Market Movements:

(\$ in millions)

	As of December 31, 2014		
	Balance after -10% Equity Price Change	Fair Value	Balance after +10% Equity Price Change
Available-for-sale equity securities [1]	\$ 56.1	\$ 62.3	\$ 68.5
Limited partnerships and other investments [2]	261.6	290.7	319.8
Derivative instruments [3]	40.5	31.4	24.6
Fair value equity investments [4]	21.2	23.5	25.9

[1] Available-for-sale equity securities excludes \$117.2 million of perpetual preferred equity securities.

[2] Includes private equity funds. The value of private equity investments are not highly correlated to public equity markets, because of their liquidity and valuation methodologies. Direct private equity investments have been included in the sensitivity because they are a significant equity exposure for the Company.

[3] Primarily includes swaptions, put options, call options and equity futures, excluding those associated with the fixed indexed annuity products.

[4] Includes equity securities backing our deferred compensation liabilities.

Certain liabilities are sensitive to equity market movements. Our exposure to changes in equity prices primarily results from our variable annuity and variable life products. We manage our insurance liability risks on an integrated basis with other risks through our liability and risk management and capital and other asset allocation strategies.

Certain variable annuity products sold by our Life Companies contain GMDBs. The GMDB feature provides annuity contract owners with a guarantee that the benefit received at death will be no less than a prescribed amount. This minimum amount is based on the net deposits paid into the contract, the net deposits accumulated at a specified rate, the highest historical account value on a contract anniversary or, if a contract has more than one of these features, the greatest of these values. To the extent that the GMDB is higher than the current account value at the time of death, the Company incurs a cost. This typically results in an increase in annuity policy benefits in periods of declining financial markets and in periods of stable financial markets following a decline. As of December 31, 2014, the difference between the GMDB and the current account value (NAR) for all existing contracts was \$19.8 million. This was our exposure to loss had all contract owners died on December 31, 2014. See Note 11 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information.

Certain variable annuity products sold by our Life Companies contain guaranteed minimum living benefits. These include guaranteed minimum accumulation, withdrawal, income and payout annuity floor benefits. The GMAB guarantees a return of deposit to a policyholder after 10 years regardless of market performance. The GMWB guarantees that a policyholder can withdraw a certain percentage for life regardless of market performance. The GMIB guarantees that a policyholder can convert his or her account value into a guaranteed payout annuity at a guaranteed minimum interest rate and a guaranteed mortality basis, while also assuming a certain level of growth in the initial deposit. We also offer a combination rider that offers both GMAB and GMDB benefits. We have established a hedging program for managing the risk associated with our guaranteed minimum accumulation and withdrawal benefit features. We continue to analyze and refine our strategies for managing risk exposures associated with all our separate account guarantees.

See Note 6 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information regarding DAC.

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The table below shows the estimated equity risk sensitivity of our liability products that are sensitive to equity market movements measured in terms of their fair value.

Equity Risk Sensitivity of Our Liability Products:

(\$ in millions)

	As of December 31, 2014		
	Balance after -10% Equity Price Change	Fair Value	Balance after +10% Equity Price Change
GMAB [1]	\$ 1.3	\$ (0.3)	\$ (1.9)
GMWB [1]	11.2	7.3	3.8
COMBO [1]	(0.1)	(0.2)	(0.3)

[1] The values above represent changes to balances before adjustment for unrealized gains/losses.

The selection of a 10% increase or decrease in equity prices is a hypothetical rate scenario used to demonstrate potential risk. While a 10% increase or decrease does not represent our view of future market changes, it is a hypothetical near-term change that illustrates the potential effect of such events. Although these fair value measurements provide a representation of equity market sensitivity, they are based on our exposures at a point in time and may not be representative of future market results. These exposures will change as a result of new business, management's assessment of changing market conditions and available investment opportunities.

We sponsor defined benefit pension plans for our employees. For U.S. GAAP accounting purposes, we assumed a 7.5% long-term rate of return on plan assets in the most recent valuations, performed as of December 31, 2014. To the extent there are deviations in actual returns, there will be changes in our projected expense and funding requirements. As of December 31, 2014, the projected benefit obligation for our funded and unfunded defined benefit plans was in excess of plan assets by \$174.5 million and \$153.7 million, respectively. We made contributions totaling \$11.8 million and \$11.4 million to the pension plans during 2014 and 2013, respectively. We expect to make no contributions over the next 12 months.

Effective March 31, 2010, all benefit accruals under all of our funded and unfunded defined benefit plans were frozen.

See Note 16 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K for additional information on our employee benefit plans.

Low Interest Rate Environment

As a result of the continuing low interest rate environment, the Company's current reinvestment yields are generally lower than the current investment portfolio yield, primarily for our investments in fixed income securities. We expect our portfolio income yields to continue to gradually decline in future periods if interest rates remain low. Approximately 35.0% of the Company's \$16.4 billion total policy liabilities and deposit funds have account values that contain certain guaranteed minimum interest rates, principally universal life, fixed indexed annuities, and the fixed return portion of variable annuities.

For certain products, we guarantee interest rates to our policyholders and primarily invest in fixed rate securities to fund those guaranteed rates. Interest rate spread management could impact the Company most significantly in its universal life policies, since guaranteed interest rates, in some cases, are near or approaching our current reinvestment rate on our related fixed income securities. At approximately \$2.0 billion, universal life account values represent less than 15.0% of our total policy liabilities, accruals, and deposit funds. The current book yield of the investment portfolio backing our universal life policies was approximately 4.8% at December 31, 2014 while the guaranteed minimum policyholder crediting rate for these policies was primarily at 4.0%.

While fixed indexed annuities comprise a larger balance of policies with guaranteed minimum interest rates to protect the initial investment, the crediting / guarantee rates on these products adjust more consistently with interest rates so there is a less significant impact to our results of operations. Our traditional products, such as whole-life and term, may also have a reducing impact on net income resulting from the underlying assets that may have to be reinvested at interest rates that are lower than the current portfolio rates. However, our traditional products do not have account values with stated guaranteed minimum interest rates.

The Company estimates that the annualized net investment income yield on its fixed income securities, excluding the closed block, was approximately 4.6% during the year ended December 31, 2014. The average investment rate on fixed income securities purchases, excluding the closed block, during the year ended December 31, 2014 was approximately 3.9% on total purchases of approximately \$1.6 billion. Management estimates that proceeds from maturities, calls and prepayments of approximately \$500 million is expected to be available for reinvestment over the next 12 months, before considering new deposits and premiums and other cash flow uses. Assuming such amounts are reinvested at new money interest rates prevailing at December 31, 2014, we estimate that would reduce net investment income by less than \$5 million during the next 12 months. The estimated impact is subject to change as the composition of the portfolio changes through normal portfolio management and other factors.

The low interest rate environment discussion immediately above does not include the additional and interrelated impacts to earnings from the amortization of deferred policy acquisition costs and profits followed by losses which occurs in response to changing estimated gross profits. (See “Enterprise Risk Management - Market Risk - Interest Rate Sensitivity of DAC and Policy Liabilities” discussion above.) Also, as noted previously, the low interest rate environment impacts the pension plan assets and the discount on the liabilities. (See “Critical Accounting Estimates - Pension and Other Post-Employment Benefits” discussion above.)

The Company’s closed block could also be impacted by the low interest rate environment, but to a lesser degree than the items described above. The closed block was established to benefit the policyholders at the time of demutualization utilizing assets that were allocated to the closed block. Closed block earnings will not inure to the Company’s stockholders, and closed block policyholder dividends could be adjusted if investment income is substantially lower than initially projected. If interest rates are very low for a prolonged period of time, or mortality changes dramatically, or both, and the Company has insufficient funds to make policy benefit payments that are guaranteed, the Company’s earnings could be impacted since such payments may need to be made from assets outside of the closed block. See Note 5 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information on the closed block.

Estimated Fair Value Measurement

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, or are based on disorderly transactions or inactive markets, fair value is based upon internally developed models that use primarily market-based or independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, our own creditworthiness, liquidity and unobservable parameters that are applied consistently over time.

Using professional judgment and experience, we evaluate and weigh the relevance and significance of all readily available market information to determine the best estimate of fair value. The fair value investments with unobservable inputs are determined by management after considering prices from our pricing vendors. Fair values for debt securities are primarily based on yield curve analyses along with ratings and spread data. Other inputs may be considered for fair value calculations including published indexed data, sector specific performance, comparable price sources and similar traded securities.

See Note 13 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information regarding the estimated fair value of investments.

Debt and Equity Securities

We invest in a variety of debt and equity securities. We classify these investments into various sectors using industry conventions; however, our classifications may differ from similarly titled classifications of other companies. We classify debt securities into investment grade and below-investment-grade securities based on ratings prescribed by the National Association of Insurance Commissioners (“NAIC”). In a majority of cases, these classifications will coincide with ratings assigned by one or more Nationally Recognized Statistical Rating Organizations (“NRSROs”); however, for certain structured securities, the NAIC designations may differ from NRSRO designations based on the amortized cost of the securities in our portfolio.

Our available-for-sale debt securities portfolio consists primarily of investment grade publicly traded and privately placed corporate bonds, residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and other asset-backed securities (“ABS”). As of December 31, 2014, available-for-sale equity securities include \$117.2 million of perpetual preferred securities, of which \$39.8 million was below-investment-grade. As of December 31, 2014, our available-for-sale debt securities, with a fair value of \$12,679.3 million, represented 77.8% of total investments.

Available-for-Sale Debt Securities Ratings by Percentage:

(\$ in millions)

		As of December 31, 2014			
NAIC Rating	S&P Equivalent Designation	Fair Value	% of Fair Value	Amortized Cost	% of Amortized Cost
1	AAA/AA/A	\$ 7,237.0	57.1%	\$ 6,777.6	56.6%
2	BBB	4,593.5	36.2%	4,359.4	36.4%
	Total investment grade	11,830.5	93.3%	11,137.0	93.0%
3	BB	538.3	4.3%	528.8	4.5%
4	B	254.2	2.0%	256.6	2.1%
5	CCC and lower	37.5	0.3%	39.4	0.3%
6	In or near default	18.8	0.1%	16.2	0.1%
	Total available-for-sale debt securities	\$ 12,679.3	100.0%	\$ 11,978.0	100.0%

Available-for-Sale Debt Securities by Type:

(\$ in millions)

	As of December 31, 2014				
	Fair Value	Amortized Cost	Unrealized Gains (Losses)		
			Gross Gains	Gross Losses	Net
U.S. government and agency	\$ 443.4	\$ 388.3	\$ 55.2	\$ (0.1)	\$ 55.1
State and political subdivision	557.9	518.3	42.1	(2.5)	39.6
Foreign government	230.9	205.8	26.5	(1.4)	25.1
Corporate	8,398.1	7,942.7	530.0	(74.6)	455.4
CMBS	651.2	602.9	48.4	(0.1)	48.3
RMBS	1,932.2	1,862.5	81.6	(11.9)	69.7
Collateralized debt obligation (“CDO”) / collateralized loan obligation (“CLO”)	196.9	197.5	2.7	(3.3)	(0.6)
Other ABS	268.7	260.0	13.4	(4.7)	8.7
Total available-for-sale debt securities	\$ 12,679.3	\$ 11,978.0	\$ 799.9	\$ (98.6)	\$ 701.3
Available-for-sale debt securities outside closed block					
Unrealized gains	\$ 5,643.3	\$ 5,301.5	\$ 341.8	\$ —	\$ 341.8
Unrealized losses	1,159.0	1,225.2	—	(66.2)	(66.2)
Total outside the closed block	6,802.3	6,526.7	341.8	(66.2)	275.6
Available-for-sale debt securities in closed block					
Unrealized gains	5,235.2	4,777.1	458.1	—	458.1
Unrealized losses	641.8	674.2	—	(32.4)	(32.4)
Total in the closed block	5,877.0	5,451.3	458.1	(32.4)	425.7
Total available-for-sale debt securities	\$ 12,679.3	\$ 11,978.0	\$ 799.9	\$ (98.6)	\$ 701.3

Available-for-Sale Debt Securities by Type and Credit Quality:

(\$ in millions)

	As of December 31, 2014			
	Investment Grade		Below Investment Grade	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
U.S. government and agency	\$ 443.4	\$ 388.3	\$ —	\$ —
State and political subdivision	557.9	518.3	—	—
Foreign government	214.6	191.1	16.3	14.7
Corporate	7,654.4	7,202.8	743.7	739.9
CMBS	651.2	602.9	—	—
RMBS	1,899.0	1,829.3	33.2	33.2
CDO/CLO	171.9	174.0	25.0	23.5
Other ABS	238.1	230.3	30.6	29.7
Total available-for-sale debt securities	\$ 11,830.5	\$ 11,137.0	\$ 848.8	\$ 841.0
Percentage of total available-for-sale debt securities	93.3%	93.0%	6.7%	7.0%

We manage credit risk through industry and issuer diversification. Maximum exposure to an issuer is defined by quality ratings, with higher quality issuers having larger exposure limits. Our investment approach emphasizes a high level of industry diversification. The top five industry holdings as of December 31, 2014 in our available-for-sale debt and short-term investment portfolio were banking (7.5%), electrical utilities (6.6%), oil/oil services and equipment (6.1%), diversified financial services (3.9%) and real estate investment trusts (2.9%).

Eurozone Exposure

The following table presents exposure to European debt. We have focused on the countries experiencing significant economic, fiscal or political strain that could increase the likelihood of default.

Fair Value of Eurozone Exposure by Country

(\$ in millions)

	As of December 31, 2014				
	Sovereign Debt	Financial Institutions	All Other	Total	% of Debt Securities [1]
Spain	\$ —	\$ 0.4	\$ 35.0	\$ 35.4	0.3%
Ireland	—	—	42.9	42.9	0.3%
Italy	—	—	8.5	8.5	0.1%
Portugal	—	—	0.7	0.7	0.1%
Total	—	0.4	87.1	87.5	0.8%
All other Eurozone [2]	4.5	67.9	265.6	338.0	2.5%
Total	\$ 4.5	\$ 68.3	\$ 352.7	\$ 425.5	3.3%

[1] Inclusive of available-for-sale debt securities and short-term investments.

[2] Includes Belgium, Finland, France, Germany, Latvia, Luxembourg and Netherlands.

Residential Mortgage-Backed Securities

We invest directly in RMBS. To the extent these assets deteriorate in credit quality and decline in value for an extended period, we may realize impairment losses. When making investment decisions, we have been focused on identifying those securities that could withstand significant increases in delinquencies and foreclosures in the underlying mortgage pools before incurring a loss of principal.

Most of our RMBS portfolio is highly rated. At December 31, 2014, 98.3% of the total residential portfolio was rated investment grade. We hold \$181.2 million of RMBS investments backed by prime rated mortgages, \$190.2 million backed by Alt-A mortgages and \$110.1 million backed by sub-prime mortgages, which combined amount to 2.9% of our total investments. The majority of our prime, Alt-A and sub-prime exposure is investment grade, with 86.5% rated NAIC-1 and 6.5% rated NAIC-2. We have employed a disciplined approach in the analysis and monitoring of our mortgage-backed securities. Our approach involves a monthly review of each security. Underlying mortgage data is obtained from the security's trustee and analyzed for performance trends. A security-specific stress analysis is performed using the most recent trustee information. This analysis forms the basis for our determination of whether the security will pay in accordance with the contractual cash flows. There were no RMBS impairments for the year ended December 31, 2014.

Residential Mortgage-Backed Securities:

(\$ in millions)

As of December 31, 2014

	Amortized Cost [1]	Fair Value [1]	% Invested Assets [2]	NAIC Rating						% Closed Block
				1	2	3	4	5	6	
				AAA/AA/A	BBB	BB	B	CCC and Below	In or Near Default	
Collateral										
Agency	\$ 1,425.7	\$ 1,475.0	8.8%	100.0%	—%	—%	—%	—%	—%	43.3%
Prime	171.8	181.2	1.1%	88.8%	6.0%	2.9%	2.3%	—%	—%	46.3%
Alt-A	185.5	190.2	1.1%	80.0%	10.4%	3.1%	3.1%	3.4%	—%	32.1%
Sub-prime	103.8	110.1	0.7%	94.4%	0.5%	2.1%	3.0%	—%	—%	10.5%
Total	\$ 1,886.8	\$ 1,956.5	11.7%	96.7%	1.6%	0.7%	0.7%	0.3%	—%	40.6%

[1] Individual categories may not agree with the Available-for-Sale Debt Securities by Type table on previous page due to nature of underlying collateral. In addition, RMBS holdings in this exhibit include \$24.3 million classified as fair value investments on the consolidated balance sheets. For these fair value investments, there is no impact to OCI as carrying value is equal to fair value.

[2] Percentages based on fair value of total investments, including cash and cash equivalents.

Commercial Mortgage-Backed Securities

We invest directly in CMBS. To the extent these assets deteriorate in credit quality and decline in value for an extended period, we may realize impairment losses. When making investment decisions, we have been focused on identifying those securities that could withstand significant increases in delinquencies and foreclosures in the underlying mortgage pools before incurring a loss of principal.

Commercial Mortgage-Backed Securities:

(\$ in millions)

As of December 31, 2014

Rating	S&P Equivalent Designation	Amortized Cost [1]	Fair Value [1]	% Invested Assets [2]	Year of Issue					% Closed Block
					Post-2007	2007	2006	2005	2004 and Prior	
NAIC-1	AAA/AA/A	\$ 603.5	\$ 651.9	3.9%	59.7%	5.6%	18.7%	10.6%	5.4%	37.0%
NAIC-2	BBB	6.5	6.6	—%	—%	—%	44.5%	55.5%	—%	33.3%
NAIC-3	BB	—	—	—%	—%	—%	—%	—%	—%	—%
NAIC-4	B	9.9	10.7	0.1%	—%	—%	—%	—%	100.0%	50.0%
NAIC-5	CCC and below	—	—	—%	—%	—%	—%	—%	—%	—%
NAIC-6	In or near default	3.6	3.8	—%	—%	—%	—%	—%	100.0%	37.0%
Total		\$ 623.5	\$ 673.0	4.0%	57.9%	5.4%	18.5%	10.8%	7.4%	37.0%

[1] Includes commercial mortgage-backed CDOs with amortized cost and fair values of \$17.0 million and \$18.2 million, respectively. CMBS holdings in this exhibit include \$3.6 million classified as fair value investments on the consolidated balance sheets. For these fair value investments, there is no impact to OCI as carrying value is equal to fair value.

[2] Percentages based on fair value of total investments, including cash and cash equivalents.

Realized Gains and Losses

The following table presents certain information with respect to realized investment gains and losses including those on debt securities pledged as collateral, with losses from OTTI charges reported separately in the table. These impairment charges were determined based on our assessment of factors enumerated below, as they pertain to the individual securities determined to be other-than-temporarily impaired.

Sources and Types of Net Realized Investment Gains (Losses):

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Total other-than-temporary debt impairments	\$ (5.6)	\$ (7.0)	\$ (45.7)
Portion of losses recognized in OCI	(0.4)	(4.8)	22.9
Net debt impairments recognized in earnings	\$ (6.0)	\$ (11.8)	\$ (22.8)
Debt security impairments:			
U.S. government and agency	\$ —	\$ —	\$ —
State and political subdivision	—	—	(0.6)
Foreign government	—	—	—
Corporate	(6.0)	(3.8)	(3.0)
CMBS	—	(2.7)	(4.1)
RMBS	—	(4.3)	(10.3)
CDO/CLO	—	(1.0)	(3.8)
Other ABS	—	—	(1.0)
Net debt security impairments	(6.0)	(11.8)	(22.8)
Equity security impairments	(2.1)	—	(4.8)
Limited partnerships and other investment impairments	—	—	(0.3)
Impairment losses	(8.1)	(11.8)	(27.9)
Debt security transaction gains	41.8	45.3	46.4
Debt security transaction losses	(17.7)	(2.2)	(11.1)
Equity security transaction gains	10.4	4.2	14.4
Equity security transaction losses	(1.0)	(3.8)	(0.4)
Limited partnerships and other investment transaction gains	—	0.8	7.7
Limited partnerships and other investment transaction losses	(0.7)	(4.6)	(2.5)
Net transaction gains (losses)	32.8	39.7	54.5
Derivative instruments	(20.8)	(27.7)	(50.4)
Embedded derivatives [1]	(45.9)	12.2	4.9
Assets valued at fair value	0.8	3.6	2.1
Net realized investment gains (losses), excluding impairment losses	(33.1)	27.8	11.1
Net realized investment gains (losses), including impairment losses	\$ (41.2)	\$ 16.0	\$ (16.8)

[1] Includes the change in fair value of embedded derivatives associated with fixed index annuity indexed crediting feature and variable annuity riders. See Note 11 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K for additional disclosures.

Other-than-Temporary Impairments

Management assessed all securities in an unrealized loss position in determining whether impairments were temporary or other-than-temporary. In reaching its conclusions, management exercised significant judgment and used a number of issuer-specific quantitative indicators and qualitative judgments to assess the probability of receiving a given security's contractual cash flows. This included the issue's implied yield to maturity, cumulative default rate based on rating, comparisons of issue-specific spreads to industry or sector spreads, specific trading activity in the issue and other market data, such as recent debt tenders and upcoming refinancing requirements. Management also reviewed fundamentals such as issuer credit and liquidity metrics, business outlook and industry conditions. Management maintains a watch list of securities that is reviewed for impairments. Each security on the watch list was evaluated, analyzed and discussed, with the positive and negative factors weighed in the ultimate determination of whether or not the security was other-than-temporarily impaired. For securities for which no OTTI was ultimately indicated at December 31, 2014, management does not have the intention to sell, nor does it expect to be required to sell, these securities prior to their recovery.

OTTIs recorded on available-for-sale debt and equity securities were \$8.1 million in 2014, \$11.8 million in 2013 and \$27.6 million in 2012. The 2014 impairments were driven primarily by deterioration in issuer credit and liquidity metrics, and business outlook.

The following table presents a roll-forward of pre-tax credit losses recognized in earnings related to available-for-sale debt securities for which a portion of the OTTI was recognized in OCI.

Credit Losses Recognized in Earnings on Available-for-Sale Debt Securities for which a Portion of the OTTI Loss was Recognized in OCI:

(\$ in millions)

	As of December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ (71.4)	\$ (72.6)	\$ (79.1)
Add: Credit losses on securities not previously impaired [1]	—	(1.1)	(6.7)
Add: Credit losses on securities previously impaired [1]	—	(4.1)	(13.3)
Less: Credit losses on securities impaired due to intent to sell	—	—	—
Less: Credit losses on securities sold	19.0	6.4	26.5
Less: Increases in cash flows expected on previously impaired securities	—	—	—
Balance, end of period	\$ (52.4)	\$ (71.4)	\$ (72.6)

[1] Additional credit losses on securities for which a portion of the OTTI loss was recognized in AOCI are included within net OTTI losses recognized in earnings on the consolidated statements of income and comprehensive income.

Unrealized Gains and Losses

The following tables present certain information with respect to our gross unrealized gains and losses related to our investments in debt securities as of December 31, 2014. We separately present information that is applicable to unrealized losses both outside and inside the closed block. See Note 8 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information regarding the closed block. Applicable DAC and deferred income taxes further reduce the effect of unrealized gains and losses on our comprehensive income.

Net unrealized investment gains and losses on securities classified as available-for-sale and certain other assets are included in our consolidated balance sheets as a component of AOCI. The table below presents the special category of AOCI for debt securities that are other-than-temporarily impaired when the impairment loss has been split between the credit loss component (in earnings) and the non-credit component (separate category of AOCI).

Available-for-Sale Debt Securities Non-Credit OTTI Losses in AOCI, by Security Type: [1] (\$ in millions)	As of December 31,	
	2014	2013
	As restated	
U.S. government and agency	\$ —	\$ —
State and political subdivision	(1.1)	(1.1)
Foreign government	—	—
Corporate	(8.3)	(8.8)
CMBS	(1.2)	(3.4)
RMBS	(25.5)	(26.7)
CDO/CLO	(13.9)	(15.3)
Other ABS	(1.8)	(1.8)
Total available-for-sale debt securities non-credit OTTI losses in AOCI	\$ (51.8)	\$ (57.1)

[1] Represents the amount of non-credit OTTI losses recognized in AOCI excluding net unrealized gains or losses subsequent to the date of impairment.

Duration of Gross Unrealized Losses on Securities Outside Closed Block:

(\$ in millions)	As of December 31, 2014			
	Total	0 – 6 Months	6 – 12 Months	Over 12 Months
Available-for-sale debt securities outside closed block				
Total fair value	\$ 1,159.0	\$ 451.5	\$ 48.8	\$ 658.7
Total amortized cost	1,225.2	464.5	51.1	709.6
Unrealized losses	\$ (66.2)	\$ (13.0)	\$ (2.3)	\$ (50.9)
Number of securities [1]	330	131	17	182
Investment grade:				
Unrealized losses	\$ (55.5)	\$ (9.7)	\$ (1.5)	\$ (44.3)
Below investment grade:				
Unrealized losses	\$ (10.7)	\$ (3.3)	\$ (0.8)	\$ (6.6)
Available-for-sale equity securities outside closed block				
Unrealized losses	\$ (0.5)	\$ —	\$ —	\$ (0.5)
Number of securities [1]	8	—	—	8

[1] Certain securities are held in both the open and closed blocks.

For available-for-sale debt securities outside of the closed block with gross unrealized losses, 83.8% of the unrealized losses after offsets pertain to investment grade securities and 16.2% of the unrealized losses after offsets pertain to below-investment-grade securities at December 31, 2014.

The following table represents those securities whose fair value is less than 80% of amortized cost (significant unrealized loss) that have been at a significant unrealized loss position on a continuous basis.

Duration of Gross Unrealized Losses on Securities Outside Closed Block:

(\$ in millions)

Available-for-sale debt securities outside closed block

Unrealized losses over 20% of cost

Number of securities [1]

Investment grade:

Unrealized losses over 20% of cost

Below investment grade:

Unrealized losses over 20% of cost

Available-for-sale equity securities outside closed block

Unrealized losses over 20% of cost

Number of securities [1]

	As of December 31, 2014			
Total	0 – 6 Months	6 – 12 Months	Over 12 Months	
\$ (28.2)	\$ (4.8)	\$ (0.6)	\$ (22.8)	
17	5	2	10	
\$ (25.0)	\$ (3.7)	\$ (0.6)	\$ (20.7)	
\$ (3.2)	\$ (1.1)	\$ —	\$ (2.1)	
\$ —	\$ —	\$ —	\$ —	
—	—	—	—	

[1] Certain securities are held in both the open and closed blocks.

Duration of Gross Unrealized Losses on Securities Inside Closed Block:

(\$ in millions)

Available-for-sale debt securities inside closed block

Total fair value

Total amortized cost

Unrealized losses

Number of securities [1]

Investment grade:

Unrealized losses

Below investment grade:

Unrealized losses

Available-for-sale equity securities inside closed block

Unrealized losses

Number of securities [1]

	As of December 31, 2014			
Total	0 – 6 Months	6 – 12 Months	Over 12 Months	
\$ 641.8	\$ 242.8	\$ 19.8	\$ 379.2	
674.2	252.1	21.5	400.6	
\$ (32.4)	\$ (9.3)	\$ (1.7)	\$ (21.4)	
174	69	10	95	
\$ (22.9)	\$ (5.2)	\$ (1.0)	\$ (16.7)	
\$ (9.5)	\$ (4.1)	\$ (0.7)	\$ (4.7)	
\$ (1.1)	\$ (0.7)	\$ —	\$ (0.4)	
11	4	—	7	

[1] Certain securities are held in both the open and closed blocks.

The following table represents those securities whose fair value is less than 80% of amortized cost (significant unrealized loss) that have been at a significant unrealized loss position on a continuous basis.

Duration of Gross Unrealized Losses on Securities Inside Closed Block:

(\$ in millions)

Available-for-sale debt securities inside closed block

Unrealized losses over 20% of cost

Number of securities [1]

Investment grade:

Unrealized losses over 20% of cost

Below investment grade:

Unrealized losses over 20% of cost

Available-for-sale equity securities inside closed block

Unrealized losses over 20% of cost

Number of securities [1]

	As of December 31, 2014			
	Total	0 – 6 Months	6 – 12 Months	Over 12 Months
Unrealized losses over 20% of cost	\$ (6.0)	\$ (3.5)	\$ (2.4)	\$ (0.1)
Number of securities [1]	7	4	1	2
Investment grade:				
Unrealized losses over 20% of cost	\$ (4.3)	\$ (1.9)	\$ (2.4)	\$ —
Below investment grade:				
Unrealized losses over 20% of cost	\$ (1.7)	\$ (1.6)	\$ —	\$ (0.1)
Unrealized losses over 20% of cost	\$ —	\$ —	\$ —	\$ —
Number of securities [1]	—	—	—	—

[1] Certain securities are held in both the open and closed blocks.

Liquidity and Capital Resources

Liquidity refers to the ability of a company to generate sufficient cash flow to meet its cash requirements. Capital refers to the long-term financial resources available to support the operations of our business, fund business growth and provide a cushion to withstand adverse circumstances. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of our business, general economic conditions and our access to the capital markets and alternate sources of liquidity and capital. We believe that cash flows from the sources of funds available to us are sufficient to satisfy the current liquidity requirements, including under reasonably foreseeable stress scenarios.

The following discussion includes both liquidity and capital resources as these subjects are interrelated.

The Phoenix Companies, Inc. (consolidated)

Summary Consolidated Cash Flows:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Cash provided by (used for) operating activities	\$ (500.5)	\$ (446.6)	\$ (520.8)
Cash provided by (used for) investing activities	(244.8)	65.3	(203.8)
Cash provided by (used for) financing activities	700.1	632.0	800.1
Change in cash and cash equivalents	\$ (45.2)	\$ 250.7	\$ 75.5

2014 compared to 2013

Cash used for operating activities primarily consists of cash used for operating expenses and death claim payments. Cash used for operating activities increased \$53.9 million during the year ended December 31, 2014 compared to the twelve months ended December 31, 2013. This increase was driven by an increase in audit and consulting fees related to the preparation of financial statements and lower renewal premiums on traditional life products. Partially offsetting this increase was lower death benefits paid on traditional life products.

Cash provided by investing activities decreased \$310.1 million during the year ended December 31, 2014 compared to the twelve months ended December 31, 2013 as a result of increased purchases of short-term investments offset by increased sales and maturities of short-term investments. Driving the increase in purchases were deposits into fixed indexed annuity products, which were invested.

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Cash provided by financing activities increased \$68.1 million during the year ended December 31, 2014. This increase was primarily a result of an increase in policyholder deposits and a decrease in policyholder withdrawals related to fixed index annuities products, when compared to 2013. Partially offsetting this increase was a decrease in policyholder deposits related to universal life products when compared to 2013.

2013 compared to 2012

Cash used for operating activities decreased \$74.2 million during the year ended December 31, 2013 compared to the year ended December 31, 2012. This decrease was driven by lower death benefits for universal life, variable universal life and traditional life products resulting from positive mortality experience during 2013 in conjunction with reduced commissions paid related to lower sales of our fixed indexed annuity product. Partially offsetting this increase were lower renewal premiums on our legacy blocks of business due to a declining in force population and increased audit and consulting fees related to the preparation of financial statements.

Cash used for investing activities decreased \$269.1 million during the year ended December 31, 2013 compared to the year ended December 31, 2012 as a result of a greater increase in sales and maturities relative to purchases. This is primarily driven by less cash being provided by financing and operating activities, namely due to a reduction in deposits and an increase in withdrawals of fixed index annuities, combined with increased holdings of cash and cash equivalents in lieu of reinvestment.

Cash provided by financing activities decreased \$168.1 million during the year ended December 31, 2013. This decline was primarily a result of a decrease in policyholder deposits exceeding a decrease in withdrawals and lower sales of fixed indexed annuities when compared to 2012. Offsetting this decline was the absence of a debt repurchase during 2013, which in 2012 resulted in a financing outflow of \$36.2 million. See Note 9 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information on financing activities.

The Phoenix Companies, Inc. Sources and Uses of Cash (parent company only)

The Phoenix Companies, Inc. serves as the holding company for our insurance subsidiaries and does not have any significant operations of its own. As of December 31, 2014 and 2013, liquidity (cash, short-term investments, available-for-sale debt securities and other near-cash assets) totaled \$78.3 million and \$181.5 million, respectively. Of this amount, \$10.8 million and \$0, respectively, is included in the escrow described below.

Sources of Cash

In addition to existing cash and securities, our primary source of liquidity consists of dividends from Phoenix Life. Under New York Insurance Law, Phoenix Life is permitted to pay stockholder dividends to the holding company in any calendar year without prior approval from the NYDFS in the amount of the lesser of 10% of Phoenix Life’s surplus to policyholders as of the immediately preceding calendar year or Phoenix Life’s statutory net gain from operations for the immediately preceding calendar year, not including realized capital gains. Based on this calculation, Phoenix Life would be able to pay a dividend of \$59.9 million in 2015. During the year ended December 31, 2014, Phoenix Life declared \$56.0 million in dividends. In assessing our ability to pay dividends from Phoenix Life, we also consider the level of statutory capital and RBC of that entity. Phoenix Life may have less flexibility to pay dividends to the parent company if we experience declines in either statutory capital or RBC in the future. As of December 31, 2014, we had \$767.5 million of combined statutory capital, surplus and AVR. Our estimated RBC ratio was in excess of 300% at Phoenix Life. See Notes 21 and 27 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information on Phoenix Life statutory financial information, regulatory matters and dividends to the parent.

Uses of Cash

Our principal needs at the holding company level are debt service, income taxes and certain operating expenses. Interest paid on senior unsecured bonds for the years ended December 31, 2014, 2013 and 2012 was \$20.0 million, \$20.0 million and \$20.0 million, respectively. As of December 31, 2014, future minimum annual principal payments on senior unsecured bonds are \$252.7 million in 2032. See Note 9 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information.

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The holding company and its subsidiaries have a tax sharing agreement. The subsidiaries compute their provision for federal income taxes as if they were filing a separate federal income tax return. There are quarterly settlements among the companies representing both the subsidiaries estimated separate company tax liability for the current tax year and any amount that such subsidiary overpaid to the holding company for a taxable year. As part of the intercompany tax sharing agreement, the holding company is required to hold funds in escrow for the benefit of Phoenix Life in the event Phoenix Life incurs future taxable losses. In accordance with its regulatory obligation, in October 2014 the Company funded the escrow, with \$78.9 million of assets including treasury stock, a surplus note issued by PHL Variable and \$10.8 million of cash from the holding company.

Holding company operating expenses for the years ended December 31, 2014, 2013 and 2012 were \$102.6 million, \$70.7 million and \$10.2 million. The expenses in 2014 and 2013 were due primarily to audit, consulting and legal expenses relating to the Prior Phoenix Restatement. There are expense sharing arrangements in place among the holding company and its operating subsidiaries.

However, given unique circumstances, management determined it was in the best interest of the Company that the majority of these costs be borne by the holding company. Prospectively, the Company expects these expenses will significantly decline and be allocated to the operating subsidiaries in line with prior practice.

In addition, The Phoenix Companies, Inc. made \$15.0 million and \$45.0 million of capital contributions for the benefit of PHL Variable Insurance Company in 2014 and 2013, respectively. The need for significant additional capital contributions could constrain the ability of the holding company to meet its debt obligations and corporate expenses.

In 2014, 2013 and 2012, the Company did not pay any stockholder dividends.

We sponsor post-employment benefit plans through pension and savings plans for employees of Phoenix Life. Funding of the majority of these obligations is provided by Phoenix Life on a 100% cost reimbursement basis through administrative services agreements with the holding company. See Note 16 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K for additional information.

The Phoenix Companies, Inc. Summary Cash Flows (parent company only)

Summary Cash Flows:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Cash provided by (used for) operating activities	\$ (143.5)	\$ 19.8	\$ (30.3)
Cash provided by (used for) investing activities	119.3	(11.6)	8.4
Cash provided by (used for) financing activities	—	—	(3.4)
Change in cash and cash equivalents	\$ (24.2)	\$ 8.2	\$ (25.3)

2014 compared to 2013

Cash provided by operating activities for the year ended December 31, 2014 decreased \$163.3 million compared to the year ended December 31, 2013 due mainly to an increase in net payments to/from subsidiaries. These payments were driven by increased audit and consulting expenses related to the 2012 and 2013 audits that were completed during 2014.

Cash used for investing activities for the year ended December 31, 2014 decreased \$130.9 million compared to the year ended December 31, 2013, driven by an increase in sales, repayments and maturities of short term investments and a reduction in purchases of available-for-sale debt securities.

There was no cash provided by or used for financing activities in either 2014 or 2013.

2013 compared to 2012

The \$50.1 million increase in cash provided by operating activities for the year ended December 31, 2013, compared to the year ended December 31, 2012, was due to an increase in net payments to/from subsidiaries of \$51.7 million. These receipts were driven by intercompany tax payments for the use of the parent company's ordinary and capital losses. The amount paid by the subsidiaries was reduced by cash payments to the IRS.

The increase in cash used for investing activities was driven by a \$45.0 million capital contribution to PHL Variable offset by a net increase in purchases, sales, repayments and maturities of available-for-sale debt and short-term investments of \$24.6 million.

Cash used for financing activities decreased due to no financing activities in 2013 compared to the treasury stock repurchased as part of the 1-for-20 reverse stock split of its common stock following market close on August 10, 2012.

Life Companies

The Life Companies' liquidity requirements principally relate to: the liabilities associated with various life insurance and annuity products; the payment of dividends by Phoenix Life to the parent company; operating expenses; contributions to subsidiaries; and payment of principal and interest by Phoenix Life on its outstanding debt obligation. Liabilities arising from life insurance and annuity products include the payment of benefits, as well as cash payments in connection with policy surrenders, withdrawals and loans. The Life Companies also have liabilities arising from the runoff of the remaining discontinued group accident and health reinsurance operations, a block of business discontinued in 1999.

Historically, our Life Companies have used cash flows from operations and investing activities to fund liquidity requirements. Their principal cash inflows from life insurance and annuities activities come from premiums, annuity deposits and charges on insurance policies and annuity contracts. In the case of Phoenix Life, cash inflows also include dividends, distributions and other payments from subsidiaries. Principal cash inflows from investing activities result from repayments of principal, proceeds from maturities, sales of invested assets and investment income. The principal cash inflows from our discontinued group accident and health reinsurance operations come from our reinsurance, recoveries from other retrocessionaires and investing activities.

Annuity Actuarial Reserves and Deposit Liabilities

Withdrawal Characteristics:

(\$ in millions)

	As of December 31,			
	2014		2013	
	Amount [1]	Percent	Amount [1]	Percent
Not subject to discretionary withdrawal provision	\$ 465.3	7%	\$ 343.0	6%
Subject to discretionary withdrawal without adjustment	894.6	15%	941.3	16%
Subject to discretionary withdrawal with market value adjustment	2,646.0	44%	2,117.8	36%
Subject to discretionary withdrawal at contract value less surrender charge	0.7	—%	30.8	1%
Subject to discretionary withdrawal at market value	2,065.6	34%	2,414.5	41%
Total annuity contract reserves and deposit fund liability	\$ 6,072.2	100%	\$ 5,847.4	100%

[1] Annuity contract reserves and deposit fund liability amounts are reported on a statutory basis, which more accurately reflects the potential cash outflows and include variable product liabilities. Annuity contract reserves and deposit fund liabilities are monetary amounts that an insurer must have available to provide for future obligations with respect to its annuities and deposit funds. These are liabilities in our financial statements prepared in conformity with statutory accounting practices. These amounts are at least equal to the values available to be withdrawn by policyholders.

Individual life insurance policies are less susceptible to withdrawals than annuity contracts because policyholders may incur surrender charges and be required to undergo a new underwriting process in order to obtain a new insurance policy. As indicated in the table above, most of our annuity contract reserves and deposit fund liabilities are subject to withdrawals at market value.

The cash values of certain individual life insurance policies increase over the lives of the policies. Policyholders have the right to borrow an amount up to a certain percentage of the cash value on those policies. As of December 31, 2014, our Life Companies had approximately \$10.5 billion in cash values with respect to which policyholders had rights to take policy loans. For eligible policies, the majority of policy loans are at variable interest rates that are reset annually on the policy anniversary. Policy loans at December 31, 2014 were \$2.4 billion.

Aggregate life surrenders in 2014 were 4.3% of related reserves, compared to 4.6% in 2013. Liquid assets used in satisfying surrenders consist of cash, cash equivalents, short-term investments, treasuries and agency mortgage-backed securities. These liquid assets accounted for 12.7% of fixed income investments at year end 2014, compared to 13.3% at year end 2013. A strong liquidity profile remains a priority for the Company, but as financial markets and the economy continue to improve the size and composition of this liquid asset portfolio will change to better meet the needs of the Company. These actions, along with resources the Company devotes to monitoring and managing surrender activity, are key components of liquidity management within the Company.

The primary liquidity risks regarding cash inflows from the investing activities of our Life Companies are the risks of default by debtors, interest rate and other market volatility and potential illiquidity of investments. We closely monitor and manage these risks.

Phoenix Life has \$126.7 million principal of surplus notes outstanding due December 15, 2034. Interest payments are at an annual rate of 7.15%, require the prior approval of the NYDFS, and may be made only out of surplus funds which the NYDFS determines to be available for such payments under New York insurance law.

We believe that the existing and expected sources of liquidity for our Life Companies are adequate to meet both current and anticipated needs.

In 2004, we issued \$175.0 million principal of surplus notes with a scheduled maturity of 30 years for proceeds of \$171.6 million, net of discount and issue costs. Interest payments are at an annual rate of 7.15%, require the prior approval of the NYDFS and may be made only out of surplus funds which the NYDFS determines to be available for such payments under New York insurance law. During September 2012, the Company repurchased and retired \$48.3 million principal of these surplus notes after receiving prior approval from the NYDFS.

Capital Management Program

The Company effected a 1-for-20 reverse stock split of its common stock following market close on August 10, 2012. No fractional shares were issuable in connection with the reverse stock split. Instead, shareholders were entitled to receive cash in lieu of fractional shares, based on the closing price of the Company's common stock on August 10, 2012. As a result of the reverse stock split, an aggregate of \$2.9 million was payable to shareholders for such fractional shares. See Note 10 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K for additional information on the reverse stock split.

Following the reverse stock split, the Company offered an odd lot program that provided post-reverse stock split shareholders who held fewer than 100 shares with a voluntary and limited-time means to sell their shares, purchase enough additional shares to increase their holdings to a round lot of 100 shares or make a charitable donation of their shares. The odd lot program terminated as of October 26, 2012.

The Company is authorized to repurchase up to an aggregate amount of \$25.0 million (not including fees and expenses) of the Company's outstanding shares of common stock. Under the stock repurchase program, purchases may be made from time to time in the open market, in accelerated stock buyback arrangements, in privately negotiated transactions or otherwise, subject to market prices and other conditions. There is no time limit placed on the duration of the program, which may be modified, extended or terminated by the Board of Directors (the "Board") at any time. There were no shares repurchased under this authorization.

Ratings

Rating agencies assign Phoenix Life financial strength ratings and assign the holding company debt ratings based in each case on their opinions of the relevant company's ability to meet its financial obligations. A downgrade or withdrawal of any of our credit ratings could negatively impact our liquidity. For additional information regarding certain risks associated with our credit ratings, please see the risk factors under "*Risks Related to the Restatements of Prior Period Financial Statements and our Internal Control Over Financial Reporting*" contained in "Item 1A: Risk Factors" in Part I of this Form 10-K.

The financial strength and debt ratings as of March 25, 2015 were as follows:

Rating Agency [1]	Financial Strength Rating of Phoenix Life [2]	Outlook	Senior Debt Rating of Phoenix	Outlook
A.M. Best Company, Inc.	B	Stable	b	Negative
Standard & Poor's	B+	Negative	B-	Negative

[1] On January 14, 2014, Moody's Investor Services withdrew all ratings of Phoenix including the Caa1 senior debt rating of Phoenix and the Ba2 financial strength rating of the Company's life insurance subsidiaries and the B1 (hyb) debt rating of Phoenix Life's surplus notes.

[2] PHL Variable is also rated by A.M. Best Company, Inc. and Standard & Poor's. Phoenix Life and Annuity Company and American Phoenix Life and Reassurance Company are only rated by A.M. Best Company, Inc. All subsidiaries have the same rating as Phoenix Life.

Reference in this report to any credit rating is intended for the limited purposes of discussing or referring to changes in our credit ratings or aspects of our liquidity or costs of funds. Such reference cannot be relied on for any other purposes, or used to make any inference concerning future performance, future liquidity or any future credit rating.

Consolidated Financial Condition

Consolidated Balance Sheets: (\$ in millions)	As of December 31,		Increase (decrease) and percentage change	
	2014	2013	2014 vs. 2013	
		As restated		
ASSETS				
Available-for-sale debt securities, at fair value	\$ 12,679.3	\$ 11,731.5	\$ 947.8	8%
Available-for-sale equity securities, at fair value	179.5	138.0	41.5	30%
Short-term investments	149.7	361.6	(211.9)	(59%)
Limited partnerships and other investments	542.8	561.3	(18.5)	(3%)
Policy loans, at unpaid principal balances	2,352.1	2,350.3	1.8	—%
Derivative instruments	161.3	228.8	(67.5)	(30%)
Fair value investments	235.4	215.2	20.2	9%
Total investments	16,300.1	15,586.7	713.4	5%
Cash and cash equivalents	450.0	496.4	(46.4)	(9%)
Accrued investment income	176.7	170.4	6.3	4%
Reinsurance recoverable	559.1	598.1	(39.0)	(7%)
Deferred policy acquisition costs	848.6	947.8	(99.2)	(10%)
Deferred income taxes, net	34.2	70.0	(35.8)	(51%)
Other assets	311.3	320.5	(9.2)	(3%)
Discontinued operations assets	45.2	48.9	(3.7)	(8%)
Separate account assets	3,020.7	3,402.3	(381.6)	(11%)
Total assets	\$ 21,745.9	\$ 21,641.1	\$ 104.8	—%
LIABILITIES				
Policy liabilities and accruals	\$ 12,417.6	\$ 12,416.6	\$ 1.0	—%
Policyholder deposit funds	3,955.0	3,442.6	512.4	15%
Dividend obligations	916.8	705.7	211.1	30%
Indebtedness	378.9	378.8	0.1	—%
Pension and post-employment liabilities	380.0	313.1	66.9	21%
Other liabilities	289.8	337.3	(47.5)	(14%)
Discontinued operations liabilities	40.5	43.4	(2.9)	(7%)
Separate account liabilities	3,020.7	3,402.3	(381.6)	(11%)
Total liabilities	21,399.3	21,039.8	359.5	2%
STOCKHOLDERS' EQUITY				
Common stock	0.1	0.1	—	—%
Additional paid in capital	2,632.8	2,633.1	(0.3)	—%
Accumulated other comprehensive income (loss)	(234.4)	(185.0)	(49.4)	27%
Retained earnings (accumulated deficit)	(1,889.0)	(1,675.8)	(213.2)	13%
Treasury stock	(182.9)	(182.9)	—	—%
Total The Phoenix Companies, Inc. stockholders' equity	326.6	589.5	(262.9)	(45%)
Noncontrolling interests	20.0	11.8	8.2	69%
Total stockholders' equity	346.6	601.3	(254.7)	(42%)
Total liabilities and stockholders' equity	\$ 21,745.9	\$ 21,641.1	\$ 104.8	—%

December 31, 2014 compared to December 31, 2013

Assets

Total assets increased \$104.8 million from December 31, 2013 to December 31, 2014. The increase is primarily attributable to an increase invested assets driven by the following:

- An increase in available-for-sale debt securities of \$947.8 million, which is driven by an increase in market value of \$311.3 million for the year due to decreases in interest rates, as well as purchases due to the continued sale of fixed indexed annuities, and a decrease in short-term investments that was offset by purchases of longer-term debt securities.
- The increase in longer-term investments is offset by a decrease in derivative assets of \$67.5 million for the period, primarily due to the expiration of some of the swaptions and call options in the first quarter of 2014. The decrease is partially offset by a corresponding decrease in derivative liabilities, which are recorded within other liabilities.

The increase in investments is partially offset by the following:

- A decrease in separate account assets of \$381.6 million, primarily due to policyholder withdrawals and other fund withdrawals, which was partially offset by continued deposits on current business inforce and positive market performance during the year.
- A decrease in the DAC asset of \$99.2 million, which is driven primarily by a decrease of \$52.5 million in the shadow component from unrealized gains on investments as well as continued amortization of previously deferred costs. The following table illustrates DAC by product for the comparable periods:

Composition of Deferred Policy Acquisition Costs by Product:

(\$ in millions)

	As of December 31,		Increase (decrease) and percentage change	
	2014	2013	2014 vs. 2013	
		As restated		
Variable universal life	\$ 120.3	\$ 129.3	\$ (9.0)	(7%)
Universal life	129.0	214.9	(85.9)	(40%)
Variable annuities	62.4	84.1	(21.7)	(26%)
Fixed annuities	220.9	194.3	26.6	14%
Traditional life	316.0	325.2	(9.2)	(3%)
Total deferred policy acquisition costs	\$ 848.6	\$ 947.8	\$ (99.2)	(10%)

Liabilities and Stockholders' Equity

Total liabilities increased \$359.5 million from December 31, 2013 to December 31, 2014. The increase is primarily attributable to the following:

- An increase in policyholder deposit funds of \$512.4 million, which is driven primarily by continued sales of the fixed indexed annuity products as illustrated in the table below entitled "Annuity Funds on Deposit."
- An increase in dividend obligations of \$211.1 million, which is driven primarily by an increase of \$138.8 million in unrealized gains on the assets supporting the closed block, which are included in the dividend obligation.
- An increase in pension and post-employment liabilities of \$66.9 million, which is driven primarily by a decrease in the discount rate and an update to the underlying mortality assumptions, which reflect the assumption that mortality is improving which increases the expected projected benefits.
- A decrease in separate account liabilities of \$381.6 million, consistent with the decrease in separate account assets.

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Total stockholder's equity decreased \$254.7 million from December 31, 2013 to December 31, 2014. The decrease is primarily attributable to the following:

- A net loss for 2014 that increased the accumulated deficit by \$213.2 million.
- An increase in accumulated other comprehensive loss ("AOCI") of \$49.4 million. The loss is driven primarily by the increase in the pension and post-employment liabilities, for which there was a \$80.2 million loss during the period in AOCI. The losses on the pension and post-employment liabilities were partially offset by net unrealized gains on investments, and the related offsetting impacts, due to decreases in interest rates during 2014.

Funds on Deposit

Annuity Funds on Deposit:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ 5,502.4	\$ 5,042.1	\$ 4,495.4
Deposits	770.9	682.9	824.2
Performance and interest credited	213.5	525.4	386.4
Fees	(72.1)	(70.5)	(60.7)
Benefits and surrenders	(740.2)	(677.5)	(603.2)
Balance, end of period	\$ 5,674.5	\$ 5,502.4	\$ 5,042.1

2014 compared to 2013

Annuity funds on deposit increased \$172.1 million during the year ended December 31, 2014 compared to an increase of \$460.3 million for the year ended December 31, 2013. For the year ended December 31, 2014, deposits increased as a result of stronger sales of the fixed indexed annuity products, which was offset by higher surrenders and worse market performance due to less significant gains in the equity markets in 2014 compared to 2013.

2013 compared to 2012

Annuity funds on deposit increased \$460.3 million during the year ended December 31, 2013 compared to an increase of \$546.7 million for the year ended December 31, 2012. For the year ended December 31, 2013 deposits declined, offset by stronger market performance in 2013 than in 2012 with relatively stable fees, and benefits and surrenders compared to the overall funds on deposit.

Variable Universal Life Funds on Deposit:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ 1,089.3	\$ 1,014.3	\$ 1,019.1
Deposits	70.1	75.4	82.6
Performance and interest credited	59.9	182.5	120.2
Fees and COI	(70.7)	(74.4)	(79.0)
Benefits and surrenders	(86.0)	(108.5)	(128.6)
Balance, end of period	\$ 1,062.6	\$ 1,089.3	\$ 1,014.3

2014 compared to 2013

Variable universal life funds on deposit decreased \$26.7 million for the year ended December 31, 2014 compared to an increase of \$75.0 million for the year ended December 31, 2013. The decrease in 2014 is driven primarily by worse market performance due to less significant gains in the equity markets in 2014 compared to 2013. Benefits and surrenders, fees and COIs, and deposits remain consistent for the comparable periods.

2013 compared to 2012

Variable universal life funds on deposit increased \$75.0 million for the year ended December 31, 2013 compared to a decrease of \$4.8 million for the year ended December 31, 2012. The increase in the current year is primarily the result of stronger market performance in 2013 compared to 2012 and lower benefits and surrenders.

Universal Life Funds on Deposit:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ 1,818.2	\$ 1,837.9	\$ 1,852.8
Deposits	338.7	361.5	384.0
Interest credited	71.0	75.2	75.1
Fees and COI	(348.9)	(356.0)	(367.2)
Benefits and surrenders	(97.1)	(100.4)	(106.8)
Balance, end of period	\$ 1,781.9	\$ 1,818.2	\$ 1,837.9

2014 compared to 2013

Universal life funds on deposit decreased \$36.3 million during the year ended December 31, 2014 compared to a decrease of \$19.7 million for the year ended December 31, 2013. The decrease year over year is driven primarily by the continued decline in deposits as the overall inforce declines. Benefits and surrenders, fees and COIs, and interest credited remain consistent for the comparable periods.

2013 compared to 2012

Universal life funds on deposit decreased \$19.7 million during the year ended December 31, 2013 compared to a decrease of \$14.9 million for the year ended December 31, 2012. The funds on deposit have not changed significantly for the comparative periods given consistent levels of deposits, interest credited, fees and COIs, benefits and surrenders year-over-year.

Contractual Obligations and Commercial Commitments

Contractual Obligations and Commercial Commitments: (\$ in millions)	As of December 31, 2014				
	Total	2015	2016 – 2017	2018 – 2019	Thereafter
Contractual Obligations Due					
Indebtedness, including interest payments	\$ 885.4	\$ 27.9	\$ 55.8	\$ 55.8	\$ 745.9
Operating lease obligations [1]	5.9	0.8	1.6	1.3	2.2
Other purchase liabilities [2]	62.3	46.2	8.0	5.2	2.9
Policyholder contractual obligation [3]	40,899.9	2,244.9	4,260.9	3,972.3	30,421.8
Total contractual obligations [4]	\$ 41,853.5	\$ 2,319.8	\$ 4,326.3	\$ 4,034.6	\$ 31,172.8
Commercial Commitment Expirations					
Other commercial commitments [5]	\$ 340.4	\$ 176.3	\$ 103.0	\$ 51.5	\$ 9.6
Total commercial commitments	\$ 340.4	\$ 176.3	\$ 103.0	\$ 51.5	\$ 9.6

- [1] All future obligations for leased property of our discontinued operations were assumed by the buyer upon completion of the sale on June 23, 2010. See Note 20 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information.
- [2] Other purchase liabilities relate to open purchase orders and other contractual obligations. This amount includes no expected pension contribution in 2015. See Note 16 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information on pension and other post-employment benefits.
- [3] Policyholder contractual obligations represent estimated benefits from life insurance and annuity contracts issued by our life insurance subsidiaries. Policyholder contractual obligations also include separate account liabilities, which are contractual obligations of the separate account assets established under applicable state insurance laws and are legally insulated from our general account assets.
- Future obligations are based on our estimate of future investment earnings, mortality, surrenders and applicable policyholder dividends. Included in the amounts above are policyholder dividends generated by estimated favorable future investment and mortality, in excess of guaranteed amounts for our closed block. Actual obligations in any single year, or ultimate total obligations, may vary materially from these estimates as actual experience emerges. As described in Note 3 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K, policy liabilities and accruals are recorded on the consolidated balance sheets in amounts adequate to meet the estimated future obligations of the policies in force. The policyholder obligations reflected in the table above exceed the policy liabilities, policyholder deposit fund liabilities and separate account liabilities reported on our December 31, 2014 consolidated balance sheets because the above amounts do not reflect future investment earnings and future premiums and deposits on those policies. Separate account obligations will be funded by the cash flows from separate account assets, while the remaining obligations will be funded by cash flows from investment earnings on general account assets and premiums and deposits on contracts in force.
- (4) We do not anticipate any increases to unrecognized tax benefits that would have a significant impact on the financial position of the Company. Therefore, no unrecognized tax benefits have been excluded from this table. See Note 14 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information on unrecognized tax benefits.
- (5) Other commercial commitments relate to agreements to fund limited partnerships and private placement investments. These commitments can be drawn down by private equity funds as necessary to fund their portfolio investments through the end of the funding period as stated in each agreement.

Obligations Related to Pension and Post-Employment Employee Benefit Plans

We provide our employees with post-employment benefits that include retirement benefits, through pension and savings plans, and other benefits, including health care and life insurance. Employee benefit expense related to these plans totaled \$14.1 million, \$14.4 million and \$15.5 million for 2014, 2013 and 2012, respectively.

We have three defined benefit pension plans. The employee pension plan provides benefits up to the amount allowed under the Internal Revenue Code. The two supplemental plans provide benefits to certain executives in excess of the primary plan. Retirement benefits under the plans are a function of years of service and compensation. Effective March 31, 2010, all benefit accruals under all of our funded and unfunded defined benefit plans were frozen.

Employee Pension Plan

The employee pension plan is a qualified plan that is funded with assets held in a trust. It is the Company’s practice to make contributions to the qualified pension plan at least sufficient to avoid benefit restrictions under funding requirements of the Pension Protection Act of 2006. This generally requires the Company to maintain assets that are at least 80% of the plan’s liabilities as calculated under the applicable regulations at the end of the prior year. Under these regulations, the qualified pension plan is currently funded above 80% of the funding target liabilities as of December 31, 2014.

The funded status of the qualified pension plan based on the projected benefit obligations for the years ended December 31, 2014 and 2013 are summarized in the following table:

Qualified Employee Pension Plan Funded Status:

(\$ in millions)

	As of December 31,	
	2014	2013
		<u>As restated</u>
Plan assets, end of year	\$ 540.4	\$ 516.5
Projected benefit obligation, end of year	(714.9)	(638.5)
Plan assets less than projected benefit obligations, end of year	\$ (174.5)	\$ (122.0)

To meet the above funding objectives, we made contributions to the pension plan totaling \$11.8 million and \$11.4 million during 2014 and 2013, respectively. On August 8, 2014, the Highway and Transportation Funding Act of 2014 was enacted into law, effective immediately. The law extends certain pension funding provisions originally included in the Moving Ahead for Progress in the 21st Century Act (MAP-21). The Company took advantage of this in September of 2014, which resulted in the Company not making any further contributions for the remainder of 2014. We expect to make no contributions over the next 12 months.

The changes in the projected benefit obligations of the employee plan at December 31, 2014 as compared to December 31, 2013 were principally the result of actuarial losses due to assumption changes.

Supplemental Plans

The Company also has two supplemental plans that provide benefits to certain executives in excess of the primary plan. These plans are unfunded and represent general obligations of the Company. We fund periodic benefit payments to retirees as they become due under these plans from cash-flow from operations. The projected benefit obligations as of December 31, 2014 and 2013 were \$153.7 million and \$137.4 million, respectively.

The changes in the projected benefit obligations of the supplemental plans at December 31, 2014 as compared to December 31, 2013 were principally the result of accrued interest cost and actuarial losses due to assumption changes.

We also have a post-employment benefit plan, which is unfunded and had projected benefit obligations of \$33.4 million and \$36.5 million as of December 31, 2014 and 2013, respectively. We fund periodic benefit payments under this plan from cash flows from operations as they become due.

We have entered into agreements with certain key executives of the Company that will, in certain circumstances, provide separation benefits upon the termination of the executive's employment by the Company for reasons other than death, disability, cause or retirement, or by the executive for "good reason," as defined in the agreements. The agreements provide this protection only if the termination occurs following (or is effectively connected with) the occurrence of a change of control, as defined in the agreements. As soon as reasonably possible upon a change in control, as so defined, we are required to make an irrevocable contribution to a trust in an amount sufficient to pay benefits due under these agreements. See Note 16 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K for additional information on our pension and other post-employment benefits.

We have agreements with certain of our employees that provide for additional retirement benefits. In the year ended December 31, 2014, the estimated liability for these benefits was \$18.1 million.

Off-Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements that are reasonably likely to have a material effect on the financial condition, results of operations, liquidity or capital resources of the Company. The Company does have unfunded commitments to purchase investments in limited partnerships and private placements and a commitment for infrastructure services which are disclosed in Note 24 to our consolidated financial statements under "Item 8: Financial Statements and Supplementary Data" in this Form 10-K.

Reinsurance

We maintain reinsurance agreements to limit potential losses, reduce exposure to larger risks and provide additional capacity for growth. We remain liable to the extent that reinsuring companies may not be able to meet their obligations under reinsurance agreements in effect. Failure of the reinsurers to honor their obligations could result in losses to the Company. Since we bear the risk of nonpayment, we evaluate the financial condition of our reinsurers and monitor concentrations of credit risk. Based on our review of their financial statements, reputation in the reinsurance marketplace and other relevant information, we believe that we have no material exposure to uncollectible life reinsurance. At December 31, 2014, five major reinsurance companies account for approximately 67% of the reinsurance recoverable.

Statutory Capital and Surplus and Risk-Based Capital

Phoenix Life's combined statutory basis capital and surplus (including AVR) increased from \$747.6 million at December 31, 2013 to \$767.5 million at December 31, 2014. The principal factors of the change were consolidated net income of \$91.1 million offset by \$56.0 million of dividends declared during 2014.

Section 1322 of New York Insurance Law requires that New York life insurers report their RBC. RBC is based on a formula calculated by applying factors to various asset, premium and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk. Section 1322 gives the NYDFS explicit regulatory authority to require various actions by, or take various actions against, insurers whose Total Adjusted Capital (capital and surplus plus AVR plus one-half the policyholder dividend liability) does not exceed certain RBC levels. Each of our other life insurance subsidiaries is also subject to these same RBC requirements.

The levels of regulatory action, the trigger point and the corrective actions required are summarized below:

Company Action Level – results when Total Adjusted Capital falls below 100% of Company Action Level at which point the Company must file a comprehensive plan to the state insurance regulators;

Regulatory Action Level – results when Total Adjusted Capital falls below 75% of Company Action Level where in addition to the above, insurance regulators are required to perform an examination or analysis deemed necessary and issue a corrective order specifying corrective actions;

Authorized Control Level – results when Total Adjusted Capital falls below 50% of Company Action Level RBC as defined by the NAIC where in addition to the above, the insurance regulators are permitted but not required to place the Company under regulatory control; and

Mandatory Control Level – results when Total Adjusted Capital falls below 35% of Company Action Level where insurance regulators are required to place the Company under regulatory control.

The RBC of Phoenix Life as of December 31, 2014 was in excess of 300% of the Company Action Level.

See Note 21 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K regarding the Life Companies' statutory financial information and regulatory matters.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For information about our management of market risk, see “Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-K under the heading “Enterprise Risk Management.”

Item 8. Financial Statements and Supplementary Data

The Financial Statements and Supplementary Data required by this item are presented beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed, in the reports the Company files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Form 10-K, the Company carried out an evaluation under the supervision of and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, as of December 31, 2014, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2014 the Company’s disclosure controls and procedures were not effective because of the material weaknesses described below under “Management’s Annual Report on Internal Control Over Financial Reporting.” The material weaknesses described below were first identified and reported in the 2012 Form 10-K and have not been fully remediated as of December 31, 2014 due to insufficient time to fully evaluate, implement and assess the design and operating effectiveness of the related controls.

To address the material weaknesses described below, the Company performed additional analysis and other procedures (as further described below under the subheading “Management’s Remediation Initiatives”) to ensure that the Company’s consolidated financial statements were prepared in accordance with U.S. GAAP. Accordingly, the Company’s management believes that the consolidated financial statements included in this Form 10-K fairly present, in all material respects, the Company’s financial condition, results of operations and cash flows for the periods presented and that this Form 10-K does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report.

Management’s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is defined as a process designed by or under the supervision of the Company’s principal executive and principal financial officers or persons performing similar functions, and effected by the Company’s Board of Directors, management and other personnel designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect every misstatement. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may decrease over time.

Management, including the Chief Executive Officer and Chief Financial Officer, has conducted an assessment, including testing, of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2014, based on the criteria in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Management has concluded that as of December 31, 2014, the material weaknesses in internal control over financial reporting described below have not been fully remediated due to insufficient time to fully evaluate, implement and assess the design and operating effectiveness of the related controls.

The material weaknesses included deficiencies in the period-end financial reporting process including the processing of journal entries and the preparation and review of account reconciliations, insufficient complement of personnel with a level of U.S. GAAP accounting knowledge commensurate with the Company's financial reporting requirements and ineffective monitoring and review activities.

The above material weaknesses also contributed to the following material weaknesses in internal control over financial reporting which have been identified and included in management's assessment as of December 31, 2014:

1. *Actuarial Finance and Valuation* - The Company did not maintain effective controls over the actuarial process. Specifically:
 - The Company did not maintain effective controls to review and approve assumptions and methodologies used in the determination of actuarially derived insurance policy liability estimates.
 - The Company did not maintain effective systems and controls to appropriately measure actuarially derived balances for its fixed indexed annuity products.
 - The Company did not maintain effective controls over key actuarial spreadsheets and certain key reports to ensure the reliability of data, assumptions and valuation calculations.
 - The Company did not maintain effective controls over the application of U.S. GAAP to universal life reserves.
2. *Investments* - The Company did not maintain effective controls over certain investment processes. Specifically:
 - The Company did not maintain effective controls over the recognition and measurement of impaired investments.
 - The Company did not maintain effective controls over the recognition and measurement of certain elements of net investment income as well as identifying embedded derivatives related to structured securities.
 - The Company did not maintain effective controls over internally priced securities, including private placement debt and equity securities.
 - The Company did not maintain effective controls over classification in the fair value hierarchy disclosure.
 - The Company did not maintain effective controls to properly recognize and measure counterparty non-performance risk on non-collateralized derivatives.
 - The Company did not maintain effective controls over determining the appropriate accounting method for limited partnerships or for determining the appropriate accounting for investee transactions.
3. *Reinsurance Accounting* - The Company did not maintain effective controls for complex reinsurance treaties. Specifically, the Company did not maintain effective controls to analyze, document and review the U.S. GAAP accounting for such transactions at inception.
4. *Pensions* - The Company did not maintain effective controls over the valuation of pension assets and liabilities. Specifically, the Company did not maintain effective controls over the management and oversight of third-party vendors and maintain effective controls to ensure complete and accurate census data.
5. *Limited Partnerships and Other Investments Taxable Income Reporting* - The Company did not maintain effective controls over the completeness and accuracy of taxable income reporting for limited partnership and other investments. Specifically, the Company did not maintain effective controls to ensure complete and accurate taxable information was utilized in the Company's measurement of income taxes related to limited partnerships and other investments.

6. *Cash flows and changes in classifications* - The Company did not maintain effective controls over the presentation of cash and cash flows. Specifically, the Company did not maintain effective controls over the preparation and review of appropriate detail to support the classification of activity in the consolidated statements of cash flows. In addition, there were not effective controls for assessing the classification of cash and related balances for presentation in the consolidated balance sheets.
7. *Access to applications and data* - The Company did not maintain effective information technology general controls related to restricted access. Specifically, the Company did not maintain effective controls for granting, removing and reviewing access to ensure appropriate segregation of duties and restricted access to programs and data.

Each of these control deficiencies contributed to misstatements of the previously mentioned financial statements. Additionally, these control deficiencies could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management has concluded that these control deficiencies constitute material weaknesses.

As a result of the material weaknesses in internal control over financial reporting described above, management has concluded that, as of December 31, 2014, the Company's internal control over financial reporting was not effective based on the criteria established in *Internal Control - Integrated Framework* (1992) issued by COSO.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP ("PwC"), an independent registered public accounting firm, as stated in their report, which appears herein.

Management Changes

Management has made a number of changes in the finance organization with a focus on increasing U.S. GAAP knowledge and improving financial reporting processes in the organization. In 2014, the Company appointed a new Chief Risk Officer, a new head of Internal Audit, a new Chief Accounting Officer and hired additional certified public accountants and actuaries with U.S. GAAP expertise to supplement the staff charged with compiling and filing its U.S. GAAP results. In addition, the Company has established a financial reporting controls committee comprised of members of senior management. The committee was established to provide oversight to the Company's efforts for ensuring appropriate internal control over financial reporting including, but not limited to, remediation of material weaknesses and other control deficiencies, controls testing, and prioritization and allocation of resources.

Management's Remediation Initiatives

Since the identification of the material weaknesses, management has taken steps to strengthen its finance skills, capabilities, processes and control environment, and continues to enhance the Company's financial control governance structure, align its resources and/or hire additional actuarial and accounting resources with the requisite U.S. GAAP experience. Moreover, management has taken steps to strengthen accounting policy documentation for its complex processes and transactions, enhance its documentation and processes related to assumptions underlying the consolidated financial statements, and enhance communication and training over all financial reporting processes. As it works towards remediation of the material weaknesses described in "Management's Annual Report on Internal Control Over Financial Reporting" above, the Company continues to enhance controls over the period-end financial reporting process including the processing of journal entries and preparation and review of account reconciliations.

The Company intends to continue to strengthen monitoring and review activities, including maintaining sufficient personnel with a level of U.S. GAAP accounting knowledge commensurate with the Company's financial reporting requirements. The Company intends to continue to evaluate and enhance the design and effectiveness of internal controls and enhance and document policies and procedures to improve the effectiveness of our internal control over financial reporting. However, there remains a risk that the transitional procedures on which we currently rely will fail to prevent or detect a material misstatement of the annual or interim 2014 consolidated financial statements.

We intend to design, implement and maintain an effective control environment over financial reporting. We have taken, or will take, the following actions:

Actuarial Finance and Valuation

- Perform a comprehensive risk assessment across all products designed to simplify and streamline processes, map key financial statement risks to existing and newly implemented controls, and control the overall actuarial environment
- Assess technological solutions designed to simplify and control data and information and appropriately implement methodologies and assumptions used for the purpose of implementing a new Fixed Indexed Annuity valuation system
- Enhance communication with Corporate Finance, Pricing Actuaries, and Investment Accounting to ensure timely and accurate information is provided and received as it relates to complex transactions, new product development, and the overall accuracy of financial reporting
- Design and implement new processes and process-level controls, spreadsheet controls, and monitoring/review controls which ensure the reliability of data, assumptions, methodologies, and valuation calculations that are used to measure or determine actuarially determined balances under U.S. GAAP

Investments

- Assess the current state for Derivatives, Other Invested Assets (“OIA”), Public Securities, Private Securities and the financial close process to determine enhancements and/or redesign of each process, process level controls, spreadsheet controls and monitoring/review controls to ensure reliability and accuracy
- Assess technological solutions designed to simplify and control data in each process
- Implement an OIA System to streamline, simplify and control information related to these assets types
- Redesign the business process for receipt of third-party information that would provide improved quality, accuracy timeliness of financial statement disclosures as well as minimize and streamline processes
- Enhance communication among functions within Corporate Finance as well as with the Investment Department to ensure timely accurate information is provided

Reinsurance Accounting

- Perform a comprehensive risk assessment to identify key financial statement risks and map to existing and newly designed and implemented controls
- Design and implement new controls to properly analyze, document, implement and monitor U.S. GAAP accounting standards, specifically as they relate to complex reinsurance treaties
- Design and implement new controls around data and information used in assessing and accounting for complex reinsurance treaties
- Enhance communication with Actuarial Finance and Corporate Finance to ensure timely and accurate information is provided and received as it relates to complex treaties, new treaties, and the overall accuracy of the accounting for these treaties

Pensions

- Perform a comprehensive risk assessment to identify key financial statement risks and map to existing and newly designed and implemented controls
- Evaluate third-party vendor relationships and design and implement controls over the completeness and accuracy of data both provided to and received from third-party vendors that is used in the valuation of pension assets and liabilities

Limited Partnerships and Other Investments Taxable Income Reporting

- Perform a risk assessment of limited partnerships, other investments transaction accounting and other data sources for provision and compliance adjustments to simplify and streamline processes
- Enhance communication with departments providing data to ensure timely and accurate information is received
- Assess and implement technological solutions designed to simplify and control tracking, aggregation and warehousing of tax reporting data

Cash flows and changes in classifications

- Perform a comprehensive risk assessment to identify the key financial statement risks and map to existing and newly identified controls
- Design and implement new controls to properly analyze, document, implement and monitor U.S. GAAP accounting standards, specifically as they relate to cash flow presentation
- Design and implement new controls around data and information used in the presentation of the cash flows

Access to applications and data

- Complete a review of the controls and narratives to design and implement new controls associated with access to application and data
- Establish a process for validating provisioning of new and altered provisioning for new hires and consultants
- Implement a process for test code asset management
- Finalize the process for validating highly privileged accounts

We anticipate devoting significant resources toward our remediation efforts described above in order to make substantial progress in the remediation of our material weaknesses by the end of 2015. Actuarial Finance and Valuation will take additional time and resources to remediate due to the complexity and nature of the products. While these efforts are underway, we are relying on a comprehensive set of manual procedures to help confirm the proper collection, evaluation, and disclosure of the information included in the consolidated financial statements.

Control deficiencies not constituting material weaknesses

In addition to the material weaknesses described in “Management’s Report on Internal Control Over Financial Reporting,” management has identified other deficiencies in internal control over financial reporting that did not constitute material weaknesses as of December 31, 2014. The Company plans to implement various measures to remediate these control deficiencies as part of the remediation efforts noted above.

Management’s Conclusions

Management has developed a plan for the implementation of the foregoing remediation efforts and will monitor the implementation. In addition, under the direction of the financial reporting controls committee as well as the Audit and Finance Committee of the Board, management will continue to review and make necessary changes to the overall design of the Company’s internal control environment, as well as to policies and procedures to improve the overall effectiveness of internal control over financial reporting. Management believes the efforts discussed above will remediate the material weaknesses. As the Company continues to evaluate and work to improve its internal control over financial reporting, management may determine to take additional measures to address control deficiencies or determine to modify the remediation plan described above.

Further, no system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls will be met, and no evaluation of controls can provide absolute assurance that all control deficiencies or material weaknesses have been or will be detected. Given the breadth of the control deficiencies and material weaknesses described above, there is no assurance that the Company’s remediation efforts have been or will be fully effective. As described above and in “Item 1A: Risk Factors”, these material weaknesses have not been fully remediated as of the filing date of this Form 10-K. If the Company’s remediation efforts do not prove effective and control deficiencies and material weaknesses persist or occur in the future, the accuracy and timing of our financial reporting may be adversely affected.

Changes in Internal Control Over Financial Reporting

In May 2013, COSO issued a new version of its internal control framework, which became effective December 15, 2014. We are currently evaluating what changes to our control environment, if any, would be needed to successfully implement the 2013 COSO framework during 2015. Until such time as our transition to the 2013 COSO framework is complete, we will continue to use the 1992 framework in connection with our assessment of internal control over financial reporting.

Except for continued improvements resulting from progress made on the above noted remediation efforts, there were no changes to the Company's internal control over financial reporting during the fourth quarter of 2014 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Items 401, 405 and paragraphs(c)(3), (d)(4) and (d)(5) of Item 407 of Regulation S-K, except for Item 401 with respect to the executive officers as disclosed below, is incorporated herein by reference to the information set forth in our definitive proxy statement for the 2015 annual meeting of shareholders, or our 2015 Proxy Statement, to be filed with the SEC within 120 days after the close of the fiscal year covered by this Form 10-K and under the sections entitled: “Proposal 1: Election of Directors”, “Section 16(a) Beneficial Ownership Reporting Compliance” and “Audit Committee Charter and Report”.

Executive Officers of the Registrant

Set forth below is a description of the business positions held during at least the past five years by the current executive officers of Phoenix. All ages are as of March 13, 2015.

JAMES D. WEHR, age 57, has been President and Chief Executive Officer since April 2009. Previously, Mr. Wehr served as Senior Executive Vice President and Chief Investment Officer of the Company since February 2007, Executive Vice President and Chief Investment Officer of the Company since February 2005 and as Senior Vice President and Chief Investment Officer of the Company and Phoenix Life since January 1, 2004. Prior to that, Mr. Wehr was Senior Managing Director and Portfolio Manager of Virtus from 1995 through 2003. Mr. Wehr joined the Company in 1981 and held a series of increasingly senior investment positions prior to 1995.

JODY A. BERESIN, age 57, has been Executive Vice President and Chief Administrative Officer since July 2014 and is responsible for Human Resources, Corporate Communications, Information Technology and Corporate Services. Previously, Ms. Beresin served as Senior Vice president, Administration, since November, 2012. She assumed leadership in Human Resources in January 2004 after serving as a Vice President, Corporate Communications, since February 2003. Ms. Beresin joined the Company in 1994 as Director of Corporate Communications and advanced through increasingly responsible positions that included public relations, internal communications, marketing and advertising.

THOMAS M. BUCKINGHAM, age 38, has served as Executive Vice President since November 2012. Mr. Buckingham is responsible for all product- and service-related functions including product development, product implementation and operations. Mr. Buckingham joined Phoenix as an actuarial assistant in 1999 and served in increasingly senior corporate, product development and operational positions. He also has worked in Strategic Development and as Chief of Staff to the CEO. He served as Senior Vice President, Product Implementation and Operations, prior to being promoted to his current role.

EDWARD W. CASSIDY, age 54, has been Executive Vice President, Distribution since May 2007, and the Managing Principal of Saybrus Partners, Inc., a Phoenix subsidiary since 2009. Prior to joining the Company in 2006, Mr. Cassidy had been Senior Vice President of Principal Financial Group with responsibility for the oversight of the individual life insurance business, including product development, marketing, underwriting and risk management. Prior to that, Mr. Cassidy spent 15 years at Travelers Life and Annuity Company, where he held a variety of senior distribution positions and, ultimately, as president of Travelers Life Division.

MARK W. GRIFFIN, age 56, has been Executive Vice President and Chief Risk Officer since February 2014, and is responsible for enterprise risk management. Prior to joining the Company, Mr. Griffin served as head of financial planning and analysis at Mass Mutual, was Chief Investment Officer and Chief Risk Officer for Genworth Financial, Chief Risk Manager for GE Insurance and held senior positions at Goldman Sachs and Morgan Stanley.

PETER A. HOFMANN, age 56, has been Executive Vice President, Strategy and Business Development since November 2012. Previously, Mr. Hofmann served as Senior Executive Vice President and Chief Financial Officer of the Company since November 2007. Prior to that, Mr. Hofmann served as Executive Vice President, head of the Office of the Chairman and Strategic Relations and Chief Strategic Officer of the Company since February 2007, and as Senior Vice President and Chief Strategic Officer of the Company since January 2004. Mr. Hofmann joined the Company in 2001 to establish the investor relations function and to prepare the Company for its demutualization and initial public offering. Prior to joining the Company, Mr. Hofmann was Vice President, Investor Relations, at JP Morgan Chase & Co., Inc.

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BONNIE J. MALLEY, age 54, has been Executive Vice President and Chief Financial Officer since November 2012. Previously, Ms. Malley served as Executive Vice President and Chief Administrative Officer of the Company since 2008. Prior to that, Ms. Malley served as the head of Human Resources since August 2002 and, in the ensuing years, added other administrative functions. Ms. Malley served as Senior Vice President and Chief Accounting Officer in 2001 and Vice President, Corporate Finance in 1998. Ms. Malley joined the Company in 1985 as a staff auditor within the securities accounting and investment accounting functions.

ERNEST M. MCNEILL, JR., age 50, has been Senior Vice President and Chief Accounting Officer since August 2014. Mr. McNeill is responsible for a number of Corporate Finance functions including GAAP Accounting, Expense Management, Statutory Accounting, Accounting Operations, Corporate Tax, and Investment Accounting. Prior to joining Phoenix, he most recently served as senior vice president, Corporate Accounting, for the financial services businesses of Fidelity Investments. Previously, he held various senior finance roles at The Hartford Financial Services Group including serving as Chief Accounting Officer, Hartford Life, Inc., and as Vice President and Director, The Hartford Investment Management Company.

JOHN T. MULRAIN, age 65, has been Executive Vice President, General Counsel and Secretary since February 2011. Previously, Mr. Mulrain served as Senior Vice President, General Counsel and Secretary of the Company since July 2009 with responsibility for all legal functions, including corporate compliance and corporate secretary duties. Prior to that Mr. Mulrain served as Vice President and Counsel, focusing primarily on legal issues relating to investments and portfolio management.

CHRISTOPHER M. WILKOS, age 57, has been Executive Vice President and Chief Investment Officer since April 2009. Previously, Mr. Wilkos served as Senior Vice President of Corporate Portfolio Management since March 2001 and Vice President of Corporate Portfolio Management since January 1998. Prior to that, he was Director of Corporate Portfolio Management since March 1997. Prior to joining the Company, Mr. Wilkos was Vice President, Portfolio Strategy, at Connecticut Mutual Life.

Code of Ethics

We have a code of ethics (the “Code of Conduct”) that is applicable to all of our Company directors and employees, including our principal executive officer, principal financial officer and principal accounting officer. A copy of the Code of Conduct may be reviewed on our web site at www.phoenixwm.com, in the Investor Relations section. The latest amendments to the Code of Conduct will be reflected, together with a description of the nature of any amendments, other than ones that are technical, administrative or non-substantive, on the above web site. In the event we ever waive compliance with the Code of Conduct by our principal executive officer, our principal financial officer, or our principal accounting officer, we will disclose the waiver on that web site. Copies of our Code of Conduct may also be obtained without charge by sending a request either by mail to: Corporate Secretary, The Phoenix Companies, Inc., One American Row, P.O. Box 5056, Hartford, Connecticut 06102-5056, or by e-mail to: corporate.secretary@phoenixwm.com.

Item 11. Executive Compensation

The information required by Item 402 and paragraphs (e)(4) and (e)(5) of Item 407 of Regulation S-K is incorporated herein by reference to the information set forth under the sections entitled: “Compensation of Executive Officers”, “Compensation Committee Charter, Processes, Interlocks and Report” and “Compensation of Directors” of our 2015 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 403 of Regulation S-K is incorporated herein by reference to the information set forth under the section entitled “Ownership of Common Stock” of our 2015 Proxy Statement.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of the end of the Company’s 2014 fiscal year with respect to compensation plans under which equity securities of the Company are authorized for issuance.

	(A)	(B)	(C)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average issue price of outstanding options, warrants and rights [1]	Number of securities remaining available for future issuance under equity compensation plans, excluding securities reflected in Column (A)
Equity compensation plans approved by the Company's shareholders: – 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan [2]	11,357 [3]	N/A	78,585
Equity compensation plans not approved by the Company's shareholders: – Stock Incentive Plan [4] – Directors Stock Plan [6] – Directors Equity Deferral Plan [7]	50,367 [5] — 84,729	\$ 187.38 N/A N/A	165,844 50,389 —
Total plans not approved by shareholders	135,096	\$ 187.38	216,233
Total	146,453	\$ 187.38	294,818

- [1] Does not take any of the RSUs listed in column (A) into account. All RSUs outstanding under the Directors Equity Deferral Plan were issued in respect of the voluntary deferral by a Director of compensation otherwise payable in cash in an amount equal to the fair market value of the underlying common stock at the date the RSUs were credited to the Director's account under such Deferral Plan. All RSUs outstanding under the 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan were issued solely in consideration of the recipient's services.
- [2] A copy of the 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan was filed as Exhibit 10.22 to our first quarter 2008 Form 10-Q filed by the Company with the SEC on May 8, 2008.
- [3] This figure consists of the shares which underlie the RSUs. They are subject to no contingencies but are not currently convertible.
- [4] A copy of the Stock Incentive Plan was filed as Exhibit 10.2 to the first quarter 2008 Form 10-Q filed by the Company with the SEC on May 8, 2008. The first amendment to the Stock Incentive Plan was filed as Exhibit 10.2 to our 2008 Annual Report on Form 10-K filed by the Company with the SEC on March 5, 2009. The Stock Incentive Plan was adopted as part of our plan of demutualization, which was approved in its entirety by our policyholders of record at that time, and became effective June 26, 2001. As the Stock Incentive Plan was adopted both prior to the time at which the Company's stock became registered to trade under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and prior to the effective date of the New York Stock Exchange's ("NYSE") corporate governance rules pertaining to equity compensation plans, shareholder approval of the Plan is not required under such NYSE rules. The following summary of the material features of the plan is qualified in its entirety by reference to the full text of the plan, which is hereby incorporated by reference.

Under the Company's Stock Incentive Plan, the Compensation Committee (or if the committee delegates such authority to the CEO) (the "Committee") may grant stock options to officers and employees of the Company and its subsidiaries. The maximum number of shares issuable under the plan with respect to officers and employees of the Company is the aggregate of 5% (approximately 5.25 million prior to adjustment for the spin-off of Virtus) of the shares outstanding on June 26, 2001 (approximately 105 million shares) reduced by the shares issuable pursuant to options or other awards granted under the Company's Directors Stock Plan. During any five-year period, no participant may be granted options in respect of more than 5% of the shares available for issuance under the plan. The Board may terminate or amend the plan, but such termination or amendment may not adversely affect any outstanding stock options without the consent of the affected participant. The plan will continue in effect until it is terminated by the Board or until no more shares are available for issuance.

The exercise price per share subject to an option will be not less than the fair market value of such share on the option's grant date. Each option will generally become exercisable in equal installments on each of the first three anniversaries of the grant date, except that no option may be exercised after the tenth anniversary of its grant date. Options may not be transferred by the grantee, except in the event of death or, if the Committee permits, the transfer of non-qualified stock options by gift or domestic relations order to the grantee's immediate family members. Upon a grantee's death, any outstanding options previously granted to such grantee will be exercisable by the grantee's designated beneficiary until the earlier of the expiration of the option or five years following the grantee's death. If the grantee terminates employment by reason of disability or retirement, any outstanding option will continue to vest as if the grantee's service had not terminated and the grantee may exercise any vested option until the earlier of five years following termination of employment or the expiration of the option. If the grantee's employment is terminated for cause, the grantee will forfeit any outstanding options. If the grantee's employment terminates in connection with a divestiture of a business unit or subsidiary or similar transaction, the Committee may provide that all or some outstanding options will continue to become exercisable and may be exercised at any time prior to the earlier of the expiration of the term of the options and the third anniversary of the grantee's termination of service. If the grantee terminates employment for any other reason, any vested options held by the grantee at the date of termination will remain exercisable for a period of 30 days and any then unvested options will be forfeited.

Generally, upon a change of control (as defined in the plan), each outstanding option will become fully exercisable. Alternatively, the Committee may: (i) require that each option be canceled in exchange for a payment in an amount equal to the excess, if any, of the price paid in connection with the change of control over the exercise price of the option; or (ii) if the Committee determines in good faith that the option will be honored or assumed by, or an alternative award will be issued by, the acquirer in the change of control, require that each option remain outstanding without acceleration of vesting or exchanged for such alternative award.

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- [5] This figure consists of the shares which underlie the options issued under the Stock Incentive Plan (all of which are fully vested).
- [6] A copy of the Directors Stock Plan was filed as Exhibit 10.6 to the 2008 Form 10-Q filed by the Company on May 8, 2008. The Directors Stock Plan was initially adopted as part of our plan of demutualization, which was approved in its entirety by our policyholders of record at that time, and became effective June 26, 2001. As the Directors Stock Plan was adopted both prior to the time at which the Company's stock became registered to trade under the 1934 Act and prior to the effective date of the NYSE corporate governance rules pertaining to equity compensation plans, shareholder approval of the Plan is not required under such NYSE rules. The following summary of the material features of the plan is qualified in its entirety by reference to the full text of the plan, which is hereby incorporated by reference.

Under the Directors Stock Plan, the Board of Directors may grant options to outside directors, provided that the aggregate number of shares issuable pursuant to options will not exceed 0.5% of the total shares outstanding on June 26, 2001, or 26,242 shares. Each option entitles the holder to acquire one share of our Common Stock at the stated exercise price. The exercise price per share will not be less than the fair market value of a share on the day such option is granted and the option will be exercisable from the day the option is granted until the earlier of the tenth anniversary of such grant date or the third anniversary of the day the outside director ceases to provide services for the Company. All options that have been issued pursuant to the Directors Stock Plan have either been exercised or lapsed unexercised in accordance with their terms. Under the Directors Stock Plan, the Board of Directors may require the outside directors to receive up to one-half of their directors fees in shares instead of cash and the outside directors may elect to receive any portion of such fees in shares instead of cash. The aggregate number of shares that may also be issued in lieu of cash fees may not exceed 26,202 shares, bringing the total available under this plan to 52,444 shares. However, any stock grants made to Directors prior to June 16, 2009 were effected under the 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan and not the Directors Stock Plan. No awards have been made under the Directors Stock Plan since June 16, 2009, when the Company modified its director compensation program to offer stock based compensation opportunities entirely on an elective basis pursuant to the Directors Equity Deferral Plan.

- [7] A copy of the Directors Equity Deferral Plan was filed as Exhibit 10.37 to the 2008 Form 10-Q filed by the Company on May 8, 2008. As the Directors Equity Deferral Plan allows Directors electively to acquire interests in our stock at the then fair market value thereof by deferring amounts that would otherwise have been payable to them currently in cash, the Directors Equity Deferral Plan is not an equity compensation plan that is subject to shareholder approval under the NYSE corporate governance requirements. The following summary of the material features of the plan is qualified in its entirety by reference to the full text of the plan, which is hereby incorporated by reference.

Under the Directors Equity Deferral Plan, non-employee members of The Phoenix Companies, Inc. Board of Directors (the "Board") may voluntarily defer all or a portion of the cash portion of any fees and payments to the Directors attributable to their service as a member of the Board into restricted stock units ("RSUs"). The RSUs will be converted into shares of Company common stock when the Directors separate from service as a member of the Board and will be distributed within a certain period after such separation. No specific number of shares are reserved for issuance in respect of the Directors Equity Deferral Plan, as all of the shares to be issued thereunder are issued in respect of a Director's decision to exchange cash otherwise payable currently for services as Director for the receipt of shares of stock at a later date on a tax deferred basis, based on the fair market value of the underlying stock at the time of the exchange. The shares of common stock that are issuable under the Plan are exempt from registration pursuant to Regulation D, and a Form D has been filed reflecting the use of such exemption.

All Directors RSUs credited since June 16, 2009 have been issued pursuant to the terms of this Deferral Plan.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by Items 404 and 407(a) of Regulation S-K is incorporated herein by reference to the information set forth under the section entitled "Proposal 1: Election of Directors" of our 2015 Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by Item 9(e) of Schedule 14A is incorporated herein by reference to the information set forth under the section entitled "Proposal 2: Ratification of the Appointment of our Independent Registered Public Accounting Firm" of our 2015 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this Form 10-K include:

1. *Financial Statements*. The financial statements listed in Part II of the Table of Contents to this Form 10-K are filed as part of this Form 10-K;
2. *Financial Statement Schedules*. All financial statement schedules are listed in the index to the consolidated financial statements on page 4; and
3. *Exhibits*. The exhibits listed under the caption “Exhibit Index” herein are filed as part of this Form 10-K. Exhibit numbers 10.1 through 10.56 are management contracts or compensatory plans or arrangements.

In reliance upon Item 601(b)(4)(iii) of Regulation S-K, we hereby give notice that, in connection with the filing of this Form 10-K, we do not intend to file as exhibits copies of our instruments with respect to long-term debt where the total amount of securities authorized thereunder does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. We hereby agree to furnish a copy of any such instrument to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE PHOENIX COMPANIES, INC.
(Registrant)

Dated: March 30, 2015

By: /s/ James D. Wehr
James D. Wehr
President and Chief Executive Officer
(Principal Executive Officer)

Dated: March 30, 2015

By: /s/ Bonnie J. Malley
Bonnie J. Malley
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: March 30, 2015

By: /s/ Ernest M. McNeill, Jr.
Ernest M. McNeill, Jr.
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below, dated March 30, 2015, by the following persons on behalf of the Registrant and in the capacities indicated.

*

Martin N. Baily, Director

*

Augustus K. Oliver, II, Director

*

Arthur P. Byrne, Director

*

Westley V. Thompson, Director

*

Sanford Cloud, Jr., Director

/s/ James D. Wehr

James D. Wehr, Director

*

John H. Forsgren, Chairman

*

Arthur F. Weinbach, Director

*

Ann Maynard Gray, Director

*By: /s/ John T. Mulrain
John T. Mulrain
Attorney-in-Fact

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
The Phoenix Companies, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows present fairly, in all material respects, the financial position of The Phoenix Companies, Inc. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because material weaknesses in internal control over financial reporting existed at that date. The material weaknesses included deficiencies in the period-end financial reporting process including the processing of journal entries and the preparation and review of account reconciliations, insufficient complement of personnel with a level of accounting knowledge commensurate with the Company's financial reporting requirements and ineffective monitoring and review activities.

The above material weaknesses also contributed to the following material weaknesses in internal control over financial reporting. The Company did not maintain effective controls over:

(1) actuarial finance and valuation, including (i) controls to review and approve assumptions and methodologies used in the determination of actuarially derived insurance policy liability estimates, (ii) controls to appropriately measure actuarially derived balances for its fixed indexed annuity products, (iii) controls over key actuarial spreadsheets and certain key reports to ensure the reliability of data, assumptions and valuation calculations, and (iv) controls over the application of U.S. GAAP to universal life reserves,

(2) certain investment processes, including (i) controls over the recognition and measurement of impaired investments, (ii) controls over the recognition and measurement of certain elements of net investment income, as well as identifying embedded derivatives related to structured securities, (iii) controls over internally priced securities, including private placement debt and equity securities, (iv) controls over classification in the fair value hierarchy disclosure, (v) controls to properly recognize and measure counterparty non-performance risk on non-collateralized derivatives, (vi) controls over determining the appropriate accounting method for limited partnerships or for determining the appropriate accounting for investee transactions,

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- (3) complex reinsurance treaties, including controls to analyze, document and review the U.S. GAAP accounting for such transactions at inception,
- (4) valuation of pension assets and liabilities, including management and oversight of third party vendors and controls to ensure census data was complete and accurate,
- (5) completeness and accuracy of taxable income reporting for limited partnerships and other investments, including controls to ensure complete and accurate taxable information is utilized in the Company's measurements of income taxes related to limited partnership and other investments,
- (6) presentation of cash and cash flows, including controls over preparation and review of classification of activity in the statement of cash flows and cash and related balances in the balance sheet, and
- (7) information technology general controls related to restricted access, including controls to grant, remove and review access to ensure appropriate segregation of duties and restricted access to programs and data.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2014 consolidated financial statements and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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As discussed in Note 2 to the consolidated financial statements, the Company has restated its 2013 consolidated financial statements to correct errors.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

March 30, 2015

THE PHOENIX COMPANIES, INC.
Consolidated Balance Sheets

(\$ in millions, except share data)

	As of December 31,	
	2014	2013
	As restated	
ASSETS:		
Available-for-sale debt securities, at fair value (amortized cost of \$11,978.0 and \$11,341.5)	\$ 12,679.3	\$ 11,731.5
Available-for-sale equity securities, at fair value (cost of \$156.0 and \$119.3)	179.5	138.0
Short-term investments	149.7	361.6
Limited partnerships and other investments	542.8	561.3
Policy loans, at unpaid principal balances	2,352.1	2,350.3
Derivative instruments	161.3	228.8
Fair value investments	235.4	215.2
Total investments	16,300.1	15,586.7
Cash and cash equivalents	450.0	496.4
Accrued investment income	176.7	170.4
Reinsurance recoverable	559.1	598.1
Deferred policy acquisition costs	848.6	947.8
Deferred income taxes, net	34.2	70.0
Other assets	311.3	320.5
Discontinued operations assets	45.2	48.9
Separate account assets	3,020.7	3,402.3
Total assets	\$ 21,745.9	\$ 21,641.1
LIABILITIES:		
Policy liabilities and accruals	\$ 12,417.6	\$ 12,416.6
Policyholder deposit funds	3,955.0	3,442.6
Dividend obligations	916.8	705.7
Indebtedness	378.9	378.8
Pension and post-employment liabilities	380.0	313.1
Other liabilities	289.8	337.3
Discontinued operations liabilities	40.5	43.4
Separate account liabilities	3,020.7	3,402.3
Total liabilities	21,399.3	21,039.8
COMMITMENTS AND CONTINGENCIES (Notes 22, 23 and 24)		
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value: 5.8 million and 5.7 million shares outstanding	0.1	0.1
Additional paid-in capital	2,632.8	2,633.1
Accumulated other comprehensive income (loss)	(234.4)	(185.0)
Retained earnings (accumulated deficit)	(1,889.0)	(1,675.8)
Treasury stock, at cost: 0.7 million and 0.7 million shares	(182.9)	(182.9)
Total The Phoenix Companies, Inc. stockholders' equity	326.6	589.5
Noncontrolling interests	20.0	11.8
Total stockholders' equity	346.6	601.3
Total liabilities and stockholders' equity	\$ 21,745.9	\$ 21,641.1

The accompanying notes are an integral part of these financial statements.

THE PHOENIX COMPANIES, INC.
Consolidated Statements of Income and Comprehensive Income

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
<i>(\$ in millions, except per share data)</i>			
REVENUES:			
Premiums	\$ 332.1	\$ 351.6	\$ 402.3
Fee income	545.1	550.3	556.0
Net investment income	830.9	789.7	827.8
Net realized investment gains (losses):			
Total other-than-temporary impairment (“OTTI”) losses	(7.7)	(7.0)	(50.8)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(0.4)	(4.8)	22.9
Net OTTI losses recognized in earnings	(8.1)	(11.8)	(27.9)
Net realized investment gains (losses), excluding OTTI losses	(33.1)	27.8	11.1
Net realized investment gains (losses)	(41.2)	16.0	(16.8)
Gain on debt repurchase	—	—	11.9
Total revenues	1,666.9	1,707.6	1,781.2
BENEFITS AND EXPENSES:			
Policy benefits	1,119.2	965.1	1,162.4
Policyholder dividends	244.8	235.9	292.1
Policy acquisition cost amortization	119.6	103.1	196.1
Interest expense on indebtedness	28.3	28.3	30.8
Other operating expenses	350.2	337.1	253.3
Total benefits and expenses	1,862.1	1,669.5	1,934.7
Income (loss) from continuing operations before income taxes	(195.2)	38.1	(153.5)
Income tax expense (benefit)	10.5	8.5	(4.7)
Income (loss) from continuing operations	(205.7)	29.6	(148.8)
Income (loss) from discontinued operations, net of income taxes	(3.5)	(2.9)	(15.6)
Net income (loss)	(209.2)	26.7	(164.4)
Less: Net income (loss) attributable to noncontrolling interests	4.0	0.7	0.6
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (213.2)	\$ 26.0	\$ (165.0)
COMPREHENSIVE INCOME (LOSS):			
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (213.2)	\$ 26.0	\$ (165.0)
Net income (loss) attributable to noncontrolling interests	4.0	0.7	0.6
Net income (loss)	(209.2)	26.7	(164.4)
Other comprehensive income (loss) before income taxes:			
Unrealized investment gains (losses), net of related offsets	66.5	(62.7)	95.4
Net pension liability adjustment	(80.2)	101.0	(20.3)
Other comprehensive income (loss) before income taxes	(13.7)	38.3	75.1
Less: Income tax expense (benefit) related to:			
Unrealized investment gains (losses), net of related offsets	35.7	(20.5)	92.0
Net pension liability adjustment	—	—	—
Total income tax expense (benefit)	35.7	(20.5)	92.0
Other comprehensive income (loss), net of income taxes	(49.4)	58.8	(16.9)
Comprehensive income (loss)	(258.6)	\$ 85.5	\$ (181.3)
Less: Comprehensive income (loss) attributable to noncontrolling interests	4.0	0.7	0.6
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ (262.6)	\$ 84.8	\$ (181.9)

(Continued on next page)

The accompanying notes are an integral part of these financial statements.

THE PHOENIX COMPANIES, INC.
Consolidated Statements of Income and Comprehensive Income

(Continued from previous page)

(\$ in millions, except per share data)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
EARNINGS (LOSS) PER SHARE:			
Income (loss) from continuing operations – basic	\$ (36.48)	\$ 5.04	\$ (25.90)
Income (loss) from continuing operations – diluted	\$ (36.48)	\$ 5.01	\$ (25.90)
Income (loss) from discontinued operations – basic	\$ (0.61)	\$ (0.51)	\$ (2.70)
Income (loss) from discontinued operations – diluted	\$ (0.61)	\$ (0.50)	\$ (2.70)
Net income (loss) attributable to The Phoenix Companies, Inc. – basic	\$ (37.09)	\$ 4.53	\$ (28.60)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (37.09)	\$ 4.51	\$ (28.60)
Basic weighted-average common shares outstanding (in thousands)	5,748	5,735	5,770
Diluted weighted-average common shares outstanding (in thousands)	5,748	5,764	5,770

The accompanying notes are an integral part of these financial statements.

THE PHOENIX COMPANIES, INC.
Consolidated Statements of Cash Flows

(\$ in millions)	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
OPERATING ACTIVITIES:			
Net income (loss)	\$ (213.2)	\$ 26.0	\$ (165.0)
Net realized investment gains / losses	40.5	(20.4)	23.7
Policy acquisition costs deferred	(72.9)	(58.4)	(58.1)
Policy acquisition cost amortization	119.6	103.1	196.1
Amortization and depreciation	6.0	8.2	12.0
Interest credited	151.5	139.0	123.2
Equity in earnings of limited partnerships and other investments	(59.7)	(58.9)	(59.8)
Gain on debt repurchase	—	—	(11.9)
Change in:			
Accrued investment income	(109.2)	(86.0)	(122.8)
Deferred income taxes, net	—	—	(20.5)
Reinsurance recoverable	39.1	(8.4)	(22.7)
Policy liabilities and accruals	(430.9)	(591.8)	(425.4)
Dividend obligations	72.4	57.1	77.3
Pension and post-employment liabilities	(13.3)	(14.1)	(20.8)
Impact of operating activities of consolidated investment entities, net	(33.8)	(2.1)	(11.8)
Other operating activities, net	3.4	60.1	(34.3)
Cash provided by (used for) operating activities	(500.5)	(446.6)	(520.8)
INVESTING ACTIVITIES:			
Purchases of:			
Available-for-sale debt securities	(2,272.6)	(2,460.7)	(1,796.9)
Available-for-sale equity securities	(53.6)	(59.6)	(10.9)
Short-term investments	(1,794.4)	(1,559.7)	(1,814.0)
Derivative instruments	(62.7)	(101.9)	(50.8)
Fair value and other investments	(2.7)	(27.0)	(38.7)
Sales, repayments and maturities of:			
Available-for-sale debt securities	1,651.9	2,130.7	1,871.0
Available-for-sale equity securities	21.4	13.4	22.4
Short-term investments	2,005.9	1,909.2	1,382.7
Derivative instruments	96.2	49.5	26.7
Fair value and other investments	23.8	26.6	49.3
Contributions to limited partnerships and limited liability corporations	(84.2)	(72.4)	(101.8)
Distributions from limited partnerships and limited liability corporations	157.1	146.8	138.4
Policy loans, net	78.0	80.8	126.5
Impact of investing activities of consolidated investment entities, net	—	—	—
Other investing activities, net	(8.9)	(10.4)	(7.7)
Cash provided by (used for) investing activities	(244.8)	65.3	(203.8)

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The accompanying notes are an integral part of these financial statements.

THE PHOENIX COMPANIES, INC.
Consolidated Statements of Cash Flows

(Continued from previous page)

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
FINANCING ACTIVITIES:			
Policyholder deposits	1,457.2	1,355.0	1,597.4
Policyholder withdrawals	(1,200.6)	(1,140.4)	(1,138.8)
Net transfers (to) from separate accounts	439.4	412.9	379.8
Impact of financing activities of consolidated investment entities, net	4.1	4.5	1.3
Other financing activities, net	—	—	(39.6)
Cash provided by (used for) financing activities	700.1	632.0	800.1
Change in cash and cash equivalents	(45.2)	250.7	75.5
Change in cash included in discontinued operations assets	(1.2)	(0.7)	2.7
Cash and cash equivalents, beginning of period	496.4	246.4	168.2
Cash and cash equivalents, end of period	\$ 450.0	\$ 496.4	\$ 246.4
<i>Supplemental Disclosure of Cash Flow Information</i>			
Income taxes (paid) refunded	\$ (0.2)	\$ (5.4)	\$ (18.4)
Interest expense on indebtedness paid	\$ (27.9)	\$ (27.9)	\$ (30.4)
<i>Non-Cash Transactions During the Period</i>			
Investment exchanges	\$ 93.3	\$ 98.8	\$ 96.0

The accompanying notes are an integral part of these financial statements.

THE PHOENIX COMPANIES, INC.
Consolidated Statements of Changes in Stockholders' Equity

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
<i>(\$ in millions, except share data)</i>			
COMMON STOCK: [1]			
Balance, beginning of period	\$ 0.1	\$ 0.1	\$ 1.3
Adjustment for reverse stock split	—	—	(1.2)
Balance, end of period	\$ 0.1	\$ 0.1	\$ 0.1
ADDITIONAL PAID-IN CAPITAL: [1]			
Balance, beginning of period	\$ 2,633.1	\$ 2,633.1	\$ 2,630.5
Issuance of shares and compensation expense on stock compensation awards	(0.3)	—	1.4
Adjustment for reverse stock split	—	—	1.2
Balance, end of period	\$ 2,632.8	\$ 2,633.1	\$ 2,633.1
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balance, beginning of period	\$ (185.0)	\$ (243.8)	\$ (226.9)
Other comprehensive income (loss)	(49.4)	58.8	(16.9)
Balance, end of period	\$ (234.4)	\$ (185.0)	\$ (243.8)
RETAINED EARNINGS (ACCUMULATED DEFICIT):			
Balance, beginning of period	\$ (1,675.8)	\$ (1,701.8)	\$ (1,536.8)
Net income (loss)	(213.2)	26.0	(165.0)
Balance, end of period	\$ (1,889.0)	\$ (1,675.8)	\$ (1,701.8)
TREASURY STOCK, AT COST: [1]			
Balance, beginning of period	\$ (182.9)	\$ (182.9)	\$ (179.5)
Treasury shares purchased	—	—	(3.4)
Balance, end of period	\$ (182.9)	\$ (182.9)	\$ (182.9)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO THE PHOENIX COMPANIES, INC.:			
Balance, beginning of period	\$ 589.5	\$ 504.7	\$ 688.6
Change in stockholders' equity attributable to The Phoenix Companies, Inc.	(262.9)	84.8	(183.9)
Balance, end of period	\$ 326.6	\$ 589.5	\$ 504.7
NONCONTROLLING INTERESTS:			
Balance, beginning of period	\$ 11.8	\$ 6.7	\$ 2.8
Net income (loss) attributable to noncontrolling interests	4.0	0.7	0.6
Contributions to noncontrolling interests	4.2	4.6	4.7
Distributions from noncontrolling interests	—	(0.2)	(1.4)
Issuance of Saybrus shares to noncontrolling interests	—	—	—
Balance, end of period	\$ 20.0	\$ 11.8	\$ 6.7
TOTAL STOCKHOLDERS' EQUITY:			
Balance, beginning of period	\$ 601.3	\$ 511.4	\$ 691.4
Change in stockholders' equity	(254.7)	89.9	(180.0)

Balance, end of period

\$ 346.6 \$ 601.3 \$ 511.4

[1] Reflects the 1-for-20 reverse stock split, which was effective August 10, 2012. See Note 10 to our consolidated financial statements for additional information on the reverse stock split.

The accompanying notes are an integral part of these financial statements.

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements
(\$ in millions, except per share and per unit data)
For the years ended December 31, 2014, 2013 and 2012

1. Organization and Description of Business

The Phoenix Companies, Inc. (“we,” “our,” “us,” the “Company,” “PNX” or “Phoenix”) is a holding company and our operations are conducted through subsidiaries, principally Phoenix Life Insurance Company (“Phoenix Life”) and PHL Variable Insurance Company (“PHL Variable”), collectively with Phoenix Life and Phoenix Life and Annuity Company and American Phoenix Life and Reassurance, they are our “Life Companies.” We provide life insurance and annuity products through independent agents and financial advisors. Our policyholder base includes both affluent and middle market consumers, with our more recent business concentrated in the middle market. Most of our life insurance in force is permanent life insurance insuring one or more lives. Our annuity products include fixed and variable annuities with a variety of death benefit and guaranteed living benefit options.

We operate two businesses segments: Life and Annuity and Saybrus Partners, Inc. (“Saybrus”). The Life and Annuity segment includes individual life insurance and annuity products, including our closed block. Saybrus provides dedicated life insurance and other consulting services to financial advisors in partner companies, as well as support for sales of Phoenix’s product line through independent distribution organizations.

2. Restatement and Revision of Previously Reported Financial Information

During the Company’s annual assumption review (or “Unlock”) which was performed in the fourth quarter of 2014, management observed results in the Company’s Universal Life (“UL”) business that did not align with its expectations and, upon further investigation, determined that certain components of the 2013 Unlock contained errors which were determined to be material to the year ended and the three-months ended December 31, 2013. In addition, the Company identified individually immaterial errors relating to its second quarter 2014 financial statements which when aggregated with the previously recorded and disclosed \$6.2 million of out-of-period adjustments, were determined to be material for the three-months ended June 30, 2014. As a result of these errors and in accordance with ASC 250, “*Accounting Changes and Error Corrections*,” the Company is required to record all out-of-period errors, whether or not previously identified, in the period to which they relate. Accordingly, the Company has restated its financial statements for the year ended December 31, 2013, the three-months ended December 31, 2013 and the three-months ended June 30, 2014 and revised its financial statements for all other prior periods presented. Each of these restated or revised quarterly financial statements are presented in expanded format within Note 26.

The Company has classified the correction of errors into two categories (i) UL Unlock and (ii) Other Adjustments as detailed more fully below:

UL Unlock

In accordance with U.S. GAAP and our accounting policy, the Company performs an annual assumption review where management makes a determination of the best estimate assumptions to be used based on a comprehensive review of recent experience studies and industry trends each year. In 2013, the Company revised a number of assumptions, the most significant of which resulted in changes to expected premium persistency and incorporation of mortality improvement in its UL business. The incorporation of these changes resulted in manual updates to various models for which certain errors were subsequently identified in the course of performing analysis between the fourth quarter of 2014 and the prior period results. These errors related to inappropriate implementation of data used in the calculation of certain product features which then resulted in the incorrect calculation of the ultimate impact of the Unlock for the fourth quarter of 2013.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

Other Adjustments

Amounts primarily relate to various out-of-period errors identified which were previously determined not to be material individually or in the aggregate except to the quarter ended June 30, 2014 as noted more fully above. The Company considered the impacts of each of these errors, many of which were previously identified and subsequently recorded as out-of-period adjustments, as well as subsequently identified errors both individually and in the aggregate during the course of this restatement and concluded that none were significant for individual categorization herein.

The impact of the correction of these errors on the consolidated financial statements is presented in the following tables within this Note below.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Balance Sheet As of December 31, 2013			
	As reported	Correction of errors		As restated
		UL unlock	Other adjustments	
ASSETS:				
Available-for-sale debt securities, at fair value	\$ 11,808.6	\$ —	\$ (77.1) [1]	\$ 11,731.5
Available-for-sale equity securities, at fair value	61.8	—	76.2 [1]	138.0
Short-term investments	361.6	—	—	361.6
Limited partnerships and other investments	561.9	—	(0.6)	561.3
Policy loans, at unpaid principal balances	2,350.3	—	—	2,350.3
Derivative instruments	243.1	—	(14.3)	228.8
Fair value investments	210.8	—	4.4	215.2
Total investments	15,598.1	—	(11.4)	15,586.7
Cash and cash equivalents	496.4	—	—	496.4
Accrued investment income	170.4	—	—	170.4
Reinsurance recoverable	603.3	(4.3)	(0.9)	598.1
Deferred policy acquisition costs	940.6	7.8	(0.6)	947.8
Deferred income taxes, net	70.0	—	—	70.0
Other assets [2]	299.9	0.1	20.5	320.5
Discontinued operations assets	43.6	—	5.3	48.9
Separate account assets	3,402.3	—	—	3,402.3
Total assets	\$ 21,624.6	\$ 3.6	\$ 12.9	\$ 21,641.1
LIABILITIES:				
Policy liabilities and accruals	\$ 12,437.6	\$ (15.9)	\$ (5.1)	\$ 12,416.6
Policyholder deposit funds	3,429.7	—	12.9	3,442.6
Dividend obligations	705.9	—	(0.2)	705.7
Indebtedness	378.8	—	—	378.8
Pension and post-employment liabilities	315.9	—	(2.8)	313.1
Other liabilities	333.0	—	4.3	337.3
Discontinued operations liabilities	37.7	—	5.7	43.4
Separate account liabilities	3,402.3	—	—	3,402.3
Total liabilities	21,040.9	(15.9)	14.8	21,039.8
COMMITMENTS AND CONTINGENCIES (Notes 22, 23 and 24)				
STOCKHOLDERS' EQUITY:				
Common stock, \$.01 par value: 5.7 million shares outstanding	0.1	—	—	0.1
Additional paid-in capital	2,633.1	—	—	2,633.1
Accumulated other comprehensive income (loss)	(185.2)	0.3	(0.1)	(185.0)
Retained earnings (accumulated deficit)	(1,692.1)	19.2	(2.9)	(1,675.8)
Treasury stock, at cost: 0.7 million shares	(182.9)	—	—	(182.9)
Total The Phoenix Companies, Inc. stockholders' equity	573.0	19.5	(3.0)	589.5
Noncontrolling interests	10.7	—	1.1	11.8
Total stockholders' equity	583.7	19.5	(1.9)	601.3
Total liabilities and stockholders' equity	\$ 21,624.6	\$ 3.6	\$ 12.9	\$ 21,641.1

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- [1] Included within Other Adjustments is a reclassification of \$76.2 million to reflect perpetual preferred stock securities as available-for-sale equity securities.
 - [2] Includes receivables which were previously disclosed as a separate line item in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statement of Income and Comprehensive Income As of and for the year ended December 31, 2013			
	As reported	Correction of errors		As restated
		UL unlock	Other adjustments	
REVENUES:				
Premiums	\$ 351.6	\$ —	\$ —	\$ 351.6
Fee income	551.2	(0.9)	—	550.3
Net investment income	787.2		2.5	789.7
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	(7.5)	—	0.5	(7.0)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(4.8)	—	—	(4.8)
Net OTTI losses recognized in earnings	(12.3)	—	0.5	(11.8)
Net realized investment gains (losses), excluding OTTI losses	33.6	—	(5.8)	27.8
Net realized investment gains (losses)	21.3	—	(5.3)	16.0
Gain on debt repurchase	—	—	—	—
Total revenues	1,711.3	(0.9)	(2.8)	1,707.6
BENEFITS AND EXPENSES:				
Policy benefits	1,026.5	(12.3)	(49.1) [1]	965.1
Policyholder dividends	189.7	—	46.2 [1]	235.9
Policy acquisition cost amortization	113.7	(7.7)	(2.9)	103.1
Interest expense on indebtedness	28.9	—	(0.6)	28.3
Other operating expenses	335.6	(0.1)	1.6	337.1
Total benefits and expenses	1,694.4	(20.1)	(4.8)	1,669.5
Income (loss) from continuing operations before income taxes	16.9	19.2	2.0	38.1
Income tax expense (benefit)	9.6	—	(1.1)	8.5
Income (loss) from continuing operations	7.3	19.2	3.1	29.6
Income (loss) from discontinued operations, net of income taxes	(2.6)	—	(0.3)	(2.9)
Net income (loss)	4.7	19.2	2.8	26.7
Less: Net income (loss) attributable to noncontrolling interests	(0.4)	—	1.1	0.7
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ 5.1	\$ 19.2	\$ 1.7	\$ 26.0
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ 5.1	\$ 19.2	\$ 1.7	\$ 26.0
Net income (loss) attributable to noncontrolling interests	(0.4)	—	1.1	0.7
Net income (loss)	4.7	19.2	2.8	26.7
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets [2]	(55.8)	0.3	(7.2)	(62.7)
Net pension liability adjustment	99.3	—	1.7	101.0
Other comprehensive income (loss) before income taxes	43.5	0.3	(5.5)	38.3
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets [2]	(20.6)	—	0.1	(20.5)
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	(20.6)	—	0.1	(20.5)
Other comprehensive income (loss), net of income taxes	64.1	0.3	(5.6)	58.8
Comprehensive income (loss)	68.8	\$ 19.5	\$ (2.8)	\$ 85.5
Less: Comprehensive income (loss) attributable to noncontrolling interests	(0.4)	—	1.1	0.7
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ 69.2	\$ 19.5	\$ (3.9)	\$ 84.8

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statement of Income and Comprehensive Income			
	As of and for the year ended December 31, 2013			
	As reported	Correction of errors		As restated
		UL unlock	Other adjustments	
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ 1.27	\$ 3.35	\$ 0.35	\$ 5.04
Income (loss) from continuing operations – diluted	\$ 1.27	\$ 3.33	\$ 0.34	\$ 5.01
Income (loss) from discontinued operations – basic	\$ (0.45)	\$ —	\$ (0.05)	\$ (0.51)
Income (loss) from discontinued operations – diluted	\$ (0.45)	\$ —	\$ (0.05)	\$ (0.50)
Net income (loss) attributable to The Phoenix Companies, Inc. – basic	\$ 0.89	\$ 3.35	\$ 0.30	\$ 4.53
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ 0.88	\$ 3.33	\$ 0.29	\$ 4.51
Basic weighted-average common shares outstanding (in thousands)	5,735			5,735
Diluted weighted-average common shares outstanding (in thousands)	5,764			5,764

- [1] Included within Other Adjustments is an error related to reserves for certain survivorship policies in the closed block of \$43.3 million that is fully offset by a change in policyholder dividends. This amount was previously identified and was reported as an out-of-period adjustment in the three months ended March 31, 2013.
- [2] Amounts were previously presented separately as net unrealized gains (losses) on investments where credit-related impairments were recognized, and net unrealized gains (losses) on all other investments in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statement of Income and Comprehensive Income			
	As of and for the year ended December 31, 2012			
	As reported	Correction of errors		As revised
	UL unlock	Other adjustments		
REVENUES:				
Premiums	\$ 402.3	\$ —	\$ —	\$ 402.3
Fee income	556.2	—	(0.2)	556.0
Net investment income	829.3	—	(1.5)	827.8
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	(51.7)	—	0.9	(50.8)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	22.9	—	—	22.9
Net OTTI losses recognized in earnings	(28.8)	—	0.9	(27.9)
Net realized investment gains (losses), excluding OTTI losses	18.3	—	(7.2)	11.1
Net realized investment gains (losses)	(10.5)	—	(6.3)	(16.8)
Gain on debt repurchase	11.9	—	—	11.9
Total revenues	1,789.2	—	(8.0)	1,781.2
BENEFITS AND EXPENSES:				
Policy benefits	1,166.1	—	(3.7)	1,162.4
Policyholder dividends	294.8	—	(2.7)	292.1
Policy acquisition cost amortization	200.0	—	(3.9)	196.1
Interest expense on indebtedness	30.8	—	—	30.8
Other operating expenses	253.5	—	(0.2)	253.3
Total benefits and expenses	1,945.2	—	(10.5)	1,934.7
Income (loss) from continuing operations before income taxes	(156.0)	—	2.5	(153.5)
Income tax expense (benefit)	(3.7)	—	(1.0)	(4.7)
Income (loss) from continuing operations	(152.3)	—	3.5	(148.8)
Income (loss) from discontinued operations, net of income taxes	(15.6)	—	—	(15.6)
Net income (loss)	(167.9)	—	3.5	(164.4)
Less: Net income (loss) attributable to noncontrolling interests	0.6	—	—	0.6
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (168.5)	\$ —	\$ 3.5	\$ (165.0)
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (168.5)	\$ —	\$ 3.5	\$ (165.0)
Net income (loss) attributable to noncontrolling interests	0.6	—	—	0.6
Net income (loss)	(167.9)	—	3.5	(164.4)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets [1]	93.7	—	1.7	95.4
Net pension liability adjustment	(21.4)	—	1.1	(20.3)
Other comprehensive income (loss) before income taxes	72.3	—	2.8	75.1
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets [1]	90.9	—	1.1	92.0
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	90.9	—	1.1	92.0
Other comprehensive income (loss), net of income taxes	(18.6)	—	1.7	(16.9)
Comprehensive income (loss)	(186.5)	—	5.2	(181.3)
Less: Comprehensive income (loss) attributable to noncontrolling interests	0.6	—	—	0.6
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ (187.1)	\$ —	\$ 5.2	\$ (181.9)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statement of Income and Comprehensive Income			
	As of and for the year ended December 31, 2012			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (26.40)	\$ —	\$ 0.61	\$ (25.90)
Income (loss) from continuing operations – diluted	\$ (26.40)	\$ —	\$ 0.61	\$ (25.90)
Income (loss) from discontinued operations – basic	\$ (2.70)	\$ —	\$ —	\$ (2.70)
Income (loss) from discontinued operations – diluted	\$ (2.70)	\$ —	\$ —	\$ (2.70)
Net income (loss) attributable to The Phoenix Companies, Inc. – basic	\$ (29.20)	\$ —	\$ 0.61	\$ (28.60)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (29.20)	\$ —	\$ 0.61	\$ (28.60)
Basic weighted-average common shares outstanding (in thousands)	5,770			5,770
Diluted weighted-average common shares outstanding (in thousands)	5,770			5,770

[1] Amounts were previously presented separately as net unrealized gains (losses) on investments where credit-related impairments were recognized, and net unrealized gains (losses) on all other investments in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(\$ in millions)

Consolidated Statement of Cash Flows			
As of and for the year ended December 31, 2013			
	As reported	Correction of errors	As restated
OPERATING ACTIVITIES:			
Net income (loss)	\$ 5.1	\$ 20.9	\$ 26.0
Net realized investment (gains) losses	(25.7)	5.3	(20.4)
Policy acquisition costs deferred	(57.5)	(0.9)	(58.4)
Policy acquisition cost amortization	113.7	(10.6)	103.1
Amortization and depreciation	8.2	—	8.2
Interest credited	139.0	—	139.0
Equity in earnings of limited partnerships and other investments	(55.3)	(3.6)	(58.9)
Gain on debt repurchase	—	—	—
Change in:			
Accrued investment income	(86.5)	0.5	(86.0)
Deferred income taxes	0.3	(0.3)	—
Reinsurance recoverable	(21.2)	12.8	(8.4)
Policy liabilities and accruals	(520.0)	(71.8) [1]	(591.8)
Dividend obligations	10.8	46.3 [1]	57.1
Pension and post-employment liabilities	(14.1)	—	(14.1)
Impact of operating activities of consolidated investment entities, net	(3.2)	1.1	(2.1)
Other operating activities, net [2]	59.8	0.3	60.1
Cash provided by (used for) operating activities	(446.6)	—	(446.6)
INVESTING ACTIVITIES:			
Purchases of:			
Available-for-sale debt securities	(2,501.1)	40.4 [3]	(2,460.7)
Available-for-sale equity securities	(19.2)	(40.4) [3]	(59.6)
Short-term investments	(1,559.7)	—	(1,559.7)
Derivative instruments	(101.9)	—	(101.9)
Fair value and other investments [4]	(27.0)	—	(27.0)
Sales, repayments and maturities of:			
Available-for-sale debt securities	2,137.2	(6.5) [3]	2,130.7
Available-for-sale equity securities	6.9	6.5 [3]	13.4
Short-term investments	1,909.2	—	1,909.2
Derivative instruments	49.5	—	49.5
Fair value and other investments [4]	26.6	—	26.6
Contributions to limited partnerships and limited liability corporations	(72.4)	—	(72.4)
Distributions from limited partnerships and limited liability corporations	146.8	—	146.8
Policy loans, net	80.8	—	80.8
Impact of investing activities of consolidated investment entities, net	—	—	—
Other investing activities, net	(10.4)	—	(10.4)
Cash provided by (used for) investing activities	65.3	—	65.3

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(Continued from previous page)
(\$ in millions)

	Consolidated Statement of Cash Flows		
	As of and for the year ended December 31, 2013		
	As reported	Correction of errors	As restated
FINANCING ACTIVITIES:			
Policyholder deposits	1,355.0	—	1,355.0
Policyholder withdrawals	(1,140.4)	—	(1,140.4)
Net transfers (to) from separate accounts	412.9	—	412.9
Impact of financing activities of consolidated investment entities, net	4.5	—	4.5
Other financing activities, net	—	—	—
Cash provided by (used for) financing activities	632.0	—	632.0
Change in cash and cash equivalents	250.7	—	250.7
Change in cash included in discontinued operations assets	(0.7)	—	(0.7)
Cash and cash equivalents, beginning of period	246.4	—	246.4
Cash and cash equivalents, end of period	\$ 496.4	\$ —	\$ 496.4
<i>Supplemental Disclosure of Cash Flow Information</i>			
Income taxes (paid) refunded	\$ (5.4)	\$ —	\$ (5.4)
Interest expense on indebtedness paid	\$ (27.9)	\$ —	\$ (27.9)
<i>Non-Cash Transactions During the Period</i>			
Investment exchanges	\$ 98.8	\$ —	\$ 98.8

- [1] Includes an error related to reserves for certain survivorship policies in the closed block of \$43.3 million that is fully offset by a change in policyholder dividends. This amount was previously identified and was reported as an out-of-period adjustment in the three months ended March 31, 2013.
- [2] Includes receivables which were previously disclosed as a separate line item in the 2013 Form 10-K.
- [3] Includes a reclassification to reflect perpetual preferred stock securities as available-for-sale equity securities from available-for-sale debt securities.
- [4] Includes other investments which were previously disclosed as a separate line item in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(\$ in millions)

	Consolidated Statement of Cash Flows		
	As of and for the year ended December 31, 2012		
	As reported	Correction of errors	As revised
OPERATING ACTIVITIES:			
Net income (loss)	\$ (168.5)	\$ 3.5	\$ (165.0)
Net realized investment (gains) losses	17.4	6.3	23.7
Policy acquisition costs deferred	(58.1)	—	(58.1)
Policy acquisition cost amortization	200.0	(3.9)	196.1
Amortization and depreciation	12.0	—	12.0
Interest credited	123.2	—	123.2
Equity in earnings of limited partnerships and other investments	(60.8)	1.0	(59.8)
Gain on debt repurchase	(11.9)	—	(11.9)
Change in:			
Accrued investment income	(123.2)	0.4	(122.8)
Deferred income taxes	(19.8)	(0.7)	(20.5)
Reinsurance recoverable	(19.2)	(3.5)	(22.7)
Policy liabilities and accruals	(426.9)	1.5	(425.4)
Dividend obligations	82.9	(5.6)	77.3
Pension and post-employment liabilities	(20.8)	—	(20.8)
Impact of operating activities of consolidated investment entities, net	(11.8)	—	(11.8)
Other operating activities, net [1]	(35.3)	1.0	(34.3)
Cash provided by (used for) operating activities	(520.8)	—	(520.8)
INVESTING ACTIVITIES:			
Purchases of:			
Available-for-sale debt securities	(1,796.9)	—	(1,796.9)
Available-for-sale equity securities	(10.9)	—	(10.9)
Short-term investments	(1,814.0)	—	(1,814.0)
Derivative instruments	(50.8)	—	(50.8)
Fair value and other investments [3]	(38.7)	—	(38.7)
Sales, repayments and maturities of:			
Available-for-sale debt securities	1,880.9	(9.9) [2]	1,871.0
Available-for-sale equity securities	12.5	9.9 [2]	22.4
Short-term investments	1,382.7	—	1,382.7
Derivative instruments	26.7	—	26.7
Fair value and other investments [3]	49.3	—	49.3
Contributions to limited partnerships and limited liability corporations	(101.8)	—	(101.8)
Distributions from limited partnerships and limited liability corporations	138.4	—	138.4
Policy loans, net	126.5	—	126.5
Impact of investing activities of consolidated investment entities, net	—	—	—
Other investing activities, net	(7.7)	—	(7.7)
Cash provided by (used for) investing activities	(203.8)	—	(203.8)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(Continued from previous page)
(\$ in millions)

	Consolidated Statement of Cash Flows		
	As of and for the year ended December 31, 2012		
	As reported	Correction of errors	As revised
FINANCING ACTIVITIES:			
Policyholder deposit fund deposits	1,597.4	—	1,597.4
Policyholder deposit fund withdrawals	(1,138.8)	—	(1,138.8)
Net transfers (to) from separate accounts	379.8	—	379.8
Impact of financing activities of consolidated investment entities, net	1.3	—	1.3
Other financing activities, net	(39.6)	—	(39.6)
Cash provided by (used for) financing activities	800.1	—	800.1
Change in cash and cash equivalents	75.5	—	75.5
Change in cash included in discontinued operations assets	2.7	—	2.7
Cash and cash equivalents, beginning of period	168.2	—	168.2
Cash and cash equivalents, end of period	\$ 246.4	\$ —	\$ 246.4
<i>Supplemental Disclosure of Cash Flow Information</i>			
Income taxes (paid) refunded	\$ (18.4)	\$ —	\$ (18.4)
Interest expense on indebtedness paid	\$ (30.4)	\$ —	\$ (30.4)
<i>Non-Cash Transactions During the Period</i>			
Investment exchanges	\$ 96.0	\$ —	\$ 96.0

[1] Includes receivables which were previously disclosed as a separate line item in the 2013 Form 10-K.

[2] Includes a reclassification to reflect perpetual preferred stock securities as available-for-sale equity securities from available-for-sale debt securities.

[3] Includes other investments which were previously disclosed as a separate line item in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(\$ in millions)	Consolidated Statement of Changes in Stockholders' Equity As of and for the year ended December 31, 2013		
	As reported	Correction of errors	As restated
COMMON STOCK: [1]			
Balance, beginning of period	\$ 0.1	\$ —	\$ 0.1
Adjustment for reverse stock split	—	—	—
Balance, end of period	\$ 0.1	\$ —	\$ 0.1
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of period	\$ 2,633.1	\$ —	\$ 2,633.1
Issuance of shares and compensation expense on stock compensation awards	—	—	—
Adjustment for reverse stock split	—	—	—
Balance, end of period	\$ 2,633.1	\$ —	\$ 2,633.1
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balance, beginning of period	\$ (249.3)	\$ 5.5	\$ (243.8)
Other comprehensive income (loss)	64.1	(5.3)	58.8
Balance, end of period	\$ (185.2)	\$ 0.2	\$ (185.0)
RETAINED EARNINGS (ACCUMULATED DEFICIT):			
Balance, beginning of period	\$ (1,697.2)	\$ (4.6)	\$ (1,701.8)
Net income (loss)	5.1	20.9	26.0
Balance, end of period	\$ (1,692.1)	\$ 16.3	\$ (1,675.8)
TREASURY STOCK, AT COST: [1]			
Balance, beginning of period	\$ (182.9)	\$ —	\$ (182.9)
Treasury shares purchased	—	—	—
Balance, end of period	\$ (182.9)	\$ —	\$ (182.9)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO THE PHOENIX COMPANIES, INC.:			
Balance, beginning of period	\$ 503.8	\$ 0.9	\$ 504.7
Change in stockholders' equity attributable to The Phoenix Companies, Inc.	69.2	15.6	84.8
Balance, end of period	\$ 573.0	\$ 16.5	\$ 589.5
NONCONTROLLING INTERESTS:			
Balance, beginning of period	\$ 6.7	\$ —	\$ 6.7
Net income (loss) attributable to noncontrolling interests	(0.4)	1.1	0.7
Contributions to noncontrolling interests	4.6	—	4.6
Distributions from noncontrolling interests	(0.2)	—	(0.2)
Issuance of Saybrus shares to noncontrolling interests	—	—	—
Balance, end of period	\$ 10.7	\$ 1.1	\$ 11.8
TOTAL STOCKHOLDERS' EQUITY:			
Balance, beginning of period	\$ 510.5	\$ 0.9	\$ 511.4

Change in stockholders' equity	<u>73.2</u>	<u>16.7</u>	<u>89.9</u>
Stockholders' equity, end of period	<u>\$ 583.7</u>	<u>\$ 17.6</u>	<u>\$ 601.3</u>

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

2. Restatement and Revision of Previously Reported Financial Information (continued)

(\$ in millions)	Consolidated Statement of Changes in Stockholders' Equity As of and for the year ended December 31, 2012		
	As reported	Correction of errors	As revised
COMMON STOCK: [1]			
Balance, beginning of period	\$ 1.3	\$ —	\$ 1.3
Adjustment for reverse stock split	(1.2)	—	(1.2)
Balance, end of period	\$ 0.1	\$ —	\$ 0.1
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of period	\$ 2,630.5	\$ —	\$ 2,630.5
Issuance of shares and compensation expense on stock compensation awards	1.4	—	1.4
Adjustment for reverse stock split	1.2	—	1.2
Balance, end of period	\$ 2,633.1	\$ —	\$ 2,633.1
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balance, beginning of period	\$ (230.7)	\$ 3.8	\$ (226.9)
Other comprehensive income (loss)	(18.6)	1.7	(16.9)
Balance, end of period	\$ (249.3)	\$ 5.5	\$ (243.8)
RETAINED EARNINGS (ACCUMULATED DEFICIT):			
Balance, beginning of period	\$ (1,528.7)	\$ (8.1)	\$ (1,536.8)
Net income (loss)	(168.5)	3.5	(165.0)
Balance, end of period	\$ (1,697.2)	\$ (4.6)	\$ (1,701.8)
TREASURY STOCK, AT COST: [1]			
Balance, beginning of period	\$ (179.5)	\$ —	\$ (179.5)
Treasury shares purchased	(3.4)	—	(3.4)
Balance, end of period	\$ (182.9)	\$ —	\$ (182.9)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO THE PHOENIX COMPANIES, INC.:			
Balance, beginning of period	\$ 692.9	\$ (4.3)	\$ 688.6
Change in stockholders' equity attributable to The Phoenix Companies, Inc.	(189.1)	5.2	(183.9)
Balance, end of period	\$ 503.8	\$ 0.9	\$ 504.7
NONCONTROLLING INTERESTS:			
Balance, beginning of period	\$ 2.8	\$ —	\$ 2.8
Net income (loss) attributable to noncontrolling interests	0.6	—	0.6
Contributions to noncontrolling interests	4.7	—	4.7
Distributions from noncontrolling interests	(1.4)	—	(1.4)
Issuance of Saybrus shares to noncontrolling interests	—	—	—
Balance, end of period	\$ 6.7	\$ —	\$ 6.7
TOTAL STOCKHOLDERS' EQUITY:			
Balance, beginning of period	\$ 695.7	\$ (4.3)	\$ 691.4

Change in stockholders' equity
Stockholders' equity, end of period

(185.2)	5.2	(180.0)
<u>\$ 510.5</u>	<u>\$ 0.9</u>	<u>\$ 511.4</u>

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies

We have prepared these consolidated financial statements in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”), which differs materially from the accounting practices prescribed by various insurance regulatory authorities. Our consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidating these financial statements.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of estimates

In preparing these consolidated financial statements in conformity with U.S. GAAP, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are made in the determination of estimated gross profits (“EGPs”) and estimated gross margins (“EGMs”) used in the valuation and amortization of assets and liabilities associated with universal life and annuity contracts; policyholder liabilities and accruals; valuation of investments in debt and equity securities; limited partnerships and other investments; valuation of deferred tax assets; pension and other post-employment benefits liabilities; and accruals for contingent liabilities. Certain of these estimates are particularly sensitive to market conditions and/or volatility in the debt or equity markets could have a material impact on the consolidated financial statements. Actual results could differ from these estimates.

Holding company liquidity

The Phoenix Companies, Inc. serves as the holding company for our insurance subsidiaries and does not have any significant operations of its own. As of December 31, 2014 and 2013, liquidity (cash, short-term investments, available-for-sale debt securities and other near-cash assets) totaled \$78.3 million and \$181.5 million, respectively. Of this amount, \$10.8 million and \$0, respectively, is included in the escrow described below.

In addition to existing cash and securities, the holding company’s primary source of liquidity consists of dividends from Phoenix Life. Under New York Insurance Law, Phoenix Life is permitted to pay stockholder dividends to the holding company in any calendar year without prior approval from the New York Department of Financial Services (the “NYDFS”) in the amount of the lesser of 10% of Phoenix Life’s surplus to policyholders as of the immediately preceding calendar year or Phoenix Life’s statutory net gain from operations for the immediately preceding calendar year, not including realized capital gains. Based on this calculation, Phoenix Life would be able to pay a dividend of \$59.9 million in 2015. During the year ended December 31, 2014, Phoenix Life declared \$56.0 million in dividends.

Our principal needs at the holding company level are debt service, income taxes and certain operating expenses.

- We pay interest on senior unsecured bonds. Interest paid on senior unsecured bonds for the years ended December 31, 2014, 2013 and 2012 was \$20.0 million, \$20.0 million and \$20.0 million, respectively. As of December 31, 2014, future minimum annual principal payments on senior unsecured bonds are \$252.7 million in 2032. See Note 9 to our consolidated financial statements under “Item 8: Financial Statements and Supplementary Data” in this Form 10-K for additional information.
- The holding company and its subsidiaries have a tax sharing agreement. The subsidiaries compute their provision for federal income taxes as if they were filing a separate federal income tax return. There are quarterly settlements among the companies representing both the subsidiaries estimated separate company tax liability for the current tax year. and any amount that such subsidiary overpaid to the holding company for a taxable year. As part of the intercompany tax sharing agreement, the holding company is required to hold funds in escrow for the benefit of Phoenix Life in the event Phoenix Life incurs future taxable losses. In accordance with its regulatory obligation, in October 2014 the Company funded the escrow, with \$78.9 million of assets including treasury stock, a surplus note issued by PHL Variable and \$10.8 million of cash from the holding company.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

- The holding company pays operating expenses associated with its operation. It has also paid the majority of the expenses associated with the Prior Phoenix Restatement. Holding company operating expenses for the years ended December 31, 2014, 2013 and 2012 were \$102.6 million, \$70.7 million and \$10.2 million. There are expense sharing arrangements in place among the holding company and its operating subsidiaries. However, given unique circumstances regarding the restatement, management determined it was in the best interest of the Company that the majority of these costs be borne by the holding company.

The holding company also provides capital support to its operating subsidiaries. Management targets a minimum risk based capital of 225% at PHL Variable. The Phoenix Companies, Inc. made \$15.0 million and \$45.0 million of capital contributions for the benefit of PHL Variable Insurance Company in 2014 and 2013, respectively and may need to again in the future.

The need for additional capital contributions to operating subsidiaries or an inability to reduce expenses at the holding company could constrain the ability of the holding company to meet its debt obligations. Based on management's review of the holding company's liquidity position, we believe it can continue to meet its liquidity obligations in the holding company through 2015 and beyond.

Adoption of new accounting standards

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or Tax Credit Carryforward Exists

In July 2013, the Financial Accounting Standards Board (the "FASB") issued updated guidance regarding the presentation of unrecognized tax benefits when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. This new guidance was effective for interim or annual reporting periods beginning after December 15, 2013. This new guidance did not have a material impact on the Company's consolidated financial position, results of operations and financial statement disclosures.

Investment Companies: Amendments to the Scope, Measurement and Disclosure Requirements

In June 2013, the FASB issued updated guidance clarifying the characteristics of an investment company and requiring new disclosures. This new guidance was effective for interim or annual reporting periods beginning after December 15, 2013. Under the guidance, all entities regulated under the Investment Company Act of 1940 automatically qualify as investment companies, while all other entities need to consider both the fundamental and typical characteristics of an investment company in determining whether they qualify as investment companies. This new guidance did not have a material impact on the Company's consolidated financial position, results of operations and financial statement disclosures.

Obligations Resulting for Joint and Several Liability Agreements for Which the Total Amount of the Obligation is Fixed at the Reporting Date

In February 2013, the FASB issued new guidance regarding liabilities effective retrospectively for fiscal years beginning after December 15, 2013 and interim periods within those years. The amendments require an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, the amendments require an entity to disclose the nature and amount of the obligation, as well as other information about the obligation. This new guidance did not have a material impact on the Company's consolidated financial position, results of operations and financial statement disclosures.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

Accounting standards not yet adopted

Amendments to Consolidation Guidance

In February 2015, the FASB issued updated consolidation guidance. The amendments revise existing guidance for when to consolidate variable interest entities (“VIEs”) and general partners’ investments in limited partnerships, end the deferral granted for applying the VIE guidance to certain investment companies, and reduce the number of circumstances where a decision maker’s or service provider’s fee arrangement is deemed to be a variable interest in an entity. The updates also modify consolidation guidance for determining whether limited partnerships are VIEs or voting interest entities. This guidance is effective for years beginning after December 31, 2015, and may be applied fully retrospectively or through a cumulative effect adjustment to retain earnings as of the beginning of the year of adoption. The Company is currently assessing the impact of the guidance on its consolidated financial position, results of operations and financial statement disclosures.

Income Statement - Extraordinary and Unusual Items

In January 2015, the FASB issued new guidance regarding extraordinary items which eliminates the U.S. GAAP concept of an extraordinary item. As a result, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; and (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, the ASU does not affect the reporting and disclosure requirements for an event that is unusual in nature or that occurs infrequently. The ASU is effective for annual periods beginning after December 15, 2015, and interim periods within those annual periods. Early adoption is permitted if the guidance is applied as of the beginning of the annual period of adoption. The Company is currently assessing the impact of the guidance on its consolidated financial position, results of operations and financial statement disclosures.

Presentation of Financial Statements - Going Concern

In August 2014, the FASB issued guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity’s ability to continue as a going concern. The new guidance applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company is currently assessing the impact of the guidance on its consolidated financial position, results of operations and financial statement disclosures.

Consolidation - Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity

In August 2014, the FASB issued guidance allowing (i.e., not requiring) a reporting entity to measure the financial assets and financial liabilities of a consolidated collateralized financing entity, within the scope of the new guidance, based on either the fair value of the financial assets or financial liabilities, whichever is more observable (referred to as a “measurement alternative”). The new guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 for public business entities. Early adoption will be permitted. The Company is currently assessing the impact of the guidance on its consolidated financial position, results of operations and financial statement disclosures.

Revenue from Contracts with Customers

In May 2014, the FASB issued updated guidance on accounting for revenue recognition. The guidance is based on the core principle that revenue is recognized to depict the transfer of 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 and services. The guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from cost incurred to obtain or fulfill a contract. Revenue recognition for insurance contracts is explicitly scoped out of the guidance. The new guidance is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2016, and must be applied using one of two retrospective application methods. Early adoption is not permitted. The Company is currently assessing the impact of the guidance on its consolidated financial position, results of operations and financial statement disclosures.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the FASB issued updated guidance that changes the criteria for reporting discontinued operations and introduces new disclosures. The new guidance is effective prospectively to new disposals and new classifications of disposal groups as held for sale that occur within annual periods beginning on or after December 15, 2014 and interim periods within those annual periods. Early adoption is permitted for new disposals or new classifications as held for sale that have not been reported in financial statements previously issued. The Company will apply the guidance to new disposals and operations newly classified as held for sale, beginning first quarter of 2015, with no effect on existing reported discontinued operations. This guidance is not expected to have a significant effect on the Company's consolidated financial position, results of operations and financial statement disclosures.

Accounting for Troubled Debt Restructurings by Creditors

In January 2014, the FASB issued updated guidance for troubled debt restructurings clarifying when an in substance repossession or foreclosure occurs, and when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. The new guidance is effective for annual periods and interim periods within those annual periods, beginning after December 15, 2014. This guidance can be elected for prospective adoption or by using a modified retrospective transition method. This guidance is not expected to have a significant effect on the Company's consolidated financial position, results of operations and financial statement disclosures.

Accounting for Investments in Qualified Affordable Housing Projects

In January 2014, the FASB issued updated guidance regarding investments in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. Under the guidance, an entity is permitted to make an accounting policy election to amortize the initial cost of its investment in proportion to the tax credits and other tax benefits received and recognize the net investment performance in the statement of operations as a component of income tax expense (benefit) if certain conditions are met. The new guidance is effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014, and should be applied retrospectively to all periods presented. This guidance is not expected to have a significant effect on the Company's consolidated financial position, results of operations and financial statement disclosures.

Significant accounting policies

Investments

Debt and Equity Securities

Our debt securities classified as available-for-sale include bonds, structured securities and redeemable preferred stock. These investments, along with certain equity securities, which include common and non-redeemable preferred stocks, are reported on our consolidated balance sheets at fair value. Fair value is based on quoted market price, where available. When quoted market prices are not available, we estimate fair value by discounting debt security cash flows to reflect interest rates currently being offered on similar terms to borrowers of similar credit quality (private placement debt securities), by quoted market prices of comparable instruments (untraded public debt securities) and by independent pricing sources or internally developed pricing models. We recognize unrealized gains and losses on investments in debt and equity securities that we classify as available-for-sale. We report these unrealized investment gains and losses as a component of OCI. Realized investment gains and losses are recognized on a first in first out basis.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

Limited Partnerships and Other Investments

Limited partnerships, infrastructure funds, hedge funds and joint venture interests in which we do not have voting control or power to direct activities are recorded using the equity method of accounting. These investments include private equity, mezzanine funds, infrastructure funds, hedge funds of funds and direct equity investments. The equity method of accounting requires that the investment be initially recorded at cost and the carrying amount of the investment subsequently adjusted to recognize our share of the earnings or losses. We record our equity in the earnings in net investment income using the most recent financial information received from the partnerships. Recognition of net investment income is generally on a three-month delay due to the timing of the related financial statements. The contributions to and distributions from limited partnerships are classified as investing activities within the statement of cash flows.

The Company routinely evaluates these investments for impairments. For equity method investees, the Company considers financial and other information provided by the investee, other known information and inherent risks in the underlying investments, as well as future capital commitments, in determining whether an impairment has occurred. The Company considers its cost method investments for other-than-temporary impairments (“OTTI”) when the carrying value of such investments exceeds the net asset value (“NAV”). The Company takes into consideration the severity and duration of this excess when determining whether the cost method investment is other-than-temporarily impaired. When an OTTI has occurred, the impairment loss is recorded within net investment gains (losses).

Other investments also include leveraged lease investments which represent the net amount of the estimated residual value of the lease assets, rental receivables and unearned and deferred income to be allocated over the lease term. It further includes investments in life settlement contracts accounted for under the investment method under which the Company recognizes its initial investment in life settlement contracts at the transaction price plus all initial direct external costs. Continuing costs to keep the policy in force comprising mainly life insurance premiums, increase the carrying value of the investment while income on individual life settlement contracts are recognized when the insured dies, at an amount equal to the excess of the contract proceeds over the carrying amount of the contract at that time. Contracts are reviewed annually for indications that the expected future proceeds from the contract would not be sufficient to recover estimated future carrying amount of the contract (current carrying amount for the contract plus anticipated undiscounted future premiums and other capitalizable future costs.) Any such contracts identified are written down to estimated fair value.

Loans are occasionally restructured in a troubled debt restructuring. These restructurings generally include one or more of the following: full or partial payoffs outside of the original contract terms; changes to interest rates; extensions of maturity; or additions or modifications to covenants. When restructurings occur, they are evaluated individually to determine whether the restructuring or modification constitutes a “troubled debt restructuring” as defined by authoritative accounting guidance. In a troubled debt restructuring where the Company receives assets in full or partial satisfaction of the debt, any specific valuation allowance is reversed and a direct write down of the loan is recorded for the amount of the allowance and any additional loss, net of recoveries, or any gain is recorded for the difference between the fair value of the assets received and the recorded investment in the loan. Any remaining loan is evaluated prospectively for impairment based on the credit review process noted above. When a loan is restructured in a troubled debt restructuring, the impairment of the loan is remeasured using the modified terms and the loan’s original effective yield and the allowance for loss is adjusted accordingly. Subsequent to the modification, income is recognized prospectively based on the modified terms of the loans in accordance with the income recognition policy noted above.

The consolidated financial statements include investments in limited partnerships, certain of which qualify as VIEs. We consolidate those limited partnerships which were determined to be VIEs when we are the primary beneficiary.

See Note 8 to these consolidated financial statements for additional information regarding VIEs.

Policy Loans

Policy loans are carried at their unpaid principal balances and are collateralized by the cash values of the related policies. The majority of policy loans are at variable interest rates that are reset annually on the policy anniversary.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

Fair Value Instruments

Debt securities held at fair value include securities held for which changes in fair values are recorded in earnings. The securities held at fair value are designated as trading securities, as well as those debt securities for which we have elected the fair value option (“FVO”) and certain available-for-sale structured securities held at fair value. The changes in fair value and any interest income of these securities are reflected in earnings as part of “net investment income.” See Note 13 to these consolidated financial statements for additional disclosures related to these securities.

Derivative Instruments

We recognize derivative instruments on the consolidated balance sheets at fair value. The derivative contracts are reported as assets in derivative instruments or liabilities in other liabilities on the consolidated balance sheets, excluding embedded derivatives. Embedded derivatives, as discussed below, are recorded on the consolidated balance sheets bifurcated from the associated host contract.

The Company economically hedges variability of cash flows to be received or paid related to certain recognized assets and/or liabilities. All changes in the fair value of derivatives, including net receipts and payments, are included in net realized investment gains and losses without consideration of changes in the fair value of the economically associated assets or liabilities. We do not designate the purchased derivatives related to living benefits or index credits as hedges for accounting purposes.

Our derivatives are not designated as hedges for accounting purposes. All changes in the fair value, including net receipts and payments, are included in net realized investment gains and losses without consideration of changes in the fair value of the economically associated assets or liabilities.

Short-Term Investments

Short-term investments include securities with a maturity of one year or less but greater than three months at a time of purchase and are stated at estimated fair value or amortized cost, which approximates estimated fair value.

Net Investment Income

For asset-backed and fixed maturity debt securities, we recognize interest income using a constant effective yield based on estimated cash flow timing and economic lives of the securities. For high credit quality asset-backed securities, effective yields are recalculated based on actual payments received and updated prepayment expectations, and the amortized cost is adjusted to the amount that would have existed had the new effective yield been applied since acquisition with a corresponding charge or credit to net investment income. For asset-backed securities that are not high credit quality, effective yields are recalculated and adjusted prospectively based on changes in expected undiscounted future cash flows. For certain credit impaired asset-backed securities, effective yields are recalculated and adjusted prospectively to reflect significant increases in undiscounted expected future cash flows and changes in the contractual benchmark interest rate on variable rate securities. Any prepayment fees on fixed maturities and mortgage loans are recorded when earned in net investment income. We record the net income from investments in partnerships and joint ventures in net investment income.

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

We recognize realized investment losses when declines in fair value of debt and equity securities are considered to be an OTTI.

For debt securities, the other-than-temporarily impaired amount is separated into the amount related to a credit loss and is reported as net realized investment losses included in earnings and any amounts related to other factors are recognized in OCI. The credit loss component represents the difference between the amortized cost of the security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security prior to impairment. Any remaining difference between the fair value and amortized cost is recognized in AOCI. Subsequent to the recognition of an OTTI, the impaired security is accounted for as if it had been purchased on the date of impairment at an amortized cost basis equal to the previous amortized cost basis less the OTTI recognized in earnings. We will continue to estimate the present value of future expected cash flows and, if significantly greater than the new cost basis, we will accrete the difference as investment income on a prospective basis once the Company has determined that the interest income is likely to be collected.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

In evaluating whether a decline in value is other-than-temporary, we consider several factors including, but not limited to, the following:

- the extent and the duration of the decline;
- the reasons for the decline in value (credit event, interest related or market fluctuations);
- our intent to sell the security, or whether it is more likely than not that we will be required to sell it before recovery; and
- the financial condition and near term prospects of the issuer.

An impairment of a debt security, or certain equity securities with debt-like characteristics, is deemed other-than-temporary if:

- we either intend to sell the security, or it is more likely than not that we will be required to sell the security before recovery; or
- it is probable we will be unable to collect cash flows sufficient to recover the amortized cost basis of the security.

An equity security impairment is deemed other-than-temporary if:

- the security has traded at a significant discount to cost for an extended period of time; or
- we determined we may not realize the full recovery on our investment.

Equity securities are determined to be other-than-temporarily impaired based on management judgment and the consideration of the issuer's financial condition along with other relevant facts and circumstances. Those securities which have been in a continuous decline for over twelve months and declines in value that are severe and rapid are considered for reasonability of whether the impairment would be temporary. Although there may be sustained losses for over twelve months or losses that are severe and rapid, additional information related to the issuer performance may indicate that such losses are not other-than-temporary.

Impairments due to deterioration in credit that result in a conclusion that the present value of cash flows expected to be collected will not be sufficient to recover the amortized cost basis of the security are considered other-than-temporary. Other declines in fair value (for example, due to interest rate changes, sector credit rating changes or company-specific rating changes) that result in a conclusion that the present value of cash flows expected to be collected will not be sufficient to recover the amortized cost basis of the security may also result in a conclusion that an OTTI has occurred.

On a quarterly basis, we evaluate securities in an unrealized loss position for potential recognition of an OTTI. In addition, we maintain a watch list of securities in default, near default or otherwise considered by our investment professionals as being distressed, potentially distressed or requiring a heightened level of scrutiny. We also identify securities whose fair value has been below amortized cost on a continuous basis for zero to six months, six months to 12 months and greater than 12 months.

We employ a comprehensive process to determine whether or not a security in an unrealized loss position is other-than-temporarily impaired. This assessment is done on a security-by-security basis and involves significant management judgment. The assessment of whether impairments have occurred is based on management's evaluation of the underlying reasons for the decline in estimated fair value. The Company's review of its fixed maturity and equity securities for impairments includes an analysis of the total gross unrealized losses by severity and/or age of the gross unrealized loss. An extended and severe decline in value on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments and the Company's evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for certain equity securities, greater weight and consideration are given by the Company to an extended decline in market value and the likelihood such market value decline will recover.

Specifically for structured securities, to determine whether a collateralized security is impaired, we obtain underlying data from the security's trustee and analyze it for performance trends. A security-specific stress analysis is performed using the most recent trustee information. This analysis forms the basis for our determination of the future expected cash flows to be collected for the security.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

The closed block policyholder dividend obligation, applicable DAC and applicable income taxes, which offset realized investment gains and losses and OTTI, are each reported separately as components of net income.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks, money market instruments and other debt instruments with original maturities of three months or less. Negative cash balances are reclassified to other liabilities.

Deferred Policy Acquisition Costs

We defer incremental direct costs related to the successful sale of new or renewal contracts. Incremental direct costs are those costs that result directly from and are essential to the sale of a contract. These costs include principally commissions, underwriting and policy issue expenses, all of which vary with and are primarily related to production of new business.

We amortize DAC based on the related policy's classification. For individual participating life insurance policies, DAC is amortized in proportion to EGMs arising principally from investment results, mortality, dividends to policyholders and expense margins. For universal life, variable universal life and deferred annuities, DAC is amortized in proportion to EGPs as discussed more fully below. EGPs are also used to amortize other assets and liabilities in the Company's consolidated balance sheets, such as sales inducement assets ("SIA") and unearned revenue reserves ("URR"). Components of EGPs are used to determine reserves for universal life and fixed, indexed and variable annuity contracts with death and other insurance benefits such as guaranteed minimum death and guaranteed minimum income benefits. Both EGMs and EGPs are based on historical and anticipated future experience which is updated periodically.

In addition, DAC is adjusted through OCI each period as a result of unrealized gains or losses on securities classified as available-for-sale in a process commonly referred to as shadow accounting. This adjustment is required in order to reflect the impact of these unrealized amounts as if these unrealized amounts had been realized.

The projection of EGPs and EGMs requires the extensive use of actuarial assumptions, estimates and judgments about the future. Future EGPs and EGMs are generally projected for the estimated lives of the contracts. Assumptions are set separately for each product and are reviewed at least annually based on our current best estimates of future events. The following table summarizes the most significant assumptions used in the categories set forth below:

<u>Significant Assumption</u>	<u>Product</u>	<u>Explanation and Derivation</u>
Separate account investment return	Variable Annuities (7.9% long-term return assumption) Variable Universal Life (8.0% long-term return assumption)	Separate account return assumptions are derived from the long-term returns observed in the asset classes in which the separate accounts are invested. Short-term deviations from the long-term expectations are expected to revert to the long-term assumption over five years.
Interest rates and default rates	Fixed and Indexed Annuities Universal Life Participating Life	Investment returns are based on the current yields and maturities of our fixed income portfolio combined with expected reinvestment rates given current market interest rates. Reinvestment rates are assumed to revert to long-term rates implied by the forward yield curve and long-term default rates. Contractually permitted future changes in credited rates are assumed to help support investment margins.
Mortality / longevity	Universal Life Variable Universal Life Fixed and Indexed Annuities Participating Life	Mortality assumptions are based on Company experience over a rolling five-year period plus supplemental data from industry sources and trends. A mortality improvement assumption is also incorporated into the overall mortality table. These assumptions can vary by issue age, gender, underwriting class and policy duration.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

Significant Assumption	Product	Explanation and Derivation
Policyholder behavior – policy persistency	Universal Life Variable Universal Life Variable Annuities Fixed and Indexed Annuities Participating Life	Policy persistency assumptions vary by product and policy year and are updated based on recently observed experience. Policyholders are generally assumed to behave rationally; hence rates are typically lower when surrender penalties are in effect or when policy benefits are more valuable.
Policyholder behavior – premium persistency	Universal Life Variable Universal Life	Future premiums and related fees are projected based on contractual terms, product illustrations at the time of sale and expected policy lapses without value. Assumptions are updated based on recently observed experience and include anticipated changes in behavior based on changes in policy charges if the Company has a high degree of confidence that such changes will be implemented (e.g., change in cost of insurance (“COI”) charges).
Expenses	All products	Projected maintenance expenses to administer policies in force are based on annually updated studies of expenses incurred.
Reinsurance costs / recoveries	Universal Life Variable Universal Life Variable Annuities Participating Life	Projected reinsurance costs are based on treaty terms currently in force. Recoveries are based on the Company’s assumed mortality and treaty terms. Treaty recaptures are based on contract provisions and management’s intentions.

Annually, we complete a comprehensive assumption review where management makes a determination of best estimate assumptions based on a comprehensive review of recent experience and industry trends. Assumption changes resulting from this review may change our estimates of EGPs in the DAC, SIA, and URR models, as well as projections within the death benefit and other insurance benefit reserving models, the profits followed by losses reserve models, and cost of reinsurance models. Throughout the year, we may also update the assumptions and adjust these balances if emerging data indicates a change is warranted. All assumption changes, whether resulting from the annual comprehensive review or from other periodic assessments, are considered an unlock in the period of revision and adjust the DAC, SIA, URR, death and other insurance benefit reserves, profits followed by losses reserve, and cost of reinsurance balances in the consolidated balance sheets with an offsetting benefit or charge to income to reflect such changes in the period of the revision. An unlock that results in an after-tax benefit generally occurs as a result of actual experience or future expectations of product profitability being more favorable than previous estimates. An unlock that results in an after-tax charge generally occurs as a result of actual experience or future expectations of product profitability being less favorable than previous estimates.

Our process to assess the reasonableness of the EGPs uses internally developed models together with consideration of applicable recent experience and analysis of market and industry trends and other events. Actual gross profits that vary from management’s estimates in a given reporting period may also result in increases or decreases in the rate of amortization recorded in the period.

An analysis is performed annually to assess if there are sufficient gross profits to recover the DAC associated with business written during the year. If the estimates of gross profits cannot support the recovery of DAC, the amount deferred is reduced to the recoverable amount.

The Company has updated a number of assumptions that have resulted in changes to expected future gross profits. The most significant assumption updates made over the last several years resulting in a change to future gross profits and the amortization of DAC, SIA and URR, as well as changes in PFBL and guaranteed benefit liabilities, are related to long-term expected mortality improvement; changes in expected premium persistency; changes in expected separate account investment returns due to changes in equity markets; changes in expected future interest rates and default rates based on continued experience and expected interest rate changes; changes in lapses and other policyholder behavior assumptions that are updated to reflect more recent policyholder and industry experience; and changes in expected policy administration expenses.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

Sales inducements

The Company currently offers bonus payments to contract owners on certain of its individual life and annuity products. Expenses incurred related to bonus payments are deferred and amortized over the life of the related contracts in a pattern consistent with the amortization of DAC. The Company unlocks the assumptions used in the amortization of the deferred sales inducement assets consistent with the unlock of assumptions used in determining EGPs. Deferred sales inducements are included in other assets on the consolidated balance sheets and amortization of deferred sales inducements is included in other operating expense on the consolidated statements of income and comprehensive income.

Premises and equipment

Premises and equipment, consisting primarily of our main office building, are stated at cost less accumulated depreciation and amortization and are included in other assets. We depreciate the building on the straight-line method over 39 years and equipment on the straight-line method over three to seven years. We amortize leasehold improvements over the terms of the related leases or the useful life of the improvement, whichever is shorter.

Separate account assets and liabilities

Separate account assets related to policyholder funds are carried at fair value with an equivalent amount recorded as separate account liabilities. Deposits, net investment income and realized investment gains and losses for these accounts are excluded from revenues and the related liability increases are excluded from benefits and expenses. Fees assessed to the contract owners for management services are included in revenues when services are rendered.

Policy liabilities and accruals

Policy liabilities and accruals include future benefit liabilities for certain life and annuity products. We establish liabilities in amounts adequate to meet the estimated future obligations of policies in force. Future benefit liabilities for traditional life insurance are computed using the net level premium method on the basis of actuarial assumptions as to mortality rates guaranteed in calculating the cash surrender values described in such contracts, contractual guaranteed rates of interest which range from 2.3% to 6.0% and morbidity. Participating insurance represented 20.7% and 20.7% of direct individual life insurance in force at December 31, 2014 and 2013, respectively.

Generally, future policy benefits are payable over an extended period of time and related liabilities are calculated recognizing future expected benefits, expenses and premiums. Such liabilities are established based on methods and underlying assumptions in accordance with U.S. GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policyholder behavior, investment returns, inflation, expenses and other contingent events as appropriate. These assumptions are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a cohort basis, as appropriate. If experience is less favorable than assumed, additional liabilities may be established, resulting in a charge to policyholder benefits and claims.

Additional policyholder liabilities for guaranteed benefits on variable annuity and on fixed index annuity contracts are based on estimates of the expected value of benefits in excess of the projected account balance, recognizing the excess over the accumulation period based on total expected assessments. Because these estimates are sensitive to capital market movements, amounts are calculated using multiple future economic scenarios.

Additional policyholder liabilities are established for certain contract features on universal life and variable universal life products that could generate significant reductions to future gross profits (e.g., death benefits when a contract has zero account value and a no-lapse guarantee). The liabilities are accrued over the lifetime of the block based on assessments. The assumptions used in estimating these liabilities are consistent with those used for amortizing DAC and are, thus, subject to the same variability and risk. The assumptions of investment performance and volatility for variable and equity index products are consistent with historical experience of the appropriate underlying equity indices.

We expect that our universal life block of business will generate profits followed by losses and therefore we establish an additional liability to accrue for the expected losses over the period of expected profits. The assumptions used in estimating these liabilities are consistent with those used for amortizing DAC and are subject to the same variability and risk and the results are very sensitive to interest rates.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

The liability for universal life-type contracts primarily includes the balance that accrues to the benefit of the policyholders as of the financial statement date, including interest credited at rates which range from 3.0% to 4.5%, amounts that have been assessed to compensate us for services to be performed over future periods, accumulated account deposits, withdrawals and any amounts previously assessed against the policyholder that are refundable. There may also be a liability recorded for contracts that include additional death or other insurance benefit features as discussed above.

The Company periodically reviews its estimates of actuarial liabilities for policyholder benefits and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these policies and guarantees, as well as in the establishment of the related liabilities, result in variances in profit and could result in losses.

Policy liabilities and accruals also include liabilities for outstanding claims, losses and loss adjustment expenses based on individual case estimates for reported losses and estimates of unreported losses based on past experience. The Company does not establish claim liabilities until a loss has occurred. However, unreported losses and loss adjustment expenses includes estimates of claims that the Company believes have been incurred but have not yet been reported as of the balance sheet date.

Embedded derivatives

Certain contracts contain guarantees that are accounted for as embedded derivative instruments. These guarantees are assessed to determine if a separate instrument with the same terms would qualify as a derivative and if they are not clearly and closely related to the economic characteristics of the host contract. Contract guarantees that meet these criteria are reported separately from the host contract and reported at fair value.

The guaranteed minimum withdrawal benefit (“GMWB”), guaranteed minimum accumulation benefit (“GMAB”) and combination rider (“COMBO”) represent embedded derivative liabilities in the variable annuity contracts. These liabilities are accounted for at fair value within policyholder deposit funds on the consolidated balance sheets with changes in the fair value of embedded derivatives recorded in realized investment gains on the consolidated statements of income and comprehensive income. The fair value of the GMWB, GMAB and COMBO obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the lives of the contracts, incorporating expectations concerning policyholder behavior. As markets change, contracts mature and actual policyholder behavior emerges, these assumptions are continually evaluated and may from time to time be adjusted.

Fixed indexed annuities offer a variety of index options: policy credits that are calculated based on the performance of an outside equity market or other index over a specified term. The index options represent embedded derivative liabilities accounted for at fair value within policyholder deposit funds on the consolidated balance sheets with changes in fair value recorded in realized investment gains and losses in the consolidated statements of income and comprehensive income. The fair value of these index options is based on the impact of projected interest rates and equity markets and is discounted using the projected interest rate. Several additional inputs reflect our internally developed assumptions related to lapse rates and policyholder behavior.

See Note 11 to these consolidated financial statements for additional information regarding embedded derivatives.

Policyholder deposit funds

Amounts received as payment for certain deferred annuities and other contracts without life contingencies are reported as deposits to policyholder deposit funds. The liability for deferred annuities and other contracts without life contingencies is equal to the balance that accrues to the benefit of the contract owner as of the financial statement date which includes the accumulation of deposits plus interest credited, less withdrawals and amounts assessed through the financial statement date as well as accumulated policyholder dividends and the liability representing the fair value of embedded derivatives associated with those contracts.

Contingent liabilities

Management evaluates each contingent matter separately and in aggregate. Amounts related to contingent liabilities are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

Demutualization and closed block

The closed block assets, including future assets from cash flows generated by the assets and premiums and other revenues from the policies in the closed block, will benefit only holders of the policies in the closed block. The principal cash flow items that affect the amount of closed block assets and liabilities are premiums, net investment income, investment purchases and sales, policyholder benefits, policyholder dividends, premium taxes and income taxes. The principal income and expense items excluded from the closed block are management and maintenance expenses, commissions, investment income and realized investment gains and losses on investments held outside the closed block that support the closed block business. All of these excluded income and expense items enter into the determination of EGMs of closed block policies for the purpose of amortization of DAC.

In our financial statements, we present closed block assets, liabilities, revenues and expenses together with all other assets, liabilities, revenues and expenses. Within closed block liabilities, we have established a policyholder dividend obligation to record an additional liability to closed block policyholders for cumulative closed block earnings in excess of expected amounts calculated at the date of demutualization. These closed block earnings will not inure to shareholders, but will result in additional future dividends to closed block policyholders unless otherwise offset by future performance of the closed block that is less favorable than expected.

Revenue recognition

We recognize premiums for participating life insurance products and other life insurance products as revenue when due from policyholders. We match benefits, losses and related expenses with premiums over the related contract periods.

Amounts received as payment for universal life, variable universal life and other investment-type contracts are considered deposits and are not included in premiums. Revenues from these products consist primarily of fees assessed during the period against the policyholders' account balances for mortality charges, policy administration charges and surrender charges. Fees assessed that represent compensation for services to be provided in the future are deferred and amortized into revenue over the life of the related contracts in proportion to EGPs.

Certain variable annuity contracts and fixed index annuity contract riders provide the holder a guarantee that the benefit received upon death or annuitization will be no less than a minimum prescribed amount. The fee for these riders is recorded in fee income. These benefits are accounted for as insurance benefits. Certain variable annuity contracts features and fixed index annuity index options are considered embedded derivatives. See Note 11 to these consolidated financial statements for additional information.

Reinsurance

Premiums, policy benefits and operating expenses related to our traditional life and term insurance policies are stated net of reinsurance ceded to other companies, except for amounts associated with certain modified coinsurance contracts which are reflected in the Company's financial statements based on the application of the deposit method of accounting. Estimated reinsurance recoverables and the net estimated cost of reinsurance are recognized over the life of the reinsured treaty using assumptions consistent with those used to account for the policies subject to the reinsurance.

For universal life and variable universal life contracts, reinsurance premiums and ceded benefits are reflected net within policy benefits. Reinsurance recoverables are recognized in the same period as the related reinsured claim. The net cost or benefit of reinsurance (the present value of all expected ceded premium payments and expected future benefit payments) is recognized over the life of the reinsured treaty using assumptions consistent with those used to account for the policies subject to the reinsurance.

Income taxes

Income tax expense or benefit is recognized based upon amounts reported in the financial statements and the provisions of currently enacted tax laws. Deferred tax assets and/or liabilities are determined by multiplying the differences between the financial reporting and tax reporting bases for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled. Valuation allowances on deferred tax assets are recorded to the extent that management concludes that it is more likely than not that an asset will not be realized.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

3. Basis of Presentation and Significant Accounting Policies (continued)

We recognize current income tax assets and liabilities for estimated income taxes refundable or payable based on the income tax returns. We recognize deferred income tax assets and liabilities for the estimated future income tax effects of temporary differences and carryovers. Temporary differences are the differences between the financial statement carrying amounts of assets and liabilities and their tax bases, as well as the timing of income or expense recognized for financial reporting and tax purposes of items not related to assets or liabilities. If necessary, we establish valuation allowances to reduce the carrying amount of deferred income tax assets to amounts that are more likely than not to be realized. We periodically review the adequacy of these valuation allowances and record any increase or reduction in allowances in accordance with intraperiod allocation rules. We assess all significant tax positions to determine if a liability for an uncertain tax position is necessary and, if so, the impact on the current or deferred income tax balances. Also, if indicated, we recognize interest or penalties related to income taxes as a component of the income tax provision.

Pension and other post-employment benefits

We recognize pension and other post-employment benefit costs and obligations over the employees' expected service periods by discounting an estimate of aggregate benefits. We estimate aggregate benefits by using assumptions for rates of return on pension plan assets and future health care costs. We recognize an expense for differences between actual experience and estimates exceeding a corridor over the average future lifetime of participants. We recognize an expense for our contributions to employee and agent savings plans at the time employees and agents make contributions to the plans. We also recognize the costs and obligations of severance, disability and related life insurance and health care benefits to be paid to inactive or former employees after employment but before retirement.

Audit fees and other professional fees

Professional fees associated with the restatement of our prior period financial statements are recognized and expensed as incurred. The fees associated with the restatement of the 2012 Form 10-K totaled \$44.0 million and \$62.9 million in 2014 and 2013, respectively.

4. Reinsurance

We use reinsurance agreements to limit potential losses, reduce exposure to larger risks and provide capital relief with regard to certain reserves.

The amount of risk ceded depends on our evaluation of the specific risk and applicable retention limits. For business sold prior to December 31, 2010, our retention limit on any one life is \$10 million for single life and joint first-to-die policies and \$12 million for joint last-to-die policies. Beginning January 1, 2011, our retention limit on new business is \$5 million for single life and joint first-to-die policies and \$6 million for second-to-die policies. We also assume reinsurance from other insurers.

Our reinsurance program cedes various types of risks to other reinsurers primarily under yearly renewable term and coinsurance agreements. Yearly renewable term and coinsurance agreements result in passing all or a portion of the risk to the reinsurer. Under coinsurance agreements on our traditional and term insurance policies, the reinsurer receives a proportionate amount of the premiums less an allowance for commissions and expenses and is liable for a corresponding proportionate amount of all benefit payments. Under our yearly renewable term agreements, the ceded premium represents a charge for the death benefit coverage.

Effective October 1, 2009, PHL Variable and Phoenix Life and Annuity Company coinsured all the benefit risks, net of existing reinsurance, on their term insurance business in force.

Trust agreements and irrevocable letters of credit aggregating \$45.8 million at December 31, 2014 have been arranged with commercial banks in our favor to collateralize the ceded reserves. This includes \$2.8 million of irrevocable letters of credit related to our discontinued group accident and health reinsurance operations.

We assume and cede business related to our discontinued group accident and health reinsurance operations. While we are not writing any new contracts, we are contractually obligated to continue to assume and cede premiums related to existing contracts. See Note 23 to these consolidated financial statements for additional information.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

4. Reinsurance (continued)

Reinsurance recoverable includes balances due from reinsurers for paid and unpaid losses and is presented net of an allowance for uncollectable reinsurance. The reinsurance recoverable balance is \$559.1 million and \$598.1 million as of December 31, 2014 and 2013, respectively. Other reinsurance activity is shown below.

Direct Business and Reinsurance in Continuing Operations:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Direct premiums	\$ 473.2	\$ 501.8	\$ 565.3
Premiums assumed	9.7	11.8	11.8
Premiums ceded [1]	(150.8)	(162.0)	(174.8)
Premiums	\$ 332.1	\$ 351.6	\$ 402.3
Percentage of amount assumed to net premiums	2.9%	3.4%	2.9%
Direct policy benefits incurred	\$ 785.3	\$ 819.1	\$ 812.9
Policy benefits assumed	42.5	22.7	68.7
Policy benefits ceded	(241.9)	(265.4)	(270.3)
Premiums paid [2]	95.8	83.1	96.9
Policy benefits [3]	\$ 681.7	\$ 659.5	\$ 708.2
Direct life insurance in force	\$ 95,811.4	\$ 102,405.6	\$ 111,682.7
Life insurance in force assumed	1,721.0	1,678.2	1,756.7
Life insurance in force ceded	(58,022.4)	(62,553.8)	(69,674.5)
Life insurance in force	\$ 39,510.0	\$ 41,530.0	\$ 43,764.9
Percentage of amount assumed to net insurance in force	4.4%	4.0%	4.0%

[1] Primarily represents premiums ceded to reinsurers related to traditional whole life and term insurance policies.

[2] For universal life and variable universal life contracts, premiums paid to reinsurers are reflected within policy benefits. See Note 3 to these consolidated financial statements for additional information regarding significant accounting policies.

[3] Policy benefit amounts above exclude changes in reserves, interest credited to policyholders and other items, which total \$437.5 million, \$305.6 million and \$454.2 million, net of reinsurance, for the years ended December 31, 2014, 2013 and 2012, respectively.

We remain liable to the extent that reinsuring companies may not be able to meet their obligations under reinsurance agreements in effect. Failure of the reinsurers to honor their obligations could result in losses to the Company. Since we bear the risk of nonpayment, on a quarterly basis we evaluate the financial condition of our reinsurers and monitor concentrations of credit risk. Based on our review of their financial statements, reputation in the reinsurance marketplace and other relevant information, we believe that we have no material exposure to uncollectible life reinsurance. At December 31, 2014, five major reinsurance companies account for approximately 67% of the reinsurance recoverable.

5. Demutualization and Closed Block

In 1999, we began the process of reorganizing and demutualizing our then principal operating company, Phoenix Home Life. We completed the process in June 2001, when all policyholder membership interests in this mutual company were extinguished and eligible policyholders of the mutual company received shares of PNX common stock, together with cash and policy credits, as compensation. To protect the future dividends of these policyholders, we also established a closed block for their existing policies.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

5. Demutualization and Closed Block (continued)

Because closed block liabilities exceed closed block assets, we have a net closed block liability at December 31, 2014 and 2013, respectively. This net liability represents the maximum future earnings contribution to be recognized from the closed block and the change in this net liability each period is in the earnings contribution recognized from the closed block for the period. To the extent that actual cash flows differ from amounts anticipated, we may adjust policyholder dividends. If the closed block has excess funds, those funds will be available only to the closed block policyholders. However, if the closed block has insufficient funds to make policy benefit payments that are guaranteed, the payments will be made from assets outside of the closed block.

Closed Block Assets and Liabilities:

(\$ in millions)

	As of December 31,		Inception
	2014	2013	
	As restated		
Available-for-sale debt securities	\$ 5,877.0	\$ 5,753.4	\$ 4,773.1
Available-for-sale equity securities	91.7	76.5	—
Short-term investments	—	106.9	—
Limited partnerships and other investments	343.4	345.0	399.0
Policy loans	1,159.1	1,201.6	1,380.0
Fair value investments	59.8	42.5	—
Total closed block investments	7,531.0	7,525.9	6,552.1
Cash and cash equivalents	89.6	78.2	—
Accrued investment income	80.7	81.7	106.8
Reinsurance recoverable	19.1	26.8	—
Deferred income taxes, net	290.3	285.4	389.4
Other closed block assets	67.4	58.2	41.4
Total closed block assets	8,078.1	8,056.2	7,089.7
Policy liabilities and accruals	8,058.2	8,258.4	8,301.7
Policyholder dividends payable	201.9	207.8	325.1
Policy dividend obligation	714.8	497.7	—
Other closed block liabilities	48.0	65.9	12.3
Total closed block liabilities	9,022.9	9,029.8	8,639.1
Excess of closed block liabilities over closed block assets [1]	944.8	973.6	\$ 1,549.4
Less: Excess of closed block assets over closed block liabilities attributable to noncontrolling interests	(11.8)	(8.0)	
Excess of closed block liabilities over closed block assets attributable to The Phoenix Companies, Inc.	\$ 956.6	\$ 981.6	

[1] The maximum future earnings summary to inure to the benefit of the stockholders is represented by the excess of closed block liabilities over closed block assets. All unrealized investment gains (losses), net of income tax, have been allocated to the policyholder dividend obligation.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

5. Demutualization and Closed Block (continued)

Closed Block Revenues and Expenses and Changes in Policyholder Dividend Obligations:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Closed block revenues			
Premiums	\$ 301.8	\$ 317.8	\$ 369.5
Net investment income	411.1	409.6	453.3
Net realized investment gains (losses)	12.8	16.6	9.2
Total revenues	725.7	744.0	832.0
Policy benefits	438.4	464.5	493.8
Other operating expenses	2.7	5.3	3.0
Total benefits and expenses	441.1	469.8	496.8
Closed block contribution to income before dividends and income taxes	284.6	274.2	335.2
Policyholder dividends	(244.6)	(235.7)	(291.8)
Closed block contribution to income before income taxes	40.0	38.5	43.4
Applicable income tax expense	13.3	13.4	15.0
Closed block contribution to income	26.7	25.1	28.4
Less: Closed block contribution to income attributable to noncontrolling interests	2.0	0.3	0.5
Closed block contribution to income attributable to The Phoenix Companies, Inc.	\$ 24.7	\$ 24.8	\$ 27.9
Policyholder dividend obligation			
Policyholder dividends provided through earnings	\$ 244.6	\$ 235.7	\$ 291.8
Policyholder dividends provided through OCI	138.8	(308.4)	165.7
Additions to (reductions of) policyholder dividend liabilities	383.4	(72.7)	457.5
Policyholder dividends paid	(172.2)	(178.6)	(214.5)
Increase (decrease) in policyholder dividend liabilities	211.2	(251.3)	243.0
Policyholder dividend liabilities, beginning of period	705.5	956.8	713.8
Policyholder dividend liabilities, end of period	916.7	705.5	956.8
Policyholder dividends payable, end of period	(201.9)	(207.8)	(223.8)
Policyholder dividend obligation, end of period	\$ 714.8	\$ 497.7	\$ 733.0

The policyholder dividend obligation includes approximately \$277.9 million and \$202.1 million, respectively, for cumulative closed block earnings in excess of expected amounts calculated at the date of demutualization as of December 31, 2014 and 2013, respectively. These closed block earnings will not inure to stockholders, but will result in additional future dividends to closed block policyholders unless otherwise offset by future performance of the closed block that is less favorable than expected. If actual cumulative performance is less favorable than expected, only actual earnings will be recognized in net income. As of December 31, 2014 and 2013, the policyholder dividend obligation also includes \$436.9 million and \$295.6 million, respectively, of net unrealized gains on investments supporting the closed block liabilities.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

6. Deferred Policy Acquisition Costs

The balances of and changes in DAC as of and for the years ended December 31, are as follows:

Changes in Deferred Policy Acquisition Costs: <i>(\$ in millions)</i>	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ 947.8	\$ 898.1	\$ 1,114.8
Policy acquisition costs deferred	72.9	58.4	58.1
Costs amortized to expenses:			
Recurring costs	(129.5)	(117.9)	(141.3)
Assumption unlocking	(4.4)	25.4	(55.6)
Realized investment gains (losses)	14.3	(10.6)	0.8
Offsets to net unrealized investment gains or losses included in AOCI	(52.5)	94.4	(78.7)
Balance, end of period	\$ 848.6	\$ 947.8	\$ 898.1

During the years ended December 31, 2014, 2013 and 2012, deferred expenses primarily consisted of third-party commissions related to fixed indexed annuity sales.

7. Sales Inducements

The balances of and changes in sales inducements as of and for the years ended December 31, are as follows:

Changes in Deferred Sales Inducement Activity: <i>(\$ in millions)</i>	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ 77.4	\$ 63.9	\$ 51.2
Sales inducements deferred	17.5	10.6	15.4
Amortization charged to income	(8.0)	(8.5)	(5.7)
Offsets to net unrealized investment gains or losses included in AOCI	(7.5)	11.4	3.0
Balance, end of period	\$ 79.4	\$ 77.4	\$ 63.9

8. Investing Activities

Debt and equity securities

The following tables present the debt and equity securities available-for-sale by sector held at December 31, 2014 and 2013, respectively. The unrealized loss amounts presented below include the non-credit loss component of OTTI losses. We classify these investments into various sectors in line with industry conventions.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)

Fair Value and Cost of Securities:

(\$ in millions)

	As of December 31, 2014				
	Amortized Cost	Gross Unrealized Gains [1]	Gross Unrealized Losses [1]	Fair Value	OTTI Recognized in AOCI [2]
U.S. government and agency	\$ 388.3	\$ 55.2	\$ (0.1)	\$ 443.4	\$ —
State and political subdivision	518.3	42.1	(2.5)	557.9	(1.1)
Foreign government	205.8	26.5	(1.4)	230.9	—
Corporate	7,942.7	530.0	(74.6)	8,398.1	(8.3)
Commercial mortgage-backed (“CMBS”)	602.9	48.4	(0.1)	651.2	(1.2)
Residential mortgage-backed (“RMBS”)	1,862.5	81.6	(11.9)	1,932.2	(25.5)
Collateralized debt obligation (“CDO”) / collateralized loan obligation (“CLO”)	197.5	2.7	(3.3)	196.9	(13.9)
Other asset-backed (“ABS”)	260.0	13.4	(4.7)	268.7	(1.8)
Available-for-sale debt securities	\$ 11,978.0	\$ 799.9	\$ (98.6)	\$ 12,679.3	\$ (51.8)
Amounts applicable to the closed block	\$ 5,451.3	\$ 458.1	\$ (32.4)	\$ 5,877.0	\$ (14.7)
Available-for-sale equity securities	\$ 156.0	\$ 25.1	\$ (1.6)	\$ 179.5	\$ —
Amounts applicable to the closed block	\$ 80.5	\$ 12.3	\$ (1.1)	\$ 91.7	\$ —

- [1] Net unrealized investment gains and losses on securities classified as available-for-sale and certain other assets are included in our consolidated balance sheets as a component of AOCI.
- [2] Represents the amount of non-credit OTTI losses recognized in AOCI excluding net unrealized gains or losses subsequent to the date of impairment. The table above presents the special category of AOCI for debt securities that are other-than-temporarily impaired when the impairment loss has been split between the credit loss component (in earnings) and the non-credit component (separate category of AOCI).

Fair Value and Cost of Securities:

(\$ in millions)

	As of December 31, 2013, as restated				
	Amortized Cost	Gross Unrealized Gains [1]	Gross Unrealized Losses [1]	Fair Value	OTTI Recognized in AOCI [2]
U.S. government and agency	\$ 370.2	\$ 36.2	\$ (2.6)	\$ 403.8	\$ —
State and political subdivision	402.5	18.2	(10.2)	410.5	(1.1)
Foreign government	194.0	16.6	(0.7)	209.9	—
Corporate	7,266.1	423.0	(135.7)	7,553.4	(8.8)
CMBS	681.2	35.8	(3.2)	713.8	(3.4)
RMBS	1,893.0	42.0	(37.4)	1,897.6	(26.7)
CDO/CLO	223.4	5.8	(5.1)	224.1	(15.3)
Other ABS	311.1	14.8	(7.5)	318.4	(1.8)
Available-for-sale debt securities	\$ 11,341.5	\$ 592.4	\$ (202.4)	\$ 11,731.5	\$ (57.1)
Amounts applicable to the closed block	\$ 5,465.0	\$ 362.6	\$ (74.2)	\$ 5,753.4	\$ (16.5)
Available-for-sale equity securities	\$ 119.3	\$ 23.9	\$ (5.2)	\$ 138.0	\$ —
Amounts applicable to the closed block	\$ 69.3	\$ 10.1	\$ (2.9)	\$ 76.5	\$ —

- [1] Net unrealized investment gains and losses on securities classified as available-for-sale and certain other assets are included in our consolidated balance sheets as a component of AOCI.
- [2] Represents the amount of non-credit OTTI losses recognized in AOCI excluding net unrealized gains or losses subsequent to the date of impairment. The table above presents the special category of AOCI for debt securities that are other-than-temporarily impaired when the impairment loss has been split between the credit loss component (in earnings) and the non-credit component (separate category of AOCI).

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)

Maturities of Debt Securities:

(\$ in millions)

	As of December 31, 2014	
	Amortized Cost	Fair Value
Due in one year or less	\$ 374.3	\$ 381.2
Due after one year through five years	2,074.1	2,204.8
Due after five years through ten years	3,528.6	3,673.3
Due after ten years	3,078.1	3,371.0
CMBS/RMBS/ABS/CDO/CLO [1]	2,922.9	3,049.0
Total	\$ 11,978.0	\$ 12,679.3

[1] CMBS, RMBS, ABS, CDO and CLO are not listed separately in the table as each security does not have a single fixed maturity.

The maturities of debt securities, as of December 31, 2014, are summarized in the table above by contractual maturity. Actual maturities may differ from contractual maturities as certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties, and we have the right to put or sell certain obligations back to the issuers.

The following table depicts the sources of available-for-sale investment proceeds and related investment gains (losses).

Sales of Available-for-Sale Securities:

(\$ in millions)

	As of December 31,		
	2014	2013	2012
		As restated	As revised
Debt securities, available-for-sale			
Proceeds from sales	\$ 446.1	\$ 532.2	\$ 346.5
Proceeds from maturities/repayments	1,225.3	1,544.0	1,517.3
Gross investment gains from sales, prepayments and maturities	41.6	45.1	46.4
Gross investment losses from sales and maturities	(17.6)	(2.2)	(11.1)
Equity securities, available-for-sale			
Proceeds from sales	\$ 24.2	\$ 12.7	\$ 22.5
Gross investment gains from sales	10.4	4.2	14.4
Gross investment losses from sales	(1.0)	(3.8)	(0.4)

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)

Aging of Temporarily Impaired Securities: <i>(\$ in millions)</i>	As of December 31, 2014					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt Securities						
U.S. government and agency	\$ —	\$ —	\$ 2.7	\$ (0.1)	\$ 2.7	\$ (0.1)
State and political subdivision	11.6	(0.6)	31.1	(1.9)	42.7	(2.5)
Foreign government	15.7	(1.4)	—	—	15.7	(1.4)
Corporate	643.0	(23.5)	654.3	(51.1)	1,297.3	(74.6)
CMBS	12.6	—	10.9	(0.1)	23.5	(0.1)
RMBS	8.4	(0.2)	226.7	(11.7)	235.1	(11.9)
CDO/CLO	57.9	(0.5)	96.3	(2.8)	154.2	(3.3)
Other ABS	13.8	(0.1)	16.0	(4.6)	29.8	(4.7)
Debt securities	763.0	(26.3)	1,038.0	(72.3)	1,801.0	(98.6)
Equity securities	5.6	(0.7)	15.2	(0.9)	20.8	(1.6)
Total temporarily impaired securities	\$ 768.6	\$ (27.0)	\$ 1,053.2	\$ (73.2)	\$ 1,821.8	\$ (100.2)
Amounts inside the closed block	\$ 266.8	\$ (11.7)	\$ 387.8	\$ (21.8)	\$ 654.6	\$ (33.5)
Amounts outside the closed block	\$ 501.8	\$ (15.3)	\$ 665.4	\$ (51.4)	\$ 1,167.2	\$ (66.7)
Amounts outside the closed block that are below investment grade	\$ 84.2	\$ (4.1)	\$ 50.4	\$ (6.6)	\$ 134.6	\$ (10.7)
Number of securities		158		211		369

Unrealized losses on below-investment-grade debt securities outside the closed block and inside the closed block with a fair value depressed by more than 20% of amortized cost totaled \$3.2 million and \$1.7 million, respectively, at December 31, 2014, of which \$2.1 million and \$0.1 million, respectively, were depressed by more than 20% of amortized cost for more than 12 months.

As of December 31, 2014, available-for-sale securities in an unrealized loss position for over 12 months consisted of 201 debt securities and 10 equity securities. These debt securities primarily relate to corporate securities, RMBS and other ABS, which have depressed values due primarily to an increase in interest rates since the purchase of these securities. Unrealized losses were not recognized in earnings on these debt securities since the Company neither intends to sell the securities nor do we believe that it is more likely than not that it will be required to sell these securities before recovery of their amortized cost basis. Additionally, based on a security-by-security analysis, we expect to recover the entire amortized cost basis of these securities. In our evaluation of each security, management considers the actual recovery periods for these securities in previous periods of broad market declines. For securities with significant declines, individual security level analysis was performed, which considered any credit enhancements, expectations of defaults on underlying collateral and other available market data, including industry analyst reports and forecasts. Similarly, for equity securities in an unrealized loss position for greater than 12 months, management performed an analysis on a security-by-security basis. Although there may be sustained losses for greater than 12 months on these securities, additional information was obtained related to company performance which did not indicate that the additional losses were other-than-temporary.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)

Aging of Temporarily Impaired Securities: <i>(\$ in millions)</i>	As of December 31, 2013, as restated					
	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt Securities						
U.S. government and agency	\$ 48.0	\$ (2.1)	\$ 3.0	\$ (0.5)	\$ 51.0	\$ (2.6)
State and political subdivision	120.1	(7.6)	10.7	(2.6)	130.8	(10.2)
Foreign government	41.0	(0.7)	—	—	41.0	(0.7)
Corporate	1,701.5	(86.5)	326.8	(49.2)	2,028.3	(135.7)
CMBS	93.7	(2.7)	10.4	(0.5)	104.1	(3.2)
RMBS	773.5	(24.4)	144.4	(13.0)	917.9	(37.4)
CDO/CLO	64.1	(0.6)	97.1	(4.5)	161.2	(5.1)
Other ABS	22.3	(0.1)	29.5	(7.4)	51.8	(7.5)
Debt securities	2,864.2	(124.7)	621.9	(77.7)	3,486.1	(202.4)
Equity securities	55.3	(4.3)	3.7	(0.9)	59.0	(5.2)
Total temporarily impaired securities	\$ 2,919.5	\$ (129.0)	\$ 625.6	\$ (78.6)	\$ 3,545.1	\$ (207.6)
Amounts inside the closed block	\$ 1,172.7	\$ (48.7)	\$ 238.4	\$ (28.4)	\$ 1,411.1	\$ (77.1)
Amounts outside the closed block	\$ 1,746.8	\$ (80.3)	\$ 387.2	\$ (50.2)	\$ 2,134.0	\$ (130.5)
Amounts outside the closed block that are below investment grade	\$ 76.4	\$ (3.4)	\$ 52.9	\$ (7.8)	\$ 129.3	\$ (11.2)
Number of securities		475		156		631

Unrealized losses on below-investment-grade debt securities outside the closed block and inside the closed block with a fair value depressed by more than 20% of amortized cost totaled \$5.1 million and \$4.8 million, respectively, at December 31, 2013, of which \$2.7 million and \$0, respectively, were depressed by more than 20% of amortized cost for more than 12 months.

As of December 31, 2013, available-for-sale securities in an unrealized loss position for over 12 months consisted of 150 debt securities and six equity securities. These debt securities primarily relate to corporate securities, RMBS and other ABS, which have depressed values due primarily to an increase in interest rates since the purchase of these securities. Unrealized losses were not recognized in earnings on these debt securities since the Company neither intends to sell the securities nor do we believe that it is more likely than not that it will be required to sell these securities before recovery of their amortized cost basis. Additionally, based on a security-by-security analysis, we expect to recover the entire amortized cost basis of these securities. In our evaluation of each security, management considers the actual recovery periods for these securities in previous periods of broad market declines. For securities with significant declines, individual security level analysis was performed, which considered any credit enhancements, expectations of defaults on underlying collateral and other available market data, including industry analyst reports and forecasts. Similarly, for equity securities in an unrealized loss position for greater than 12 months, management performed an analysis on a security-by-security basis. Although there may be sustained losses for greater than 12 months on these securities, additional information was obtained related to company performance which did not indicate that the additional losses were other-than-temporary.

Evaluating temporarily impaired available-for-sale securities

In management's evaluation of temporarily impaired securities, many factors about individual issuers of securities as well as our best judgment in determining the cause of a decline in the estimated fair value are considered in the assessment of potential near-term recovery in the security's value. Some of those considerations include, but are not limited to: (i) duration of time and extent to which the estimated fair value has been below cost or amortized cost; (ii) for debt securities, if the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers; (iii) whether the issuer is experiencing significant financial difficulties and the potential for impairments of that issuer's securities; (iv) pervasive issues across an entire industry sector/sub-sector; and (v) for structured securities, assessing any changes in the forecasted cash flows, the quality of underlying collateral, expectations of prepayment speeds, loss severity and payment priority of tranches held.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)

Other-than-temporary impairments

Management assessed all securities in an unrealized loss position in determining whether impairments were temporary or other-than-temporary. In reaching its conclusions, management exercised significant judgment and used a number of issuer-specific quantitative indicators and qualitative judgments to assess the probability of receiving a given security's contractual cash flows. This included the issue's implied yield to maturity, cumulative default rate based on rating, comparisons of issue-specific spreads to industry or sector spreads, specific trading activity in the issue and other market data, such as recent debt tenders and upcoming refinancing requirements. Management also reviewed fundamentals such as issuer credit and liquidity metrics, business outlook and industry conditions. Management maintains a watch list of securities that is reviewed for impairments. Each security on the watch list was evaluated, analyzed and discussed, with the positive and negative factors weighed in the ultimate determination of whether or not the security was other-than-temporarily impaired. For securities for which no OTTI was ultimately indicated at December 31, 2014, management does not have the intention to sell, nor does it expect to be required to sell, these securities prior to their recovery.

OTTIs recorded on available-for-sale debt and equity securities were \$8.1 million in 2014, \$11.8 million in 2013 and \$27.6 million in 2012. The 2014 impairments were driven primarily by deterioration in issuer credit and liquidity metrics, and business outlook.

The following table presents a roll-forward of pre-tax credit losses recognized in earnings related to available-for-sale debt securities for which a portion of the OTTI was recognized in OCI.

Credit Losses Recognized in Earnings on Available-for-Sale Debt Securities for which a Portion of the OTTI Loss was Recognized in OCI:

(\$ in millions)

	As of December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ (71.4)	\$ (72.6)	\$ (79.1)
Add: Credit losses on securities not previously impaired [1]	—	(1.1)	(6.7)
Add: Credit losses on securities previously impaired [1]	—	(4.1)	(13.3)
Less: Credit losses on securities impaired due to intent to sell	—	—	—
Less: Credit losses on securities sold	19.0	6.4	26.5
Less: Increases in cash flows expected on previously impaired securities	—	—	—
Balance, end of period	\$ (52.4)	\$ (71.4)	\$ (72.6)

[1] Additional credit losses on securities for which a portion of the OTTI loss was recognized in AOCI are included within net OTTI losses recognized in earnings on the consolidated statements of income and comprehensive income.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)

Limited partnerships and other investments

Limited Partnerships and Other Investments:

(\$ in millions)

	As of December 31,	
	2014	2013
	As restated	
Limited partnerships		
Private equity funds	\$ 241.1	\$ 240.8
Mezzanine funds	162.4	180.4
Infrastructure funds	38.9	38.1
Hedge funds	10.7	13.0
Mortgage and real estate funds	3.7	3.3
Leveraged leases	11.8	16.8
Direct equity investments	49.6	44.5
Life settlements	22.4	21.6
Other alternative assets	2.2	2.8
Limited partnerships and other investments	\$ 542.8	\$ 561.3
Amounts applicable to the closed block	\$ 343.4	\$ 345.0

Equity method investees

The Company uses equity method accounting when it has more than a minor interest or influence of the partnership's or limited liability company's ("LLCs") operations but does not have a controlling interest. Equity method income is recognized as earned by the investee. Management views the information reported from the underlying funds as the best information available to record its investments. Further, management is in direct communication with the fund managers to ensure accuracy of ending capital balances.

The following tables present the aggregated summarized financial information of certain equity method investees in limited partnerships and LLCs. For all three periods, the equity in earnings that we record through net investment income of these equity method investees in aggregate exceeds 10% of the Company's income from continuing operations before income taxes.

Aggregated Summarized Balance Sheet Information of Equity Method Investees:

(\$ in millions)

	As of December 31,	
	2014	2013
	As restated	
Total assets	\$ 58,694.1	\$ 56,434.1
Total liabilities	\$ 1,630.2	\$ 1,654.0

Aggregated Net Investment Income:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
	As restated		As revised
Total investment revenues	\$ 2,329.9	\$ 2,759.7	\$ 2,389.6
Net income	\$ 5,869.2	\$ 9,297.3	\$ 8,315.2

Summarized financial information for these equity method investees is reported on a three-month delay due to the timing of financial statements as of the current reporting period.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)

Leveraged leases

The Company records its investment in a leveraged lease net of the nonrecourse debt. The Company recognizes income on the leveraged leases by applying the estimated rate of return to the net investment in the lease. The Company regularly reviews the estimated residual values and, if necessary, impairs them to expected values.

Investment in leveraged leases, included in limited partnerships and other investments, consisted of the following:

Investment in Leveraged Leases:	<u>2014</u>	<u>2013</u>
<i>(\$ in millions)</i>		<u>As restated</u>
Rental receivables, net	\$ 4.9	\$ 10.1
Estimated residual values	7.3	7.3
Unearned income	(0.4)	(0.6)
Investment in leveraged leases	\$ 11.8	\$ 16.8

Rental receivables are generally due in periodic installments. The payments are made semi-annually and range from three to five years. For rental receivables, the primary credit quality indicator is whether the rental receivable is performing or non-performing, which is assessed at least annually. The Company defines non-performing rental receivables as those that are 90 days or more past due. At December 31, 2014 and 2013, all rental receivables were performing. The deferred income tax liability related to leveraged leases was \$9.5 million and \$11.7 million at December 31, 2014 and 2013, respectively. The components of income from investment in leveraged leases, excluding net investment gains (losses) were as follows:

Investment Income after Income Tax from Investment in Leveraged Leases:	<u>As of December 31,</u>		
<i>(\$ in millions)</i>	<u>2014</u>	<u>2013</u>	<u>2012</u>
		<u>As restated</u>	<u>As revised</u>
Income from investment in leveraged leases	\$ 0.1	\$ 0.1	\$ 0.2
Less: Income tax expense on leveraged leases	—	—	(0.1)
Investment income after income tax from investment in leveraged leases	\$ 0.1	\$ 0.1	\$ 0.1

Direct equity investments

Direct equity investments are equity interests in LLCs entered into on a co-investment basis with sponsors of private equity funds for strategic and capital appreciation purposes and are accounted for under the equity method. The Company records its share of earnings on a three-month delay when timely financial information is not available and the delivery of investee's financial reporting occurs after the end of the current reporting period. Further, management has open communication with each fund manager and, to the extent financial information is available, receives quarterly statements from the underlying funds. Management also performed an analysis on the funds' financial statements to assess reasonableness of information provided by third parties. Income recognized from our other direct equity investments was \$7.8 million, \$7.0 million and \$1.0 million for the years ended December 31, 2014, 2013 and 2012, respectively.

We consolidate those direct equity investments which were determined to be VIE's when we are the primary beneficiary. The undistributed earnings of direct equity investments not consolidated were \$(1.5) million, \$5.4 million and \$(2.0) million at December 31, 2014, 2013 and 2012, respectively. Any future investment in these structures is discretionary.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)

The following table presents the carrying value and change in investment balance of non-consolidated direct equity investments:

Carrying Value and Change in Investment Balance of Non-Consolidated Direct Equity Investments:

(\$ in millions)

Balance as of December 31, 2012, as revised	\$	30.7
Net contributions (distributions)		6.8
Net income (loss)		7.0
Balance as of December 31, 2013, as restated		44.5
Net contributions (distributions)		(2.7)
Net income (loss)		7.8
Balance as of December 31, 2014	\$	49.6

Life settlements

During 2014, 2013 and 2012, income (losses) recognized on life settlement contracts were \$0, \$0.7 million and \$0.9 million, respectively. These amounts are included in net investment income in the consolidated statements of income and comprehensive income. Our life settlement contracts reported above are monitored for impairment on a contract-by-contract basis annually. An investment in a life settlement contract is considered impaired if the undiscounted cash flows from the expected proceeds from the insurance policy are less than the carrying amount of the investment plus the expected costs to keep the policy in force. If an impairment loss is recognized, the investment is written down to fair value. Anticipated policy cash flows are based on the Company's latest mortality assumptions. Impairment charges on life settlement contracts included in net realized capital gains (losses) totaled \$0, \$0 and \$0.3 million in 2014, 2013 and 2012, respectively.

Remaining Life Expectancy of Insured:

(\$ in millions)

	Number of Contracts	Carrying Value	Face Value (Death Benefits)
0-5 years	5	\$ 13.7	\$ 22.0
Thereafter	8	8.7	37.1
Total	13	\$ 22.4	\$ 59.1

At December 31, 2014, the anticipated life insurance premiums required to keep the life settlement contracts in force, payable in the next 12 months ending December 31, 2015 and the four succeeding years ending December 31, 2019 are \$1.3 million, \$1.0 million, \$1.2 million, \$1.1 million and \$1.1 million, respectively.

Statutory deposits

Pursuant to certain statutory requirements, as of December 31, 2014 and 2013, our Life Companies had on deposit securities with a fair value of \$30.5 million and \$31.1 million, respectively, in insurance department special deposit accounts. Our Life Companies are not permitted to remove the securities from these accounts without approval of the regulatory authority.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)**Net investment income**

Net investment income is comprised primarily of interest income, including amortization of premiums and accretion of discounts, based on yields which are changed due to expectations in projected cash flows, dividend income from common and preferred stock, gains and losses on securities measured at fair value and earnings from investments accounted for under equity method accounting.

Sources of Net Investment Income:*(\$ in millions)*

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Debt securities [1]	\$ 581.6	\$ 565.0	\$ 604.8
Equity securities	9.2	7.2	4.3
Limited partnerships and other investments	65.3	58.3	63.7
Policy loans	167.4	160.0	161.5
Fair value investments	25.4	14.1	9.4
Total investment income	848.9	804.6	843.7
Less: Discontinued operations	1.1	1.3	2.1
Less: Investment expenses	16.9	13.6	13.8
Net investment income	\$ 830.9	\$ 789.7	\$ 827.8
Amounts applicable to closed block	\$ 411.1	\$ 409.6	\$ 453.3

[1] Includes net investment income on short-term investments.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)

Net realized investment gains (losses)

Sources and Types of Net Realized Investment Gains (Losses):

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Total other-than-temporary debt impairments	\$ (5.6)	\$ (7.0)	\$ (45.7)
Portion of losses recognized in OCI	(0.4)	(4.8)	22.9
Net debt impairments recognized in earnings	\$ (6.0)	\$ (11.8)	\$ (22.8)
Debt security impairments:			
U.S. government and agency	\$ —	\$ —	\$ —
State and political subdivision	—	—	(0.6)
Foreign government	—	—	—
Corporate	(6.0)	(3.8)	(3.0)
CMBS	—	(2.7)	(4.1)
RMBS	—	(4.3)	(10.3)
CDO/CLO	—	(1.0)	(3.8)
Other ABS	—	—	(1.0)
Net debt security impairments	(6.0)	(11.8)	(22.8)
Equity security impairments	(2.1)	—	(4.8)
Limited partnerships and other investment impairments	—	—	(0.3)
Impairment losses	(8.1)	(11.8)	(27.9)
Debt security transaction gains	41.8	45.3	46.4
Debt security transaction losses	(17.7)	(2.2)	(11.1)
Equity security transaction gains	10.4	4.2	14.4
Equity security transaction losses	(1.0)	(3.8)	(0.4)
Limited partnerships and other investment transaction gains	—	0.8	7.7
Limited partnerships and other investment transaction losses	(0.7)	(4.6)	(2.5)
Net transaction gains (losses)	32.8	39.7	54.5
Derivative instruments	(20.8)	(27.7)	(50.4)
Embedded derivatives [1]	(45.9)	12.2	4.9
Assets valued at fair value	0.8	3.6	2.1
Net realized investment gains (losses), excluding impairment losses	(33.1)	27.8	11.1
Net realized investment gains (losses), including impairment losses	\$ (41.2)	\$ 16.0	\$ (16.8)

[1] Includes the change in fair value of embedded derivatives associated with fixed index annuity indexed crediting feature and variable annuity riders. See Note 11 to these consolidated financial statements for additional disclosures.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)
Unrealized investment gains (losses)
Sources of Changes in Net Unrealized Investment Gains (Losses):
(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Debt securities	\$ 311.3	\$ (538.1)	\$ 402.9
Equity securities	4.8	2.7	7.9
Other investments	(4.1)	0.6	(0.7)
Net unrealized investment gains (losses)	\$ 312.0	\$ (534.8)	\$ 410.1
Net unrealized investment gains (losses)	\$ 312.0	\$ (534.8)	\$ 410.1
Applicable to closed block policyholder dividend obligation	138.8	(308.4)	165.7
Applicable to DAC	52.5	(94.4)	78.7
Applicable to other actuarial offsets	54.2	(69.3)	70.3
Applicable to deferred income tax expense (benefit)	35.7	(20.5)	92.0
Offsets to net unrealized investment gains (losses)	281.2	(492.6)	406.7
Net unrealized investment gains (losses) included in OCI	\$ 30.8	\$ (42.2)	\$ 3.4

Consolidated variable interest entities

The Company regularly invests in private equity type fund structures which are VIEs. Entities which do not have sufficient equity at risk to allow the entity to finance its activities without additional financial support or in which the equity investors, as a group, do not have the characteristic of a controlling financial interest are referred to as VIEs. We perform ongoing assessments of our investments in VIEs to determine if we are the primary beneficiary. When we are the primary beneficiary of the entity we consolidate the VIE. The consolidated entities are all investment company-like structures which follow specialized investment company accounting and record underlying investments at fair value. The nature of the consolidated VIEs' operations and purpose are private equity limited partnerships, single asset LLCs and a fund of fund investment structure and have investments in homogeneous types of assets. We consolidate these VIEs using the most recent financial information received from the partnerships. Recognition of operating results is generally on a three-month delay due to the timing of the related financial statements.

The following table presents the total assets and total liabilities relating to consolidated VIEs at December 31, 2014 and 2013.

Carrying Value of Assets and Liabilities for Consolidated Variable Interest Entities:
(\$ in millions)

	December 31, 2014			December 31, 2013, as restated		
	Assets	Liabilities	Maximum Exposure to Loss [1]	Assets	Liabilities	Maximum Exposure to Loss [1]
Debt securities, at fair value [2]	\$ 5.5	\$ —	\$ 5.1	\$ 3.6	\$ —	\$ 3.2
Equity securities, at fair value [2]	35.0	—	30.0	29.4	—	24.7
Cash and cash equivalents	9.4	—	9.3	10.8	—	10.6
Investment in partnership interests	—	—	—	0.1	—	0.1
Investment in single asset LLCs	50.6	—	36.6	24.3	—	18.3
Other assets	0.6	—	0.5	0.6	—	0.5
Total assets of consolidated VIEs	\$ 101.1	\$ —	\$ 81.5	\$ 68.8	\$ —	\$ 57.4
Total liabilities of consolidated VIEs	\$ —	\$ 0.6	\$ 0.5	\$ —	\$ 0.8	\$ 0.6

[1] Creditors or beneficial interest holders of the consolidated VIEs have no recourse to our general credit. Our obligation to the VIEs is limited to the amount of our committed investment. We have not provided material financial or other support that was not contractually required to these VIEs. The maximum exposure to

loss above at December 31, 2014 and 2013 excludes unfunded commitments of \$11.9 million and \$0, respectively.

[2] Included in available-for-sale debt and equity securities, at fair value on the consolidated balance sheets.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)

Non-consolidated variable interest entities

We hold limited partnership interests with various VIEs primarily as a passive investor in private equity limited partnerships and through direct investments, in which the general partners are not related parties. As the Company is not the general partner in any VIE structures, consolidation is based on evaluation of the primary beneficiary. This analysis includes a review of the VIE's capital structure, nature of the VIE's operations and purpose and the Company's involvement with the entity. When determining the need to consolidate a VIE, the design of the VIE is evaluated as well as any exposed risks of the Company's investment. These investments are accounted for under the equity method of accounting and are included in limited partnerships and other investments on our consolidated balance sheets. We reassess our VIE determination with respect to an entity on an ongoing basis. The following table presents the carrying value of assets and liabilities and the maximum exposure to loss relating to significant VIEs for which we are not the primary beneficiary.

The carrying value of our investments in non-consolidated VIEs (based upon sponsor values and financial statements of the individual entities) for which we are not the primary beneficiary was \$151.5 million and \$172.6 million as of December 31, 2014 and 2013, respectively. The maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments of the Company. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee. The Company has not provided nor intends to provide financial support to these entities unless contractually required. We do not have the contractual option to redeem these limited partnership interests but receive distributions based on the liquidation of the underlying assets. The Company must generally request general partner consent to transfer or sell its fund interests. The Company performs ongoing qualitative analysis of its involvement with VIEs to determine if consolidation is required.

Carrying Value of Assets and Liabilities and Maximum Exposure Loss Relating to Variable Interest Entities:

(\$ in millions)

	December 31, 2014			December 31, 2013, as restated		
	Assets	Liabilities	Maximum Exposure to Loss [1]	Assets	Liabilities	Maximum Exposure to Loss [1]
Limited partnerships	\$ 106.0	\$ —	\$ 157.8	\$ 116.7	\$ —	\$ 171.6
LLCs	45.5	—	45.5	55.9	—	55.9
Total	\$ 151.5	\$ —	\$ 203.3	\$ 172.6	\$ —	\$ 227.5

[1] Creditors or beneficial interest holders of the VIEs have no recourse to our general credit. Our obligation to the VIEs is limited to the amount of our committed investment. We have not provided material financial or other support that was not contractually required to these VIEs.

In addition, the Company makes passive investments in structured securities issued by VIEs, for which the Company is not the manager, which are included in CMBS, RMBS, CDO/CLO and other ABS within available-for-sale debt securities, and in fair value investments, in the consolidated balance sheets. The Company has not provided financial or other support with respect to these investments other than its original investment. For these investments, the Company determined it is not the primary beneficiary due to the size of our investment relative to the structured securities issued by the VIE, the level of credit subordination which reduces the Company's obligation to absorb losses or right to receive benefits, and the Company's lack of power over the activities that most significantly impact the economic performance of the VIEs. The Company's maximum exposure to loss on these investments is limited to the amount of our investment.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

8. Investing Activities (continued)**Issuer and counterparty credit exposure**

Credit exposure related to issuers and derivatives counterparties is inherent in investments and derivative contracts with positive fair value or asset balances. We manage credit risk through the analysis of the underlying obligors, issuers and transaction structures. We review our debt security portfolio regularly to monitor the performance of obligors and assess the stability of their credit ratings. We also manage credit risk through industry and issuer diversification and asset allocation. Included in fixed maturities are below-investment-grade assets totaling \$848.8 million and \$864.0 million at December 31, 2014 and 2013, respectively. Maximum exposure to an issuer or derivative counterparty is defined by quality ratings, with higher quality issuers having larger exposure limits. As of December 31, 2014, we were exposed to the credit concentration risk of 18 issuers, Bank of America Corporation, General Electric Company, The Bank of New York Mellon Corporation, The Goldman Sachs Group Inc., JPMorgan Chase Co., BB&T Corporation, Morgan Stanley, HSBC Holdings plc, Credit Suisse Group AG, Metlife Inc., The PNC Financial Services Group Inc., Republic of Poland, Riverside Health System and Berkshire Hathaway Inc., Deutsche Bank AG, Barclays Bank PLC, HP Communities LLC, Irving Oil Ltd., representing exposure greater than 10% of stockholders' equity other than U.S. government and government agencies backed by the faith and credit of the U.S. government. We monitor credit exposures by actively monitoring dollar limits on transactions with specific counterparties. We have an overall limit on below-investment-grade rated issuer exposure. Additionally, the creditworthiness of counterparties is reviewed periodically. We generally use ISDA Master Agreements which include Credit Support Annexes which include collateral provisions to reduce counterparty credit exposures. To further mitigate the risk of loss on derivatives, we only enter into contracts in which the counterparty is a financial institution with a rating of A or higher from at least one Nationally Recognized Statistical Rating Organization.

As of December 31, 2014, we held derivative assets, net of liabilities, with a fair value of \$75.7 million. Derivative credit exposure was diversified with 11 different counterparties. We also had investments of these issuers with a fair value of \$290.9 million as of December 31, 2014. Our maximum amount of loss due to credit risk with these issuers was \$366.6 million as of December 31, 2014. See Note 12 to these consolidated financial statements for additional information regarding derivatives.

9. Financing Activities

Debt is carried net of original issuer discount as follows:

Indebtedness at Carrying Value:

(\$ in millions)

	As of December 31,	
	2014	2013
		As restated
7.15% surplus notes	\$ 126.2	\$ 126.1
7.45% senior unsecured bonds	252.7	252.7
Total indebtedness	\$ 378.9	\$ 378.8

Our 7.15% surplus notes are an obligation of Phoenix Life and are due December 15, 2034. The carrying value of the 2034 notes is net of \$0.5 million of unamortized original issue discount. Interest payments are at an annual rate of 7.15%, require the prior approval of the NYDFS and may be made only out of surplus funds which the NYDFS determines to be available for such payments under New York Insurance Law. The notes may be redeemed at the option of Phoenix Life at any time at the "make-whole" redemption price set forth in the offering circular. New York Insurance Law provides that the notes are not part of the legal liabilities of Phoenix Life. On September 21, 2012, Phoenix Life repurchased \$48.3 million par amount of its outstanding 7.15% surplus notes, including \$0.2 million in original issue discount, for aggregate consideration of \$36.2 million.

The Phoenix Companies, Inc. senior unsecured bonds were issued in December 2001 for gross proceeds of \$300.0 million (net proceeds of \$290.6 million) and mature in January 2032. We pay interest at an annual rate of 7.45%. We may redeem any or all of the bonds at a redemption price equal to 100% of principal plus accrued and unpaid interest to the redemption date. We have repurchased a cumulative amount of \$47.3 million of par value of these bonds as of December 31, 2014. During 2014 and 2013, no repurchases were made. In March 2013, we extinguished \$31.4 million par value of these bonds.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

9. Financing Activities (continued)

The indenture governing our senior unsecured bonds (the “Indenture”) requires us to file with U.S. Bank, National Association, as trustee (the “Trustee”), within 15 days after we are required to file with the SEC, copies of the annual reports and of the information, documents and other reports that we are required to file with the SEC pursuant to Section 13 or Section 15(d) of the Exchange Act. In connection with our restatement of financial statements for the years ended December 31, 2011, 2010 and 2009, the quarters of fiscal year 2011, the first and second quarters of 2012 and the delay in filing our Third Quarter 2012 Form 10-Q, we were unable to file our Third Quarter 2012 Form 10-Q with the SEC and meet the requirement to timely deliver a copy of such report to the Trustee. This resulted in a default under the Indenture governing the bonds. On November 30, 2012, the Trustee issued a notice of default, which stated that the failure of the Company to deliver the Third Quarter 2012 Form 10-Q constituted non-compliance with the reporting covenant in the Indenture and that delivery of such notice initiated a 60-day cure period.

On December 12, 2012, we commenced a consent solicitation of bondholders seeking the approval of amendments to the Indenture and a related waiver to extend the date to deliver our Third Quarter 2012 Form 10-Q to the Trustee to March 31, 2013 and waiving any and all defaults and events of default related to the delayed filing of our Third Quarter 2012 Form 10-Q that occurred prior to the effectiveness of the amendments and on January 16, 2013, we announced that we had received the requisite consent to the amendments to the Indenture and the related waiver.

On January 18, 2013, the Company and the Trustee executed a first supplemental indenture (“First Supplemental Indenture”) amending the Indenture effective as of such date to provide that until March 31, 2013, any failure by us to comply with the sections of the Indenture relating to the filing of the Third Quarter 2012 Form 10-Q would not constitute a default under the Indenture and that our filing of such report on a delayed basis on or prior to such time would satisfy our obligations under the reporting covenant in the Indenture. Pursuant to the waiver, any and all defaults and events of default occurring under the Indenture prior to the effectiveness of the First Supplemental Indenture were waived.

We commenced second and third consent solicitations of bondholders on April 24, 2013 and January 23, 2014, respectively, each of which was successful.

The April 24, 2013 consent solicitation resulted in an amendment to the Indenture and the provision of a related waiver to extend the date for providing the Trustee with the Third Quarter 2012 Form 10-Q, our 2012 Annual Report on Form 10-K (the “2012 Form 10-K”) and our Quarterly Reports on Form 10-Q for the first, second and third quarters of 2013 (the “2013 Forms 10-Q”) to December 31, 2013.

On May 23, 2013, the Company and the Trustee executed a second supplemental indenture (the “Second Supplemental Indenture”) amending the Indenture effective as of such date to provide that any failure by us to comply with the sections of the Indenture relating to these filings would not constitute a default under the Indenture, and that our filing of such reports on a delayed basis on or prior to such time would satisfy our obligations under the reporting covenant in the Indenture. Pursuant to the waiver, any and all defaults and events of default occurring under the Indenture prior to the effectiveness of the Second Supplemental Indenture were waived.

The January 23, 2014 consent solicitation resulted in a further amendment to the Indenture and the provision of a related waiver to extend the date for providing the Trustee with the Third Quarter 2012 Form 10-Q, the 2012 Form 10-K, the 2013 Forms 10-Q, our 2013 Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q for the first, second and third quarters of 2014 to March 16, 2015. On February 21, 2014, the Company and the Trustee executed a third supplemental indenture (the “Third Supplemental Indenture”) amending the Indenture effective as of such date to provide that any failure by us to comply with the sections of the Indenture relating to these filings would not constitute a default under the Indenture, and that our filing of such reports on a delayed basis on or prior to such time would satisfy our obligations under the reporting covenant in the Indenture. Pursuant to the waiver, any and all defaults and events of default occurring under the Indenture prior to the effectiveness of the Third Supplemental Indenture were waived.

We have recorded indebtedness at unpaid principal balances of each instrument net of issue discount. The Company or its subsidiaries may, from time to time, purchase its debt securities in the open market subject to considerations including, but not limited to, market conditions, relative valuations, capital allocation and the determination that it is in the best interest of the Company and its stakeholders.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

9. Financing Activities (continued)

Future minimum annual principal payments on indebtedness as of December 31, 2014 are \$252.7 million in 2032 and \$126.7 million in 2034. There are no debt maturities in 2015 through 2019.

Interest Expense on Indebtedness, including Amortization of Debt Issuance Costs:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
7.15% surplus notes	\$ 9.1	\$ 9.1	\$ 11.6
7.45% senior unsecured bonds	19.2	19.2	19.2
Interest expense on indebtedness	\$ 28.3	\$ 28.3	\$ 30.8

10. Common Stock and Stock Repurchase Program

We have authorization for the issuance of 50 million shares of our common stock. The Company effected a 1-for-20 reverse stock split of its common stock following market close on August 10, 2012 which resulted in a decrease in the common stock balance with a corresponding increase in the additional paid in capital balance. As part of the reverse stock split, the par value remained at \$0.01 per share. No fractional shares were issuable in connection with the reverse stock split. Instead, shareholders were entitled to receive cash in lieu of fractional shares, based on the closing price of the Company's common stock on August 10, 2012. As a result of the reverse stock split, an aggregate of \$2.9 million was payable to shareholders for such fractional shares.

Following the reverse stock split, the Company offered an odd lot program that provided post-reverse stock split shareholders who held fewer than 100 shares with a voluntary limited time means to sell their shares, purchase enough additional shares to increase their holding to a round lot of 100 shares or make a charitable donation of their shares. The odd lot program terminated as of October 26, 2012.

On September 20, 2012, the Board of Directors (the "Board") of the Company authorized a program to repurchase up to an aggregate amount of \$25,000,000 (not including fees and expenses) of the Company's outstanding common stock shares. Under the stock repurchase program, purchases may be made from time to time in the open market, in accelerated stock buyback arrangements, in privately negotiated transactions or otherwise, subject to market prices and other conditions. No time limit was placed on the duration of the program, which may be modified, extended or terminated by the Board at any time. The Board also terminated, effective September 20, 2012, the Company's existing stock repurchase program, which was announced on August 5, 2002. There were no repurchases during 2014 or 2013.

Through December 31, 2014, we have issued 6.4 million common shares (2.8 million shares to our policyholders in exchange for their interests in the mutual company and 3.6 million shares in sales to the public and to settle share-based compensation awards). As of December 31, 2014, we had 5.8 million shares outstanding, net of 0.7 million common shares of treasury stock. Shares issued and outstanding include 0.1 million shares held in a Rabbi Trust to fund equity awards on which recipients are allowed to vote their shares. As of December 31, 2014, we also had 0.4 million common shares reserved for issuance under our stock option plans (0.3 million shares) and our restricted stock unit ("RSU") plans (0.1 million shares). Please note that these share and RSU amounts for all periods reflect the 1-for-20 reverse stock split, which became effective on August 10, 2012.

In 2014, 2013 and 2012, we did not pay any stockholder dividends.

State Farm Mutual Automobile Insurance Company ("State Farm") currently owns of record 5.1% of our outstanding common stock. In 2014, 2013 and 2012, we incurred \$2.7 million, \$2.6 million and \$2.3 million, respectively, as compensation costs for the sale of our insurance and annuity products by entities that were either subsidiaries of State Farm or owned by State Farm agents.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

11. Separate Accounts, Death Benefits and Other Insurance Benefit Features and Embedded Product Derivatives

Separate accounts

Separate account products are those for which a separate investment and liability account is maintained on behalf of the policyholder. Investment objectives for these separate accounts vary by fund account type, as outlined in the applicable fund prospectus or separate account plan of operations. We have variable annuity and variable life insurance contracts that are classified as separate account products. The assets supporting these contracts are carried at fair value and are reported as separate account assets with an equivalent amount reported as separate account liabilities. Amounts assessed against the policyholder for mortality, administration and other services are included within revenue in fee income. In 2014 and 2013, there were no gains or losses on transfers of assets from the general account to a separate account.

Assets with fair value and carrying value of \$2.6 billion and \$2.0 billion at December 31, 2014 and 2013, respectively, supporting fixed indexed annuities are maintained in accounts that are legally segregated from the other assets of the Company, but policyholders do not direct the investment of those assets and the investment performance does not pass through to the policyholders. These assets supporting fixed indexed annuity contracts are reported within the respective investment line items on the consolidated balance sheets.

Separate Account Investments of Account Balances of Variable Annuity Contracts with Insurance Guarantees:

(\$ in millions)

	As of December 31,	
	2014	2013
		As restated
Debt securities	\$ 375.9	\$ 433.0
Equity funds	1,638.6	1,920.4
Other	49.9	64.3
Total	\$ 2,064.4	\$ 2,417.7

Death benefits and other insurance benefit features

Variable annuity guaranteed benefits

We establish policy benefit liabilities for minimum death and income benefit guarantees relating to certain annuity policies as follows:

- Liabilities associated with the guaranteed minimum death benefit (“GMDB”) are determined by estimating the expected value of death benefits in excess of the projected account balance and recognizing the excess ratably over the expected life of the contract based on total expected assessments. The assumptions used for calculating the liabilities are generally consistent with those used for amortizing DAC.
- Liabilities associated with the guaranteed minimum income benefit (“GMIB”) are determined by estimating the expected value of the income benefits in excess of the projected account balance at the date of annuitization and recognizing the excess ratably over the accumulation period based on total expected assessments. The assumptions used for calculating such guaranteed income benefit liabilities are generally consistent with those used for amortizing DAC.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

11. Separate Accounts, Death Benefits and Other Insurance Benefit Features and Embedded Product Derivatives (continued)

For variable annuities with GMDB and GMIB, reserves for these guarantees are calculated and recorded in policy liabilities and accruals on our consolidated balance sheets. Changes in the liability are recorded in policy benefits on our consolidated statements of income and comprehensive income. We regularly evaluate estimates used and adjust the additional liability balances, with a related charge or credit to benefit expense if actual experience or other evidence suggests that earlier assumptions should be revised.

Changes in Variable Annuity Guaranteed Insurance Benefit Liability Balances:

(\$ in millions)

	For the year ended December 31, 2014	
	Annuity GMDB	Annuity GMIB
Balance, beginning of period	\$ 22.7	\$ 9.8
Incurred	1.8	2.1
Paid	(3.7)	(0.2)
Change due to net unrealized gains or losses included in AOCI	0.1	—
Assumption unlocking	0.5	5.4
Balance, end of period	\$ 21.4	\$ 17.1

Changes in Variable Annuity Guaranteed Insurance Benefit Liability Balances:

(\$ in millions)

	For the year ended December 31, 2013, as restated	
	Annuity GMDB	Annuity GMIB
Balance, beginning of period	\$ 15.9	\$ 21.7
Incurred	2.1	(3.6)
Paid	(3.7)	—
Change due to net unrealized gains or losses included in AOCI	—	(0.1)
Assumption unlocking	8.4	(8.2)
Balance, end of period	\$ 22.7	\$ 9.8

Changes in Variable Annuity Guaranteed Insurance Benefit Liability Balances:

(\$ in millions)

	For the year ended December 31, 2012, as revised	
	Annuity GMDB	Annuity GMIB
Balance, beginning of period	\$ 16.4	\$ 17.6
Incurred	0.6	4.0
Paid	(1.1)	—
Change due to net unrealized gains or losses included in AOCI	—	0.3
Assumption unlocking	—	(0.2)
Balance, end of period	\$ 15.9	\$ 21.7

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

11. Separate Accounts, Death Benefits and Other Insurance Benefit Features and Embedded Product Derivatives (continued)

For those guarantees of benefits that are payable in the event of death, the net amount at risk (“NAR”) is generally defined as the benefit payable in excess of the current account balance at our balance sheet date. We have entered into reinsurance agreements to reduce the net amount of risk on certain death benefits. Following are the major types of death benefits currently in force:

GMDB and GMIB Benefits by Type:

(\$ in millions)

	December 31, 2014			
	Account Value	NAR before Reinsurance	NAR after Reinsurance	Average Attained Age of Annuitant
GMDB return of premium	\$ 661.5	\$ 1.6	\$ 1.6	63
GMDB step up	1,723.2	112.2	13.4	64
GMDB earnings enhancement benefit (“EEB”)	29.1	—	—	65
GMDB greater of annual step up and roll up	22.7	4.8	4.8	69
Total GMDB at December 31, 2014	2,436.5	\$ 118.6	\$ 19.8	
Less: General account value with GMDB	378.6			
Subtotal separate account liabilities with GMDB	2,057.9			
Separate account liabilities without GMDB	962.8			
Total separate account liabilities	\$ 3,020.7			
GMIB [1] at December 31, 2014				65

GMDB and GMIB Benefits by Type:

(\$ in millions)

	December 31, 2013, as restated			
	Account Value	NAR before Reinsurance	NAR after Reinsurance	Average Attained Age of Annuitant
GMDB return of premium	\$ 770.3	\$ 2.1	\$ 2.1	63
GMDB step up	1,974.7	117.9	9.9	64
GMDB earnings enhancement benefit (“EEB”)	36.0	0.1	0.1	64
GMDB greater of annual step up and roll up	26.7	4.8	4.8	68
Total GMDB at December 31, 2013	2,807.7	\$ 124.9	\$ 16.9	
Less: General account value with GMDB	403.3			
Subtotal separate account liabilities with GMDB	2,404.4			
Separate account liabilities without GMDB	997.9			
Total separate account liabilities	\$ 3,402.3			
GMIB [1] at December 31, 2013				64

[1] Policies with a GMIB also have a GMDB, however these benefits are not additive. When a policy terminates due to death, any NAR related to GMIB is released. Similarly, when a policy goes into benefit status on a GMIB, its GMDB NAR is released.

Return of Premium: The death benefit is the greater of current account value or premiums paid (less any adjusted partial withdrawals).

Step Up: The death benefit is the greater of current account value, premiums paid (less any adjusted partial withdrawals) or the annual step up amount prior to the oldest original owner attaining a certain age. On and after the oldest original owner attains that age, the death benefit is the greater of current account value or the death benefit at the end of the contract year prior to the oldest original owner’s attaining that age plus premium payments (less any adjusted partial withdrawals) made since that date.

Earnings Enhancement Benefit: The death benefit is the greater of the premiums paid (less any adjusted partial withdrawals) or the current account value plus the EEB. The EEB is an additional amount designed to reduce the impact of taxes associated with distributing contract gains upon death.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

11. Separate Accounts, Death Benefits and Other Insurance Benefit Features and Embedded Product Derivatives (continued)

Greater of Annual Step Up and Annual Roll Up: The death benefit is the greatest of premium payments (less any adjusted partial withdrawals), the annual step up amount, the annual roll up amount or the current account value prior to the oldest original owner attaining age 81. On and after the oldest original owner attained age 81, the death benefit is the greater of current account value or the death benefit at the end of the contract year prior to the oldest original owner's attained age of 81 plus premium payments (less any adjusted partial withdrawals) made since that date.

GMIB: The benefit is a series of monthly fixed annuity payments paid upon election of the rider. The monthly benefit is based on the greater of the sum of premiums (less any adjusted partial withdrawals) accumulated at an effective annual rate on the exercise date or 200% of the premiums paid (less any adjusted partial withdrawals) and a set of annuity payment rates that vary by benefit type and election age.

Fixed indexed annuity guaranteed benefits

Many of our fixed indexed annuities contain guaranteed benefits. We establish policy benefit liabilities for minimum death and minimum withdrawal benefit guarantees relating to these policies as follows:

- Liabilities associated with the GMWB and Chronic Care guarantees are determined by estimating the value of the withdrawal benefits expected to be paid after the projected account value depletes and recognizing the value ratably over the accumulation period based on total expected assessments. Liabilities associated with the GMWB for the fixed indexed annuities differ from those contained on variable annuities in that the GMWB feature and the underlying contract, exclusive of the equity index crediting option, are fixed income instruments.
- Liabilities associated with the GMDB are determined by estimating the expected value of death benefits in excess of the projected account balance and recognizing the excess ratably over the expected life of the contract based on total expected assessments.

The assumptions used for calculating GMWB, GMDB and Chronic Care guarantees are generally consistent with those used for amortizing DAC. We regularly evaluate estimates used and adjust the additional liability balances, with a related charge or credit to benefit expense if actual experience or other evidence suggests that earlier assumptions should be revised. The GMWB, GMDB and Chronic Care guarantees on fixed indexed annuities are recorded in policy liabilities and accruals on our consolidated balance sheets.

Changes in Fixed Indexed Annuity Guaranteed Liability Balances:

(\$ in millions)

	Fixed Indexed Annuity GMWB and GMDB		
	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ 85.4	\$ 102.1	\$ 5.6
Incurred	33.4	60.8	37.2
Paid	(0.3)	(0.3)	—
Change due to net unrealized gains or losses included in AOCI	35.9	(58.5)	59.3
Assumption unlocking	(7.4)	(18.7)	—
Balance, end of period	\$ 147.0	\$ 85.4	\$ 102.1

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

11. Separate Accounts, Death Benefits and Other Insurance Benefit Features and Embedded Product Derivatives (continued)

Universal life

Liabilities for universal life contracts in excess of the account balance, some of which contain secondary guarantees, are generally determined by estimating the expected value of benefits and expenses when claims are triggered and recognizing those benefits and expenses over the accumulation period based on total expected assessments. The assumptions used in estimating these liabilities are generally consistent with those used for amortizing DAC.

Changes in Universal Life Guaranteed Liability Balances:

(\$ in millions)

	Universal Life Secondary Guarantees		
	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ 170.6	\$ 138.5	\$ 114.6
Incurred	39.9	37.9	29.3
Paid	(15.3)	(14.3)	(9.5)
Change due to net unrealized gains or losses included in AOCI	2.2	(2.4)	2.4
Assumption unlocking	(1.6)	10.9	1.7
Balance, end of period	\$ 195.8	\$ 170.6	\$ 138.5

In addition, the universal life block of business has experience which produces profits in earlier periods followed by losses in later periods for which additional reserves are required to be held above the account value liability. These reserves are accrued ratably over historical and anticipated positive income to offset the future anticipated losses. The assumptions used in estimating these liabilities are generally consistent with those used for amortizing DAC. The most significant driver of the positive 2014 unlock results in these reserves was the extension of mortality improvement for an additional year, which reduced overall expected mortality expense.

Changes in Universal Life Additional Liability Balances:

(\$ in millions)

	Universal Life Profits Followed by Losses		
	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ 249.1	\$ 311.7	\$ 209.8
Incurred	106.4	66.2	44.0
Change due to net unrealized gains or losses included in AOCI	9.0	1.1	16.8
Assumption unlocking	(13.0)	(129.9)	41.1
Balance, end of period	\$ 351.5	\$ 249.1	\$ 311.7

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

11. Separate Accounts, Death Benefits and Other Insurance Benefit Features and Embedded Product Derivatives (continued)

Embedded derivatives

Variable annuity embedded derivatives

Certain separate account variable products may contain a GMWB, GMAB and/or COMBO rider. These features are accounted for as embedded derivatives as described below.

Variable Annuity Embedded Derivatives Non-Insurance Guaranteed Product Features:

(\$ in millions)

	As of December 31, 2014	
	Account Value	Average Attained Age of Annuitant
GMWB	\$ 496.8	65
GMAB	315.6	59
COMBO	7.1	65
Balance, end of period	\$ 819.5	

Variable Annuity Embedded Derivatives Non-Insurance Guaranteed Product Features:

(\$ in millions)

	As of December 31, 2013, as restated	
	Account Value	Average Attained Age of Annuitant
GMWB	\$ 581.5	64
GMAB	382.2	59
COMBO	7.2	63
Balance, end of period	\$ 970.9	

The GMWB rider guarantees the contract owner a minimum amount of withdrawals and benefit payments over time, regardless of the investment performance of the contract, subject to an annual limit. Optional resets are available. In addition, these contracts have a feature that allows the contract owner to receive the guaranteed annual withdrawal amount for as long as they are alive.

The GMAB rider provides the contract owner with a minimum accumulation of the contract owner's purchase payments deposited within a specific time period, adjusted for withdrawals, after a specified amount of time determined at the time of issuance of the variable annuity contract.

The COMBO rider includes either the GMAB or GMWB rider as well as the GMDB rider at the contract owner's option.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

11. Separate Accounts, Death Benefits and Other Insurance Benefit Features and Embedded Product Derivatives (continued)

The GMWB, GMAB and COMBO features represent embedded derivative liabilities in the variable annuity contracts that are required to be reported separately from the host variable annuity contract. These liabilities are recorded at fair value within policyholder deposit funds on the consolidated balance sheets with changes in fair value recorded in realized investment gains on the consolidated statements of income and comprehensive income. The fair value of the GMWB, GMAB and COMBO obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the lives of the contracts, incorporating expectations concerning policyholder behavior. As markets change, contracts mature and actual policyholder behavior emerges, these assumptions are continually evaluated and may from time to time be adjusted. Embedded derivative liabilities for GMWB, GMAB and COMBO are shown in the table below.

Variable Annuity Embedded Derivative Liabilities: <i>(\$ in millions)</i>	As of December 31,	
	2014	2013
		As restated
GMWB	\$ 7.3	\$ (5.1)
GMAB	(0.3)	1.4
COMBO	(0.2)	(0.4)
Total variable annuity embedded derivative liabilities	\$ 6.8	\$ (4.1)

There were no benefit payments made for the GMWB and GMAB during 2014 and 2013. We have established a risk management strategy under which we hedge our GMAB, GMWB and COMBO exposure using equity index options, equity index futures, equity index variance swaps, interest rate swaps and swaptions.

Fixed indexed annuity embedded derivatives

Fixed indexed annuities may also contain a variety of index-crediting options: policy credits that are calculated based on the performance of an outside equity market or other index over a specified term. These index options are embedded derivative liabilities that are required to be reported separately from the host contract. These index options are accounted for at fair value and recorded in policyholder deposits within the consolidated balance sheets with changes in fair value recorded in realized investment gains, in the consolidated statements of income and comprehensive income. The fair value of these index options is calculated using the budget method. See Note 13 to these consolidated financial statements for additional information. Several additional inputs reflect our internally developed assumptions related to lapse rates and other policyholder behavior. The fair value of these embedded derivatives was \$153.9 million and \$91.9 million as of December 31, 2014 and 2013, respectively. In order to manage the risk associated with these equity indexed-crediting features, we hedge using equity index options. See Note 12 to these consolidated financial statements for additional information.

Embedded derivatives realized gains and losses

Changes in the fair value of embedded derivatives associated with variable annuity and fixed indexed annuity contracts are recorded as realized investment gains and losses within the consolidated statements of income and comprehensive income. Embedded derivatives gains and (losses) recognized in earnings are \$(45.9) million, \$12.2 million and \$4.9 million for the years ended December 31, 2014, 2013 and 2012, respectively.

12. Derivative Instruments

We use derivative financial instruments, including options, futures and swaps as a means of hedging exposure to interest rate, equity price change, equity volatility and foreign currency risk. This includes our surplus hedge which utilizes futures and options to hedge against declines in equity markets and the resulting statutory capital and surplus impact, as well as our fixed indexed annuity (“FIA”) separate account hedge which uses interest rate swaptions to hedge against rising interest rates. We also use derivative instruments to economically hedge our exposure on living benefits offered on certain of our variable annuity products as well as index credits on our FIA products.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

12. Derivative Instruments (continued)

The Company seeks to enter into over-the-counter (“OTC”) derivative transactions pursuant to master agreements that provide for a netting of payments and receipts by counterparty. As of December 31, 2014 and 2013, \$18.6 million and \$28.2 million respectively, of cash and cash equivalents were held as collateral by a third party related to our derivative transactions.

Our derivatives are not designated as hedges for accounting purposes.

Derivative Instruments: (\$ in millions)	Maturity	Notional Amount	Fair Value as of December 31, 2014	
			Assets	Liabilities [1]
Interest rate swaps	2016 - 2029	\$ 114.0	\$ 9.7	\$ 1.9
Variance swaps	2015 - 2017	0.9	—	8.6
Swaptions	2024 - 2025	777.0	0.1	—
Put options	2015 - 2022	692.5	31.1	—
Call options [2]	2015 - 2019	2,019.2	119.8	74.6
Cross currency swaps	2016	10.0	0.6	—
Equity futures	2015	4.1	—	0.5
Total derivative instruments		\$ 3,617.7	\$ 161.3	\$ 85.6

[1] Derivative liabilities are included in other liabilities on the consolidated balance sheets.

[2] Includes a contingent receivable of \$1.5 million.

Derivative Instruments: (\$ in millions)	Maturity	Notional Amount	Fair Value as of December 31, 2013, as restated	
			Assets	Liabilities [1]
Interest rate swaps	2016 - 2027	\$ 139.0	\$ 3.9	\$ 6.8
Variance swaps	2015 - 2017	0.9	—	7.9
Swaptions	2024 - 2025	3,902.0	30.7	—
Put options	2015 - 2022	406.0	31.1	—
Call options [2]	2014-2018	1,701.6	163.1	96.1
Cross currency swaps	2016	10.0	—	0.7
Equity futures	2014	160.6	—	5.3
Total derivative instruments		\$ 6,320.1	\$ 228.8	\$ 116.8

[1] Derivative liabilities are included in other liabilities on the consolidated balance sheets.

[2] Includes a contingent receivable of \$1.9 million.

**Derivative Instrument Gains (Losses) Recognized in
Realized Investment Gains (Losses):**

(\$ in millions)	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Interest rate swaps	\$ 11.0	\$ (11.4)	\$ (0.9)
Variance swaps	(0.7)	(3.6)	(7.9)
Swaptions	(30.6)	17.3	(0.2)
Put options	(4.8)	(42.3)	(22.0)
Call options	18.5	59.3	0.1
Cross currency swaps	1.3	(0.5)	(0.1)

Equity futures	(15.5)	(46.5)	(19.4)
Embedded derivatives	(45.9)	12.2	4.9
Total derivative instrument gains (losses) recognized in realized investment gains (losses)	\$ (66.7)	\$ (15.5)	\$ (45.5)

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

12. Derivative Instruments (continued)

Interest Rate Swaps

We maintain an overall interest rate risk management strategy that primarily incorporates the use of interest rate swaps as hedges of our exposure to changes in interest rates. Our exposure to changes in interest rates primarily results from our commitments to fund interest-sensitive insurance liabilities, as well as from our significant holdings of fixed rate financial instruments. We use interest rate swaps that effectively convert variable rate cash flows to fixed cash flows in order to hedge the interest rate risks associated with guaranteed minimum living benefit (GMAB/GMWB) rider liabilities.

Interest Rate Options

We use interest rate options, such as swaptions, to hedge against market risks to assets or liabilities from substantial changes in interest rates. An interest rate swaption gives us the right but not the obligation to enter into an underlying swap. Swaptions are options on interest rate swaps. All of our swaption contracts are receiver swaptions, which give us the right to enter into a swap where we will receive the agreed-upon fixed rate and pay the floating rate. If the market conditions are favorable and the swap is needed to continue hedging our in force liability business, we will exercise the swaption and enter into a fixed rate swap. If a swaption contract is not exercised by its option maturity date, it expires with no value.

Exchange Traded Future Contracts

We use equity index futures to hedge the market risks from changes in the value of equity indices, such as S&P 500, associated with guaranteed minimum living benefit (GMAB/GMWB) rider liabilities. Positions are short-dated, exchange-traded futures with maturities of three months.

Equity Index Options

We use equity indexed options to hedge against market risks from changes in equity markets, volatility and interest rates.

An equity index option affords us the right to make or receive payments based on a specified future level of an equity market index. We may use exchange-trade or OTC options.

Generally, we have used a combination of equity index futures, interest rate swaps, variance swaps and long-dated put options to hedge our GMAB and GMWB liabilities and equity index call options to hedge our indexed annuity option liabilities.

Cross Currency Swaps

We use cross currency swaps to hedge against market risks from changes in foreign currency exchange rates. Currency swaps are used to swap bond asset cash flows denominated in a foreign currency back to U.S. dollars. Under foreign currency swaps, we agree with another party (referred to as the counterparty) to exchange principal and periodic interest payments denominated in foreign currency for payments in U.S. dollars.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

12. Derivative Instruments (continued)

Offsetting of Derivative Assets/Liabilities

The Company may enter into netting agreements with counterparties that permit the Company to offset receivables and payables with such counterparties. The following tables present the gross fair value amounts, the amounts offset and net position of derivative instruments eligible for offset in the Company's consolidated balance sheets that are subject to an enforceable master netting arrangement upon certain termination events, irrespective of whether they are offset in the balance sheet.

Offsetting of Derivative Assets/Liabilities: (\$ in millions)	As of December 31, 2014					
	Gross amounts recognized [1]	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral pledged [2]	
Total derivative assets	\$ 161.3	\$ —	\$ 161.3	\$ (82.5)	\$ —	\$ 78.8
Total derivative liabilities	\$ (85.6)	\$ —	\$ (85.6)	\$ 82.5	\$ 3.1	\$ —

Offsetting of Derivative Assets/Liabilities: (\$ in millions)	As of December 31, 2013, as restated					
	Gross amounts recognized [1]	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral pledged [2]	
Total derivative assets	\$ 228.8	\$ —	\$ 228.8	\$ (110.3)	\$ —	\$ 118.5
Total derivative liabilities	\$ (116.8)	\$ —	\$ (116.8)	\$ 110.3	\$ 6.5	\$ —

[1] Amounts include all derivative instruments, irrespective of whether there is a legally enforceable master netting arrangement in place.

[2] Cash collateral pledged with derivative counterparties is recorded within other assets on the consolidated balance sheets. The Company pledges cash collateral to offset certain individual derivative liability positions with certain counterparties. Cash collateral of \$15.5 million and \$21.7 million as of December 31, 2014 and 2013, respectively, that exceeds the net liability resulting from the aggregate derivative positions with a corresponding counterparty is excluded.

Contingent features

Derivative counterparty agreements may contain certain provisions that require our insurance companies' financial strength rating to be above a certain threshold. If our financial strength ratings were to fall below a specified rating threshold, certain derivative counterparties could request immediate payment or demand immediate and ongoing full collateralization on derivative instruments in net liability positions, or trigger a termination of existing derivatives and/or future derivative transactions.

In certain derivative counterparty agreements, our financial strength ratings are below the specified threshold levels. However, the Company held no derivative instruments as of December 31, 2014 in a net aggregate liability position payable to any counterparty (i.e., such derivative instruments have fair values in a net asset position payable to the Company if such holdings were liquidated).

13. Fair Value of Financial Instruments

ASC 820-10 defines and establishes the framework for measuring fair value. The framework is based on inputs that are used in the valuation and a fair value hierarchy based on the quality of those inputs. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The input levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 1 securities include highly liquid government bonds and exchange-traded equities.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Examples of such instruments include government-backed mortgage products, certain collateralized mortgage and debt obligations and certain high-yield debt securities.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect management's own assumptions about inputs in which market participants would use in pricing these types of assets or liabilities. Level 3 financial instruments include values which are determined using pricing models and third-party evaluation. Additionally, the determination of some fair value estimates utilizes significant management judgments or best estimates.

Investments for which fair value is based upon unadjusted quoted market prices are reported as Level 1. The number of quotes the issuer obtains per instrument will vary depending on the security type and availability of pricing data from independent third-party, nationally recognized pricing vendors. The Company has defined a pricing hierarchy among pricing vendors to determine ultimate value used and also reviews significant discrepancies among pricing vendors to determine final value used. Prices from pricing services are not adjusted, but the Company may obtain a broker quote or use an internal model to price a security if it believes vendor prices do not reflect fair value. When quoted prices are not available, we use these pricing vendors to give an estimated fair value. If quoted prices, or an estimated price from our pricing vendors are not available or we determine that the price is based on disorderly transactions or in inactive markets, fair value is based upon internally developed models or obtained from an independent third-party broker. We primarily use market-based or independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, our own creditworthiness, liquidity and unobservable parameters that are applied consistently over time.

Management is responsible for the fair value of investments and the methodologies and assumptions used to estimate fair value. The fair value process is evaluated quarterly by the Pricing Committee, which is comprised of the Chief Investment Officer, Chief Accounting Officer and the Head of Investment Accounting. The purpose of the committee is to ensure the Company follows objective and reliable valuation practices, as well as approving changes to valuation methodologies and pricing sources. Using professional judgment and experience, we evaluate and weigh the relevance and significance of all readily available market information to determine the best estimate of fair value.

The fair values of Level 2 investments are determined by management after considering prices from our pricing vendors. Fair values for debt securities are primarily based on yield curve analysis along with ratings and spread data. Other inputs may be considered for fair value calculations including published indexed data, sector specific performance, comparable price sources and similar traded securities. Management reviews all Level 2 and Level 3 market prices on a quarterly basis.

The following is a description of our valuation methodologies for assets and liabilities measured at fair value. Such valuation methodologies were applied to all of the assets and liabilities carried at fair value in each respective classification.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Debt securities

We use pricing vendors to estimate fair value for the majority of our public debt securities. The pricing vendors' estimates are based on market data and use pricing models that vary by asset class and incorporate available trade, bid and other market information. The methodologies used by these vendors are reviewed and understood by management through discussion with and information provided by these vendors. The Company assesses the reasonableness of individual security values received from valuation pricing vendors through various analytical techniques. Management also assesses whether the assumptions used appear reasonable and consistent with the objective of determining fair value. When our pricing vendors are unable to obtain evaluations based on market data, fair value is determined by obtaining a direct broker quote. Management reviews these broker quotes and valuation techniques to determine whether they are appropriate and consistently applied. Broker quotes are evaluated based on the Company's assessment of the broker's knowledge of, and history in trading, the security and the Company's understanding of inputs used to derive the broker quote. Management also assesses reasonableness of individual security values similar to the vendor pricing review noted above.

For our private placement investments, we estimated fair value using internal models. Private placement securities are generally valued using a matrix pricing approach which categorizes these securities into groupings using remaining average life and credit rating as the two criteria to determine a grouping. The Company obtains current credit spread information from private placement dealers based on the criteria described and adds that spread information to U.S. Treasury rates corresponding to the life of each security to determine a discount rate for pricing. A small number of private placement securities are internally valued using models or analyst judgment. Fair values determined internally are also subject to management review to ensure that valuation models and inputs appear reasonable.

U.S. Government and Agency Securities

We value public U.S. government and agency debt by obtaining fair value estimates from our pricing vendors. For our private placement government and agency debt, our fair value is based on internal models using either a discounted cash flow or spread matrix which incorporates U.S. Treasury yields, market spreads and average life calculations. For short-term investments, we equate fair value to amortized cost due to their relatively short duration and limited exposure to credit risk.

State and Political Subdivisions

Public state and political subdivision debt is valued by obtaining fair value estimates from our pricing vendors. For our private placement debt securities, our fair value is based on internal models using either a discounted cash flow or spread matrix which incorporates U.S. Treasury yields, market spreads and average life calculations.

Foreign Government

We obtain fair value estimates from our pricing vendor to value foreign government debt.

Corporate Bonds

For the majority of our public corporate debt, we obtain fair value estimates from our pricing vendors. For public corporate debt in which we cannot obtain fair value estimates from our pricing vendors, we receive a direct quote from a broker. In most cases, we will obtain a direct broker quote from the broker that facilitated the deal. For our private placement debt securities, our fair value is based on internal models using either a discounted cash flow or spread matrix which incorporates U.S. Treasury yields, market spreads and average life calculations. For private fixed maturities, fair value is determined using a discounted cash flow model, which utilizes a discount rate based upon the average of spread surveys collected from private market intermediaries who are active in both primary and secondary transactions and takes into account, among other factors, the credit quality and industry sector of the issuer and the reduced liquidity associated with private placements. In determining the fair value of certain debt securities, the discounted cash flow model may also use unobservable inputs, which reflect the Company's own assumptions about the inputs market participants would use in pricing the security.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

RMBS, CMBS, CDO/CLO and Other ABS

For structured securities, the majority of the fair value estimates are provided by our pricing vendors. When a fair value estimate is not available from the pricing vendors, we estimate fair value using direct broker quotes or internal models which use a discounted cash flow technique. These models consider the best estimate of cash flows until maturity to determine our ability to collect principal and interest and compare this to the anticipated cash flows when the security was purchased. In addition, management judgment is used to assess the probability of collecting all amounts contractually due to us. After consideration is given to the available estimates relevant to assessing the collectibility, including historical events, current conditions and reasonable forecasts, an estimate of future cash flows is determined. This includes evaluating the remaining payment terms, prepayment speeds, the underlying collateral, expected defaults using current default data and the financial condition of the issuer. Other factors considered are composite credit ratings, industry forecast, analyst reports and other relevant market data, similar to those the Company believes market participants would use.

Equity securities

Private Equity Investments

The fair value of non-public private equity is estimated using the valuation of the lead investor (“sponsor value”), typically a general partner of an investment in a limited partnership in which we invest. The sponsors, or lead investors/underwriters of these investments, account for them on an equity basis. The Company will then obtain securities fair value from these sponsors to infer the appropriate fair value for its holdings in the same or similar investment. If we cannot determine a price using the sponsor value, we estimate the fair value using management’s professional judgment. Management evaluates many inputs including, but not limited to, current operating performance, future expectations of the investment, industry valuations of comparable public companies and changes in market outlook and third-party financing environment over time. Financial information for these investments is reported on a three-month delay due to the timing of financial statements as of the current reporting period.

Public Equity

Our publicly held common equity securities are generally obtained through the initial public offering of privately-held equity investments and are reported at the estimated fair value determined based on quoted prices in active markets. To the extent these securities have readily determinable exchange based prices, the securities are categorized as Level 1 of our hierarchy. If management determines there are liquidity concerns or exchange based information for the specific securities in our portfolio is not available, the securities are categorized as Level 2. For our preferred equity securities, we obtain fair value estimates from our pricing vendors. In addition, management will consistently monitor these holdings and prices will be modified for any pertinent and/or significant events that would result in a valuation adjustment, including an analysis for potential credit-related events or impairments.

Limited partnerships and other investments

Our limited partnerships are accounted for using equity method accounting. We carry these investments on the consolidated balance sheets at the capital value we obtain from the financial statement we received from the general partner. Typically, our carrying value is based on a financial statement one quarter in arrears to accommodate the timing of receipt of financial statements. These financial statements are generally audited annually. Generally the information received is deemed an appropriate approximation of the fair value of these fund investments and no adjustments are made to the financial statements received. Management also has open communication with each fund manager and generally views the information reported from the underlying funds as the best information available to record its investments.

For the limited partnerships in which we consolidate the entity, we hold private debt and equity securities. All consolidated investments are valued using current period financial statements we receive from the general partner.

Included in the other investments balance is the net investment value of life settlement contracts which are accounted under the investment method, which for non-impaired contracts incorporates the initial transaction price, initial direct external costs and continuing costs to keep the policy in force, as well as leveraged lease investments which represent the net investment in leveraged aircraft leases. The leveraged lease aircraft investments are accounted for using equity method. The investments are carried at the capital value obtained from financial statements we received from a third-party servicer.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Separate account assets

Our separate account assets consist of mutual funds that are frequently traded. Since 2003, investments owned by The Phoenix Companies, Inc. Employee Pension Plan (the “Plan”) Trust were sold to PHL Variable and the investments converted to ownership by the Trust to the Employee Pension Separate Account (“EPP SA”). The Plan’s Trust purchased a group flexible premium variable accumulation deferred annuity contract. As of May 21, 2012, the Plan surrendered the EPP SA contract for full value and the Plan’s underlying investments are no longer held in the separate account. Certain investments related to fixed income, equities and foreign securities were transferred to Mercer Trust Company for investment management purposes in a group trust investment arrangement. The remaining investments continued with their respective investment managers. These securities are valued using the market approach in which unadjusted market quotes are used. We include these securities in Level 1 of our hierarchy.

Derivatives

Exchange-traded derivatives are valued using quoted prices and are classified within Level 1 of the valuation hierarchy. However, few classes of derivative contracts are listed on an exchange. Therefore, the majority of our derivative positions are OTC derivative financial instruments, valued using third-party vendor derivative valuation systems that use as their basis readily observable market parameters, such as swap rates and volatility assumptions. These positions are classified within Level 2 of the valuation hierarchy. Such OTC derivatives include vanilla interest rate swaps, equity index options, swaptions, variance swaps and cross currency swaps. Nevertheless, we review and validate the resulting fair values against those provided to us monthly by the derivative counterparties for reasonableness.

Fair values for OTC derivative financial instruments, mostly options and swaps, represent the present value of amounts estimated to be received from or paid to a marketplace participant in exchange of these instruments (i.e., the amount we would expect to receive in a derivative asset assignment or would expect to pay to have a derivative liability assumed). These derivatives are valued using third-party derivative valuation models which take into account the net present value of estimated future cash flows and capital market assumptions which are derived from directly observable prices from other OTC trades and exchange-traded derivatives. Such assumptions include swap rates and swaption volatility obtained from Bloomberg, as well as equity index volatility and dividend yields provided by OTC derivative dealers.

The fair value of OTC derivative financial instruments is also adjusted for the credit risk of the counterparty in cases in which there are no collateral offsets. To estimate the impact on fair value of a market participant’s view of counterparty non-performance risk we use a credit default swap (“CDS”) based approach in measuring this counterparty non-performance risk by looking at the cost of obtaining credit protection in the CDS market for the aggregate fair value exposure amount over the remaining life of derivative contracts, given the counterparty’s rating. The resulting upfront CDS premium, calculated using Bloomberg analytics, serves as a reasonable estimate of the default provision for the non-performance risk or counterparty valuation adjustment to the fair valuation of non-collateralized OTC derivative financial instruments.

Certain new and/or complex instruments may have immature or limited markets or require more sophistication in derivative valuation methodology. As a result, the pricing models used for valuation of these instruments often incorporate significant estimates and assumptions that market participants would use in pricing the instrument, which may impact the results of operations reported in the consolidated financial statements. Hence, instead of valuing these instruments using third-party vendor valuation systems, we rely on the fair market valuations reported to us monthly by the derivative counterparties. Fair values for OTC derivatives are verified using observed estimates about the costs of hedging the risk and other trades in the market. As the markets for these products develop, we continually refine our pricing models to correlate more closely to the market risk of these instruments.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Valuation of embedded derivatives

We make guarantees on certain variable annuity contracts, including those with GMAB, GMWB and COMBO riders. We also provide credits based on the performance of certain indices (“index credits”) on our fixed indexed annuity contracts. Both contract types have features that meet the definition of an embedded derivative. The GMAB, GMWB and COMBO embedded derivative liabilities associated with our variable annuity contracts are accounted for at fair value using a risk neutral stochastic valuation methodology with changes in fair value recorded in realized investment gains. The inputs to our fair value methodology include estimates derived from the asset derivatives market, including equity volatilities and the swap curves. Several additional inputs are not obtained from independent sources, but instead reflect our internally developed assumptions related to mortality rates, lapse rates and other policyholder behavior.

The fair value of the embedded derivative liabilities associated with the index credits on our fixed indexed annuity contracts is calculated using the budget method with changes in fair value recorded in realized investment gains. Under the budget method, the value of the initial index option is based on the fair value of the option purchased to hedge the index. The value of the index credits paid in future years is estimated to be the annual budgeted amount. Budgeted amounts are estimated based on available investment income using assumed investment returns and projected liability values. As there are significant unobservable inputs included in our fair value methodology for these embedded derivative liabilities, we consider the methods as described above as a whole to be Level 3 within the fair value hierarchy.

Our fair value calculation of embedded derivative liabilities includes a credit standing adjustment (the “CSA”). The CSA represents the adjustment that market participants would make to reflect the risk that guaranteed benefit obligations may not be fulfilled (“non-performance risk”). We estimate our CSA using the credit spread (based on publicly available credit spread indices) for financial services companies similar to the Company’s life insurance subsidiaries. The CSA is updated every quarter and, therefore, the fair value will change with the passage of time even in the absence of any other changes that would affect the valuation.

The following tables present the financial instruments carried at fair value on a recurring basis by ASC 820-10 valuation hierarchy (as described above). There were no financial instruments carried at fair value on a non-recurring basis as of December 31, 2014 and 2013, respectively.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Fair Values of Financial Instruments by Level: (\$ in millions)	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale debt securities				
U.S. government and agency [1]	\$ —	\$ 81.2	\$ 362.2	\$ 443.4
State and political subdivision	—	157.7	400.2	557.9
Foreign government	—	177.3	53.6	230.9
Corporate	—	3,994.2	4,403.9	8,398.1
CMBS	—	498.4	152.8	651.2
RMBS	—	1,461.9	470.3	1,932.2
CDO/CLO	—	—	196.9	196.9
Other ABS	—	23.6	245.1	268.7
Total available-for-sale debt securities	—	6,394.3	6,285.0	12,679.3
Available-for-sale equity securities	—	—	179.5	179.5
Short-term investments	149.7	—	—	149.7
Derivative assets	—	161.3	—	161.3
Fair value investments [2]	32.4	13.0	190.0	235.4
Separate account assets	3,020.7	—	—	3,020.7
Total assets	\$ 3,202.8	\$ 6,568.6	\$ 6,654.5	\$ 16,425.9
Liabilities				
Derivative liabilities	\$ 0.5	\$ 85.1	\$ —	\$ 85.6
Embedded derivatives	—	—	160.7	160.7
Total liabilities	\$ 0.5	\$ 85.1	\$ 160.7	\$ 246.3

[1] Level 3 includes securities whose underlying collateral is an obligation of a U.S. government entity.

[2] Fair value investments at December 31, 2014 include \$111.9 million of debt securities recorded at fair value. In addition, we have also elected the fair value option for equity securities backing our deferred compensation liabilities at \$23.5 million as of December 31, 2014. Changes in the fair value of these assets are recorded through net investment income. Additionally, \$100.0 million of assets relate to investment holdings of consolidated VIEs held at fair value, \$8.8 million of which are Level 1 securities.

There were no transfers of assets between Level 1 and Level 2 during the year ended December 31, 2014.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Fair Values of Financial Instruments by Level: (\$ in millions)	As of December 31, 2013, as restated			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale debt securities				
U.S. government and agency [1]	\$ —	\$ 76.6	\$ 327.2	\$ 403.8
State and political subdivision	—	141.4	269.1	410.5
Foreign government	—	194.0	15.9	209.9
Corporate	—	3,659.6	3,893.8	7,553.4
CMBS	—	600.1	113.7	713.8
RMBS	—	1,344.9	552.7	1,897.6
CDO/CLO	—	—	224.1	224.1
Other ABS	—	70.7	247.7	318.4
Total available-for-sale debt securities	—	6,087.3	5,644.2	11,731.5
Available-for-sale equity securities	2.8	—	135.2	138.0
Short-term investments	349.7	11.0	0.9	361.6
Derivative assets	—	228.8	—	228.8
Fair value investments [2]	32.1	13.2	169.9	215.2
Separate account assets	3,402.3	—	—	3,402.3
Total assets	\$ 3,786.9	\$ 6,340.3	\$ 5,950.2	\$ 16,077.4
Liabilities				
Derivative liabilities	\$ 5.3	\$ 111.5	\$ —	\$ 116.8
Embedded derivatives	—	—	87.8	87.8
Total liabilities	\$ 5.3	\$ 111.5	\$ 87.8	\$ 204.6

[1] Level 3 includes securities whose underlying collateral is an obligation of a U.S. government entity.

[2] Fair value investments at December 31, 2013 include \$125.7 million of debt securities recorded at fair value. In addition, we have also elected the fair value option for equity securities backing our deferred compensation liabilities at \$23.2 million as of December 31, 2013. Changes in the fair value of these assets are recorded through net investment income. Additionally, \$66.2 million of assets relate to investment holdings of consolidated VIEs held at fair value, \$8.9 million of which are Level 1 securities.

There were no transfers of assets between Level 1 and Level 2 during the year ended December 31, 2013.

Available-for-sale debt securities as of December 31, 2014 and 2013, respectively, are reported net of \$27.8 million and \$29.6 million of Level 2 investments included in discontinued operations assets on the consolidated balance sheets related to discontinued reinsurance operations.

The following tables present corporates carried at fair value and on a recurring basis by sector.

Fair Values of Corporates by Level and Sector: (\$ in millions)	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Corporates				
Consumer	\$ —	\$ 593.0	\$ 1,266.6	\$ 1,859.6
Energy	—	534.6	472.8	1,007.4
Financial services	—	1,617.3	967.9	2,585.2
Capital goods	—	398.1	384.8	782.9
Transportation	—	104.7	305.8	410.5
Utilities	—	348.1	683.4	1,031.5
Other	—	398.4	322.6	721.0
Total corporates	\$ —	\$ 3,994.2	\$ 4,403.9	\$ 8,398.1

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Fair Values of Corporates by Level and Sector: (\$ in millions)	As of December 31, 2013, as restated			
	Level 1	Level 2	Level 3	Total
Corporates				
Consumer	\$ —	\$ 896.0	\$ 1,455.2	\$ 2,351.2
Energy	—	492.2	417.5	909.7
Financial services	—	1,497.0	880.8	2,377.8
Capital goods	—	187.6	200.6	388.2
Transportation	—	93.6	227.6	321.2
Utilities	—	316.0	561.6	877.6
Other	—	177.2	150.5	327.7
Total corporates	\$ —	\$ 3,659.6	\$ 3,893.8	\$ 7,553.4

Level 3 financial assets and liabilities

The following tables set forth a summary of changes in the fair value of our Level 3 financial assets and liabilities. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Transfers in and out of Level 3 occur at the beginning of each period. The securities which were transferred into Level 3 were due to decreased market observability of similar assets and/or changes to significant inputs, such as downgrades or price declines. Transfers out of Level 3 were due to increased market activity on comparable assets or observability of inputs.

Level 3 Financial Assets: (\$ in millions)	As of December 31, 2014							
	Balance, beginning of period	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Realized and unrealized gains (losses) included in income [1]	Unrealized gains (losses) included in OCI	Total
Assets								
Available-for-sale debt securities								
U.S. government and agency [2] \$	327.2	\$ 40.0	\$ (26.7)	\$ —	\$ —	\$ —	\$ 21.7	\$ 362.2
State and political subdivision	269.1	106.5	(6.5)	11.3	—	—	19.8	400.2
Foreign government	15.9	7.4	—	28.5	—	—	1.8	53.6
Corporate	3,893.8	710.9	(428.9)	244.0	(97.9)	4.6	77.4	4,403.9
CMBS	113.7	25.1	(36.6)	71.1	(30.4)	1.4	8.5	152.8
RMBS	552.7	3.1	(75.5)	—	(4.3)	3.1	(8.8)	470.3
CDO/CLO	224.1	41.4	(61.6)	—	—	2.7	(9.7)	196.9
Other ABS	247.7	26.1	(40.0)	17.6	—	1.7	(8.0)	245.1
Total available-for-sale debt securities	5,644.2	960.5	(675.8)	372.5	(132.6)	13.5	102.7	6,285.0
Available-for-sale equity securities	135.2	65.0	(21.2)	—	—	3.7	(3.2)	179.5
Short-term investments	0.9	—	(0.5)	—	—	(0.4)	—	—
Fair value investments	169.9	14.4	(22.2)	—	—	27.9	—	190.0
Total assets	\$ 5,950.2	\$ 1,039.9	\$ (719.7)	\$ 372.5	\$ (132.6)	\$ 44.7	\$ 99.5	\$ 6,654.5

[1] Reflected in realized investment gains and losses for all assets except fair value investments which are included in net investment income.

[2] Includes securities whose underlying collateral is an obligation of a U.S. government entity.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Level 3 Financial Assets: <i>(\$ in millions)</i>	As of December 31, 2013, as restated							
	Balance, beginning of period	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Realized and unrealized gains (losses) included in income [1]	Unrealized gains (losses) included in OCI	Total
Assets								
Available-for-sale debt securities								
U.S. government and agency [2] \$	296.7	\$ 88.4	\$ (40.4)	\$ —	\$ —	\$ —	\$ (17.5)	\$ 327.2
State and political subdivision	212.4	96.6	(4.1)	—	—	—	(35.8)	269.1
Foreign government	45.8	—	(6.0)	8.0	(31.3)	—	(0.6)	15.9
Corporate	3,759.2	789.4	(435.5)	65.6	(41.3)	4.8	(248.4)	3,893.8
CMBS	89.7	42.5	(11.5)	8.9	(12.8)	(2.1)	(1.0)	113.7
RMBS	711.2	2.2	(120.6)	—	—	(4.7)	(35.4)	552.7
CDO/CLO	223.7	68.4	(64.7)	—	—	0.4	(3.7)	224.1
Other ABS	309.9	19.6	(58.7)	—	(1.3)	0.3	(22.1)	247.7
Total available-for-sale debt securities	5,648.6	1,107.1	(741.5)	82.5	(86.7)	(1.3)	(364.5)	5,644.2
Available-for-sale equity securities	86.8	50.5	(11.1)	—	—	(3.5)	12.5	135.2
Short-term investments	—	1.3	—	—	—	(0.4)	—	0.9
Fair value investments	153.3	25.8	(23.3)	1.3	—	12.8	—	169.9
Total assets	\$ 5,888.7	\$ 1,184.7	\$ (775.9)	\$ 83.8	\$ (86.7)	\$ 7.6	\$ (352.0)	\$ 5,950.2

[1] Reflected in realized investment gains and losses for all assets except fair value investments which are included in net investment income.

[2] Includes securities whose underlying collateral is an obligation of a U.S. government entity.

Level 3 Financial Liabilities:

(\$ in millions)

	Embedded Derivatives	
	For the years ended December 31,	
	2014	2013
		As restated
Balance, beginning of period	\$ 87.8	\$ 88.1
Net purchases/(sales)	27.1	11.9
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Realized (gains) losses [1]	45.8	(12.2)
Balance, end of period	\$ 160.7	\$ 87.8

[1] Realized gains and losses are included in net realized investment gains on the consolidated statements of income and comprehensive income.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Significant unobservable inputs used in the fair value measurement of Level 3 assets are yield, prepayment rate, default rate and recovery rate. Keeping other inputs unchanged, an increase in yield, default rate or prepayment rate would decrease the fair value of the asset while an increase in recovery rate would result in an increase to the fair value of the asset. Yields are a function of the underlying U.S. Treasury rates and asset spreads, and changes in default and recovery rates are dependent on overall market conditions.

The following tables present quantitative estimates about unobservable inputs used in the fair value measurement of significant categories of internally priced assets.

Level 3 Assets: [1] (\$ in millions)	As of December 31, 2014			
	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
U.S. government and agency	\$ 362.2	Discounted cash flow	Yield	0.99% - 4.27% (3.17%)
State and political subdivision	\$ 159.1	Discounted cash flow	Yield	2.15% - 4.50% (3.22%)
Corporate	\$ 3,116.6	Discounted cash flow	Yield	0.93% - 6.88% (3.24%)
Other ABS	\$ 39.3	Discounted cash flow	Yield	0.60% - 4.00% (1.92%)
Fair value investments	\$ 6.3	Discounted cash flow	Default rate	0.17%
			Recovery rate	44.00%

[1] Excludes Level 3 assets which are valued based upon non-binding independent third-party valuations or third-party price information for which unobservable inputs are not reasonably available to us.

Level 3 Assets: [1] (\$ in millions)	As of December 31, 2013, as restated			
	Fair Value	Valuation Technique(s)	Unobservable Input	Range (Weighted Average)
U.S. government and agency	\$ 327.2	Discounted cash flow	Yield	1.05% - 5.66% (3.78%)
State and political subdivision	\$ 119.4	Discounted cash flow	Yield	2.35% - 5.79% (3.74%)
Corporate	\$ 2,974.1	Discounted cash flow	Yield	1.00% - 6.75% (3.55%)
Other ABS	\$ 47.9	Discounted cash flow	Yield	0.50% - 3.75% (2.23%)
			Prepayment rate	2.00%
			Default rate	2.53% for 48 mos then 0.37% thereafter
			Recovery rate	10.00% (TRUPS)
Fair value investments	\$ 5.5	Discounted cash flow	Default rate	0.25%
			Recovery rate	45.00%

[1] Excludes Level 3 assets which are valued based upon non-binding independent third-party valuations or third-party price information for which unobservable inputs are not reasonably available to us.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Significant unobservable inputs used in the fair value measurement of variable annuity GMAB and GMWB type liabilities are equity volatility, swap curve, mortality and lapse rates and an adjustment for non-performance risk. Keeping other inputs unchanged, an increase in the equity volatility would increase the fair value of the liability while an increase in the swap curve or CSA would result in a decrease to the fair value of the liability. The impact of changes in mortality and lapse rates are dependent on overall market conditions. The fair value of fixed indexed annuity and indexed universal life embedded derivative related to index credits is calculated using the swap curve, future option budget, mortality and lapse rates, as well as an adjustment for non-performance risk. Keeping other inputs unchanged, an increase in any of these significant unobservable inputs would result in a decrease of the fixed indexed annuity embedded derivative liability.

The following tables present quantitative estimates about unobservable inputs used in the fair value measurement of internally priced liabilities.

Level 3 Liabilities: <i>(\$ in millions)</i>	As of December 31, 2014			
	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Embedded derivatives (FIA)	\$ 153.9	Budget method	Swap curve	0.24% - 2.55%
			Mortality rate	105% or 97% 2012 IAM basic table with scale G2
			Lapse rate	0.04% - 46.44%
			CSA	3.08%
Embedded derivatives (GMAB / GMWB / COMBO)	\$ 6.8	Risk neutral stochastic valuation methodology	Volatility surface	9.89% - 67.34%
			Swap curve	0.21% - 2.76%
			Mortality rate	105% 2012 IAM basic table with scale G2
			Lapse rate	0.00% - 40.00%
			CSA	3.08%

Level 3 Liabilities: <i>(\$ in millions)</i>	As of December 31, 2013, as restated			
	Fair Value	Valuation Technique(s)	Unobservable Input	Range
Embedded derivatives (FIA)	\$ 91.9	Budget method	Swap curve	0.19% - 3.79%
			Mortality rate	103% or 97% 2012 IAM basic table with scale G2
			Lapse rate	0.02% - 47.15%
			CSA	3.23%
Embedded derivatives (GMAB / GMWB / COMBO)	\$ (4.1)	Risk neutral stochastic valuation methodology	Volatility surface	10.85% - 46.33%
			Swap curve	0.15% - 4.15%
			Mortality rate	105% 2012 IAM basic table with scale G2
			Lapse rate	0.00% - 40.00%
			CSA	3.23%

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Level 3 Assets and Liabilities by Pricing Source:

(\$ in millions)

Assets

Available-for-sale debt securities

U.S. government and agency [3]

State and political subdivision

Foreign government

Corporate

CMBS

RMBS

CDO/CLO

Other ABS

Total available-for-sale debt securities

Available-for-sale equity securities

Short-term investments

Fair value investments

Total assets

Liabilities

Embedded derivatives

Total liabilities

As of December 31, 2014

	Internal [1]	External [2]	Total
	\$ 362.2	\$ —	\$ 362.2
	159.1	241.1	400.2
	—	53.6	53.6
	3,116.6	1,287.3	4,403.9
	—	152.8	152.8
	—	470.3	470.3
	—	196.9	196.9
	39.3	205.8	245.1
	3,677.2	2,607.8	6,285.0
	—	179.5	179.5
	—	—	—
	6.3	183.7	190.0
	\$ 3,683.5	\$ 2,971.0	\$ 6,654.5
	\$ 160.7	\$ —	\$ 160.7
	\$ 160.7	\$ —	\$ 160.7

[1] Represents valuations reflecting both internally-derived and market inputs, as well as third-party information or quotes.

[2] Represents unadjusted prices from independent pricing services, third-party financial statements and independent indicative broker quotes where pricing inputs are not readily available.

[3] Includes securities whose underlying collateral is an obligation of a U.S. government entity.

Level 3 Assets and Liabilities by Pricing Source:

(\$ in millions)

Assets

Available-for-sale debt securities

U.S. government and agency [3]

State and political subdivision

Foreign government

Corporate

CMBS

RMBS

CDO/CLO

Other ABS

Total available-for-sale debt securities

Available-for-sale equity securities

Short-term investments

Fair value investments

Total assets

Liabilities

Embedded derivatives

Total liabilities

As of December 31, 2013, as restated

	Internal [1]	External [2]	Total
	\$ 327.2	\$ —	\$ 327.2
	119.4	149.7	269.1
	—	15.9	15.9
	2,974.1	919.7	3,893.8
	—	113.7	113.7
	—	552.7	552.7
	—	224.1	224.1
	47.9	199.8	247.7
	3,468.6	2,175.6	5,644.2
	—	135.2	135.2
	—	0.9	0.9
	5.5	164.4	169.9
	\$ 3,474.1	\$ 2,476.1	\$ 5,950.2
	\$ 87.8	\$ —	\$ 87.8
	\$ 87.8	\$ —	\$ 87.8

- [1] Represents valuations reflecting both internally-derived and market inputs, as well as third-party information or quotes.
- [2] Represents unadjusted prices from independent pricing services, third-party financial statements and independent indicative broker quotes where pricing inputs are not readily available.
- [3] Includes securities whose underlying collateral is an obligation of a U.S. government entity.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

13. Fair Value of Financial Instruments (continued)

Financial instruments not carried at fair value

The Company is required by U.S. GAAP to disclose the fair value of certain financial instruments including those that are not carried at fair value. The following table discloses the Company's financial instruments where the carrying amounts and fair values differ:

Carrying Amounts and Fair Values of Financial Instruments:

(\$ in millions)

	Fair Value Hierarchy Level	As of December 31,			
		2014		2013, as restated	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:					
Policy loans	Level 3	\$ 2,352.1	\$ 2,339.2	\$ 2,350.3	\$ 2,338.0
Cash and cash equivalents	Level 1	\$ 450.0	\$ 450.0	\$ 496.4	\$ 496.4
Life settlements	Level 3	22.4	17.4	21.6	16.7
Financial liabilities:					
Investment contracts	Level 3	\$ 3,955.0	\$ 3,957.3	\$ 3,442.6	\$ 3,437.3
Surplus notes	Level 3	\$ 126.2	\$ 95.8	\$ 126.1	\$ 86.5
Senior unsecured bonds	Level 2	\$ 252.7	\$ 248.0	\$ 252.7	\$ 224.6

Fair value of policy loans

The fair value of fixed rate policy loans is calculated using a discounted cash flow model based upon current U.S. Treasury rates and historical loan repayment patterns. For floating rate policy loans the fair value is the amount due, excluding interest, as of the reporting date.

Fair value of life settlements

The fair value of life settlement contracts is determined based on the discounted cash flows from the expected proceeds from the insurance policies less the cash flows of the expected costs to keep the policies in force. These cash flows are discounted using a market rate.

Fair value of investment contracts

We determine the fair value of guaranteed interest contracts by using a discount rate based upon the appropriate U.S. Treasury rate to calculate the present value of projected contractual liability payments through final maturity. We determine the fair value of deferred annuities and supplementary contracts without life contingencies with an interest guarantee of one year or less at the amount of the policy reserve. In determining the fair value of deferred annuities and supplementary contracts without life contingencies with interest guarantees greater than one year, we use a discount rate based upon the appropriate U.S. Treasury rate to calculate the present value of the projected account value of the policy at the end of the current guarantee period.

Deposit type funds, including pension deposit administration contracts, dividend accumulations and other funds left on deposit not involving life contingencies, have interest guarantees of less than one year for which interest credited is closely tied to rates earned on owned assets. For these liabilities, we assume fair value to be equal to the stated liability balances.

The fair value of these investment contracts are categorized as Level 3.

Indebtedness

Fair value of our senior unsecured bonds is based upon quoted market prices. The fair value of surplus notes is determined with reference to the fair value of our senior unsecured bonds including consideration of the different features in the two securities.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

14. Income Taxes

Phoenix and its subsidiaries file a consolidated U.S. Federal income tax return. The Company also files combined, unitary and separate income tax returns in various states.

Significant Components of Income Taxes from Continuing Operations:
(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Current			
U.S.	\$ 10.5	\$ 8.5	\$ 15.8
Foreign	—	—	—
Deferred			
U.S.	—	—	(20.5)
Foreign	—	—	—
Total income tax expense (benefit)	\$ 10.5	\$ 8.5	\$ (4.7)

Reconciliation of Effective Income Tax Rate:
(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Income (loss) from continuing operations before income taxes:			
U.S.	\$ (195.2)	\$ 38.1	\$ (153.5)
Foreign	—	—	—
Total	\$ (195.2)	\$ 38.1	\$ (153.5)
Income tax expense (benefit) at statutory rate of 35%	\$ (68.3)	\$ 13.3	\$ (53.7)
Dividend received deduction	(3.0)	(2.3)	(2.5)
Expiration of tax attribute carryovers	7.4	4.5	5.6
Impact of deferred tax validation	0.5	—	—
Noncontrolling interest	(1.4)	(0.2)	—
Valuation allowance increase (release)	79.3	(4.1)	46.6
State income taxes (benefit)	(4.3)	(2.8)	—
Other, net	0.3	0.1	(0.7)
Income tax expense (benefit) applicable to continuing operations	\$ 10.5	\$ 8.5	\$ (4.7)
Effective income tax rates	(5.4%)	22.3%	3.1%

Allocation of Income Taxes:
(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Income tax expense (benefit) from continuing operations	\$ 10.5	\$ 8.5	\$ (4.7)
Income tax from OCI:			
Unrealized investment (gains) losses	35.7	(20.5)	92.0
Pension	—	—	—
Policy dividend obligation and DAC	—	—	—
Other	—	—	—
Income tax related to cumulative effect of change in accounting guidance	—	—	—

Income tax benefit from discontinued operations

(0.4)

(0.3)

(1.5)

Total income tax recorded to all components of income

\$ 45.8

\$ (12.3)

\$ 85.8

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

14. Income Taxes (continued)

Deferred Income Tax Balances Attributable to Temporary Differences:

(\$ in millions)

	As of December 31,	
	2014	2013
	As restated	
Deferred income tax assets		
Future policyholder benefits	\$ 783.9	\$ 526.7
Unearned premiums / deferred revenues	8.1	50.4
Employee benefits	124.4	97.2
Net operating and capital loss carryover benefits	198.5	157.9
Foreign tax credits carryover benefits	2.3	2.2
Alternative minimum tax credits	12.9	12.9
General business tax credits	17.7	23.7
Other	32.8	31.9
Available-for-sale debt securities	34.2	70.0
Subtotal	1,214.8	972.9
Valuation allowance	(613.0)	(492.4)
Total deferred income tax assets, net of valuation allowance	601.8	480.5
Deferred tax liabilities		
DAC	188.1	215.2
Investments	241.7	147.8
Accrued liabilities	137.8	47.5
Gross deferred income tax liabilities	567.6	410.5
Net deferred income tax assets	\$ 34.2	\$ 70.0

As of December 31, 2014, we performed our assessment of the realization of deferred tax assets. This assessment included consideration of all available evidence - both positive and negative - weighted to the extent the evidence was objectively verifiable. In performing this assessment, management considered tax law which generally requires the Company to compute taxable income separately for its life and non-life entities. This guidance impacts our ability to use tax loss carryovers, which has resulted in life subgroup taxable income and current tax in a period of significant non-life loss carryovers. Although taxable income at the life subgroup level has allowed the Company to partially utilize non-life loss carryovers, this historically, has not rendered deferred tax asset realization due to continued generation of originating deferred tax assets attributed to GAAP losses in 2012, 2013 and 2014.

As part of this assessment, the Company considered the existence of cumulative GAAP pre-tax losses in both the life and non-life subgroups. Management considers this significant negative evidence in its assessment of the realization of deferred tax assets.

With the existence of life subgroup taxable profits in recent years, the Company has experienced some utilization of its tax loss carryovers and incurred current federal income tax. Under U.S. federal tax law, the payment of tax by the life subgroup is available for recoupment in the event of future losses. Under U.S. GAAP, the ability to carryback losses and recoup taxes paid can be considered as a source of income when assessing the realization of deferred tax assets. The Company believes that it is reasonably possible the life subgroup will experience tax losses in the near term, however projecting such losses is subject to a number of estimates and assumptions including future impacts on market and actuarial assumptions. Actual results may vary from projections and, due to the uncertainty of these estimates, we do not believe significant weight can be placed on the assumption that taxes paid in the current and prior years will be recouped. Accordingly, management has not deemed the taxes paid in current and prior tax years as a viable source of income when performing its valuation allowance assessment.

Further, we believe that the continued existence of significant negative evidence illustrated by a three year cumulative loss before tax in both the life and non-life subgroups is significant enough to overcome any positive evidence. This is further supported by the continued costs associated with the restatement and downgrades of financial strength credit ratings which may adversely impact the Company's future earnings.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

14. Income Taxes (continued)

Due to the significance of the negative evidence as well as the weight given to the objective nature of the cumulative losses in recent years, and after consideration of all available evidence, we concluded that our estimates of future taxable income, timing of the reversal of existing taxable temporary differences and certain tax planning strategies did not provide sufficient positive evidence to assert that it is more likely than not that certain deferred tax assets would be realizable. To the extent the Company can demonstrate the ability to generate sustained profitability in the future, the valuation allowance could potentially be reversed resulting in a benefit to income tax expense.

As of December 31, 2014, we concluded that our estimates of future taxable income, certain tax planning strategies and other sources of income did not constitute sufficient positive evidence to assert that it is more likely than not that certain deferred tax assets would be realizable. Accordingly, a valuation allowance of \$613.0 million has been recorded on net deferred tax assets of \$647.2 million. The remaining deferred tax asset of \$34.2 million attributable to available-for-sale debt securities with gross unrealized losses does not require a valuation allowance due to our ability and intent to hold these securities until recovery of principal value through sale or contractual maturity, thereby avoiding the realization of taxable losses. This conclusion is consistent with prior periods. The impact of the valuation allowance on the allocation of tax to the components of the financial statements included an increase of \$79.3 million in continuing operations, an increase of \$40.6 million in OCI-related deferred tax balances and an increase of \$0.7 million recorded to discontinued operations.

The tax provision reported in continuing operations of \$10.5 million consists primarily of current tax expense related to the accrual of regular taxes, offset by available credits up to the alternative minimum tax liability.

As of December 31, 2014, the Company has \$198.5 million of net operating loss carryovers. Of this amount, \$182.6 million related to \$521.7 million of federal net operating losses that are scheduled to expire between the years 2021 and 2034. The remaining amount of \$15.9 million is attributable to state income tax net operating losses.

As of December 31, 2014, we had deferred income tax assets of \$17.7 million related to general business tax credit carryovers, which are expected to expire between the years 2022 and 2032. Additionally, we had deferred income tax assets of \$12.9 million related to alternative minimum tax credit carryovers which do not expire.

The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2011. The 2011 and 2012 tax years remain under examination, however no material unanticipated assessments have been identified, and we believe no adjustment to our liability for uncertain tax positions is required.

There were no unrecognized tax benefits for the years ended December 31, 2014, 2013 and 2012.

Management believes that adequate provisions have been made in the financial statements for any potential assessments that may result from tax examinations and other tax related matters for all open tax years. Based upon the timing and status of our current examinations by taxing authorities, we do not believe that it is reasonably possible that any changes to the balance of unrecognized tax benefits occurring within the next 12 months will result in a significant change to the results of operations, financial condition or liquidity.

The Company has no interest and penalties as income tax expense and no accrued interest and penalties in the related income tax liability for the years ended December 31, 2014 and 2013.

As part of the intercompany tax sharing agreement, the holding company is required to hold funds in escrow for the benefit of Phoenix Life in the event Phoenix Life incurs future taxable losses. In accordance with its regulatory obligation, the Company funded the escrow with \$78.9 million of assets including treasury stock, a surplus note issued by PHL Variable and \$10.8 million of cash from the holding company in the fourth quarter of 2014. The escrow amount is primarily attributable to cash due to the holding company for losses utilized and benefited in the 2013 tax return.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

15. Accumulated Other Comprehensive Income

Changes in each component of AOCI attributable to the Company for the years ended December 31 are as follows below (net of tax):

Accumulated Other Comprehensive Income (Loss) Attributable to The Phoenix Companies, Inc.: (\$ in millions)	Net Unrealized Gains / (Losses) on Investments where Credit-related OTTI was Recognized	Net Unrealized Gains / (Losses) on All Other Investments [1]	Net Pension Liability Adjustments	Total
Balance as of December 31, 2012, as revised	\$ (6.2)	\$ 82.3	\$ (319.9)	\$ (243.8)
Change in component during the period before reclassifications	9.7	(31.3)	94.3	72.7
Amounts reclassified from AOCI	3.5	(24.1)	6.7	(13.9)
Balance as of December 31, 2013, as restated	7.0	26.9	(218.9)	(185.0)
Change in component during the period before reclassifications	9.5	37.9	(84.8)	(37.4)
Amounts reclassified from AOCI	(6.6)	(10.0)	4.6	(12.0)
Balance as of December 31, 2014	\$ 9.9	\$ 54.8	\$ (299.1)	\$ (234.4)

[1] See Note 8 to these consolidated financial statements for additional information regarding offsets to net unrealized investment gains and losses which include policyholder dividend obligation, DAC and other actuarial offsets, and deferred income tax expense (benefit).

Reclassifications from AOCI consist of the following:

AOCI	Amounts Reclassified from AOCI			Affected Line Item in the Consolidated Statements of Income and Comprehensive Income
(\$ in millions)	For the years ended December 31,			
	2014	2013	2012	
		As restated	As revised	
Net unrealized gains / (losses) on investments where credit-related OTTI was recognized:				
Available-for-sale securities	\$ 10.1	\$ (5.3)	\$ (16.7)	Net realized capital gains (losses)
	10.1	(5.3)	(16.7)	Total before income taxes
	3.5	(1.8)	(5.9)	Income tax expense (benefit)
	\$ 6.6	\$ (3.5)	\$ (10.8)	Net income (loss)
Net unrealized gains / (losses) on all other investments:				
Available-for-sale securities	\$ 15.3	\$ 37.0	\$ 38.4	Net realized capital gains (losses)
	15.3	37.0	38.4	Total before income taxes
	5.3	12.9	13.5	Income tax expense (benefit)
	\$ 10.0	\$ 24.1	\$ 24.9	Net income (loss)
Net pension liability adjustments:				
Amortization of actuarial gains (losses)	\$ (8.2)	\$ (11.5)	\$ (10.1)	Other operating expense
Amortization of prior service costs	1.1	1.2	1.6	Other operating expense
	(7.1)	(10.3)	(8.5)	Total before income taxes
	(2.5)	(3.6)	(3.0)	Income tax expense (benefit)
	\$ (4.6)	\$ (6.7)	\$ (5.5)	Net income (loss)

Total amounts reclassified from AOCI

<u>\$</u>	<u>12.0</u>	<u>\$</u>	<u>13.9</u>	<u>\$</u>	<u>8.6</u>	Net income (loss)
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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

16. Employee Benefit Plans and Employment Agreements

Pension and other post-employment benefits

We provide our employees with post-employment benefits that include retirement benefits, through pension and savings plans, and other benefits, including health care and life insurance.

We have three defined benefit plans. The employee pension plan provides benefits not to exceed the amount allowed under the Internal Revenue Code. The two supplemental plans provide benefits in excess of the primary plan. Retirement benefits under the plans are a function of years of service and compensation. Effective March 31, 2010, all benefit accruals under all of our funded and unfunded defined benefit plans were frozen.

The employee pension plan is funded with assets held in a trust. The assets within the plan include corporate and government debt securities, equity securities, real estate and private equity partnerships. The supplemental plans are unfunded. Upon a change in control (as defined in the plan) of The Phoenix Companies, Inc., we are required to make an irrevocable contribution to a trust to fund the benefits payable under the supplemental plans.

Assumptions Related to Pension and Post-Employment Employee Benefit Plans

Pursuant to accounting principles related to the Company's pension and other post-employment obligations to employees under its various benefit plans, the Company is required to make assumptions in order to calculate the related liabilities and expenses each period. The assumptions used in calculating the benefit obligations and the net amount recognized for the years ended December 31, 2014, 2013 and 2012 are presented in the following tables.

Principal Rates and Assumptions:

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Assumptions Used to Determine Benefit Obligations			
Projected benefit obligation discount rate – Employee Plan	4.10%	4.84%	3.98%
Projected benefit obligation discount rate – Supplemental Plan	3.97%	4.69%	3.81%
Projected benefit obligation discount rate – Other Post-Employment Benefits	3.62%	4.21%	3.37%
Future compensation increase rate	N/A [1]	N/A [1]	N/A [1]
Deferred investment gain/loss amortization corridor – Employee Plan	5.00%	5.00%	5.00%
Deferred investment gain/loss amortization corridor – Supplemental Plan	5.00%	5.00%	5.00%
Deferred investment gain/loss amortization corridor – Other Post-Employment Benefits	10.00%	10.00%	10.00%
Future health care cost increase rate, age 64 and younger	6.00%	6.00%	6.00%
Future health care cost increase rate, age 65 and older	N/A	N/A	N/A
Assumptions Used to Determine Benefit Expense			
Projected benefit obligation discount rate – Employee Plan	4.84%	3.98%	4.53%
Projected benefit obligation discount rate – Supplemental Plan	4.69%	3.81%	4.39%
Projected benefit obligation discount rate – Other Post-Employment Benefits	4.21%	3.37%	4.11%/3.35%
Future compensation increase rate	N/A [1]	N/A [1]	N/A [1]
Pension plan assets long-term rate of return	7.50%	7.75%	8.00%
Deferred investment gain/loss amortization corridor – Employee Plan	5.00%	5.00%	5.00%
Deferred investment gain/loss amortization corridor – Supplemental Plan	5.00%	5.00%	5.00%
Deferred investment gain/loss amortization corridor – Other Post-Employment Plan	10.00%	10.00%	10.00%
Future health care cost increase rate, age 64 and younger	6.00%	6.00%	6.00%
Future health care cost increase rate, age 65 and older	N/A	N/A	N/A

[1] The pension plan was frozen effective March 31, 2010. For periods subsequent to the plan freeze, salary scale is not applicable.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

16. Employee Benefit Plans and Employment Agreements (continued)

The discount rate assumption is developed using a yield curve approach based upon future pension and other post-employment obligations and currently available market and industry data. The yield curve utilized is comprised of bonds rated Aa/AA or higher by Moody's Investor Services, Standard & Poor's and Fitch Ratings Ltd. with maturities between one and fifteen or more years.

The change in health care cost trend rate does not affect the liabilities or expense associated with retiree medical (due to the cap) or life insurance plans. The only trend rate operating on plan liabilities is the dental trend rate, which is 5.0% for 2015 scaling down to an ultimate rate of 4.5% by 2026. Since the dental liabilities are less than 1.0% of total liabilities and dental liabilities are only paid prior to age 65, the impact of a change in trend is less than 0.1%.

The following table sets forth amounts of benefits expected to be paid over the next ten years from the Company's pension and post-employment benefit plans as of December 31, 2014:

10-Year Benefit Payout Projection:
(\$ in millions)

	Employee Plan	Supplemental Plans	Other Post-Employment	Total
2015	\$ 35.3	\$ 9.6	\$ 3.5	\$ 48.4
2016	35.8	9.6	3.3	48.7
2017	36.3	9.3	3.1	48.7
2018	36.7	9.3	3.0	49.0
2019	37.3	9.2	2.8	49.3
2020 to 2024	199.6	46.7	11.5	257.8

Our investment policy and strategy employs a total return approach combining equities, fixed income, real estate and other assets to maximize the long-term return of the plan assets for a prudent level of risk. Risk tolerance is determined based on consideration of plan liabilities and plan-funded status. The investment portfolio contains a diversified blend of equity, fixed income, real estate and alternative investments. The equity investments are diversified across domestic and foreign markets, across market capitalizations (large, mid and small cap), as well as growth, value and blend. Derivative instruments are not typically used for implementing asset allocation decisions and are not used in conjunction with leverage. Investment performance is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurement and periodic presentations by asset managers included in the plan.

Employee Pension Plan Asset Allocation:

Asset Category	As of December 31,	
	2014	2013
	As restated	
Equity securities	52%	53%
Debt securities	40%	39%
Real estate	2%	2%
Other	6%	6%
Total	100%	100%

We use a building block approach in estimating the long-term rate of return for plan assets. Historical returns are determined by asset class. The historical relationships between equities, fixed income and other asset classes are reviewed. We apply long-term asset return estimates to the plan's target asset allocation to determine the weighted-average long-term return. The company applied a consistent approach to the determination of the expected rate of return on plan assets in 2015. The expected rate of return for 2015 is 7.5% for the employee pension plan. Our long-term asset allocation was determined through modeling long-term returns and asset return volatilities. The allocation reflects proper diversification and was reviewed against other corporate pension plans for reasonability and appropriateness.

We use a December 31 measurement date for our pension and other post-employment benefits.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

16. Employee Benefit Plans and Employment Agreements (continued)

Obligations Related to the Employee Pension Plan

The following tables set forth a reconciliation of beginning and ending balances of the fair value of plan assets, benefit obligation as well as the funded status of the Company's defined benefit pension plans for the years ended December 31, 2014, 2013 and 2012.

Changes in Plan Assets and Benefit Obligations:

(\$ in millions)

	Employee Plan		
	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Plans' Assets			
Plan assets, beginning of period	\$ 516.5	\$ 475.8	\$ 437.6
Plan assets' actual return	47.8	64.9	55.4
Employer contributions	11.8	11.4	18.2
Plan disbursements	(35.7)	(35.6)	(35.4)
Plans' assets, end of period	\$ 540.4	\$ 516.5	\$ 475.8
Plans' Projected Benefit Obligation			
Projected benefit obligation, beginning of period	\$ (638.5)	\$ (694.8)	\$ (646.3)
Service and interest cost accrual	(32.4)	(29.1)	(29.6)
Actuarial gain (loss)	(79.7)	49.8	(54.3)
Plan disbursements	35.7	35.6	35.4
Plan amendments	—	—	—
Projected benefit obligation, end of period	\$ (714.9)	\$ (638.5)	\$ (694.8)
Plan assets less than projected benefit obligations, end of period	\$ (174.5)	\$ (122.0)	\$ (219.0)
Accumulated benefit obligation	\$ (714.9)	\$ (638.5)	\$ (694.8)

Amounts Recognized in Consolidated Balance Sheets:

(\$ in millions)

	Employee Plan	
	Years Ended December 31,	
	2014	2013
		As restated
Pension and post-employment liabilities	\$ (174.5)	\$ (122.0)

Changes recognized in Other Comprehensive Income (Loss) were as follows:

(\$ in millions)

	Employee Plan		
	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ 172.6	\$ 258.9	\$ 234.8
Deferrals for the period – net actuarial loss / (gain)	69.7	(77.7)	32.0
Amortization for the period – net actuarial loss / (gain)	(5.9)	(8.6)	(7.9)
Balance, end of period	\$ 236.4	\$ 172.6	\$ 258.9

Amounts in Accumulated Other Comprehensive Income (Loss) that are expected to be recognized as components of Net Periodic Cost (Credit) during the next fiscal year are as follows:

(\$ in millions)

	Employee Plan
Prior service (credit) cost	\$ —

Net actuarial loss

7.8

Total

7.8

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

16. Employee Benefit Plans and Employment Agreements (continued)

Components of Pension Benefit Expense:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Service cost	\$ 2.3	\$ 2.1	\$ 0.9
Interest cost	30.1	27.0	28.7
Plan assets expected return	(37.5)	(36.1)	(34.2)
Net loss amortization	5.9	8.6	7.9
Prior service cost amortization	—	—	—
Pension benefit expense	\$ 0.8	\$ 1.6	\$ 3.3

Funding Status of Employee Pension Plan

The employee pension plan is a qualified plan that is funded with assets held in a trust. It is the Company's practice to make contributions to the qualified pension plan at least sufficient to avoid benefit restrictions under funding requirements of the Pension Protection Act of 2006. This generally requires the Company to maintain assets that are at least 80% of the plan's liabilities as calculated under the applicable regulations at the end of the prior year. Under these regulations, the qualified pension plan is currently funded above 80% of the funding target liabilities as of December 31, 2014.

The funded status of the qualified pension plan based on the projected benefit obligations for the years ended December 31, 2014 and 2013 are summarized in the following table:

Qualified Employee Pension Plan Funded Status:

(\$ in millions)

	As of December 31,	
	2014	2013
		As restated
Plan assets, end of period	\$ 540.4	\$ 516.5
Projected benefit obligation, end of period	(714.9)	(638.5)
Plan assets less than projected benefit obligations, end of period	\$ (174.5)	\$ (122.0)

To meet the above funding objectives, we made contributions to the pension plan totaling \$11.8 million and \$11.4 million during 2014 and 2013, respectively. On August 8, 2014, the Highway and Transportation Funding Act of 2014 was enacted into law, effective immediately. The law extends certain pension funding provisions originally included in the Moving Ahead for Progress in the 21st Century Act (MAP-21). The Company took advantage of this in September of 2014, which resulted in the Company not making any further contributions for the remainder of 2014. We expect to make no contributions over the next 12 months.

Fair Value Measurement—Employee Pension Plan Assets

See Note 13 to these consolidated financial statements for a discussion of the methods employed by us to measure the fair value of invested assets. The following discussion of fair value measurements applies exclusively to our employee pension plan assets.

The estimated fair value of U.S. Treasury and equity securities are included in the amount disclosed in Level 1 as the estimates are based on quoted market prices. For fixed income instruments held by the plan for which quoted market prices are not available, we estimate fair value by discounting debt security cash flows to reflect interest rates currently being offered on similar terms to borrowers of similar credit quality or by quoted market prices of comparable instruments. Accordingly, the estimates of fair value for our fixed income and state and municipal securities are included in the amount disclosed in Level 2 of the hierarchy.

The valuation of the limited partnerships and real estate investments is based upon the capital value we obtain from the financial statements we receive from the general partner which is deemed an appropriate approximation of the fair value as described in Note 13. These significant valuation inputs are unobservable and these investments are classified as Level 3.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

16. Employee Benefit Plans and Employment Agreements (continued)

The following table presents the level within the fair value hierarchy at which the financial assets of the Company's employee pension plan are measured on a recurring basis at December 31, 2014.

Fair Value of Assets by Type and Level: (<i>\$ in millions</i>)	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Mercer Group Trust	\$ —	\$ 464.0	\$ —	\$ 464.0
Virtus Real Estate Securities Trust	—	14.3	—	14.3
Limited partnerships and real estate investments	—	—	57.6	57.6
Total assets at fair value [1]	\$ —	\$ 478.3	\$ 57.6	\$ 535.9

[1] Excludes \$1.3 million in cash and cash equivalents and money market funds.

The following table presents the level within the fair value hierarchy at which the financial assets of the Company's employee pension plan are measured on a recurring basis at December 31, 2013.

Fair Value of Assets by Type and Level: (<i>\$ in millions</i>)	As of December 31, 2013, as restated			
	Level 1	Level 2	Level 3	Total
Mercer Group Trust	\$ —	\$ 446.7	\$ —	\$ 446.7
Virtus Real Estate Securities Trust	—	10.8	—	10.8
Limited partnerships and real estate investments	—	—	55.3	55.3
Total assets at fair value [1]	\$ —	\$ 457.5	\$ 55.3	\$ 512.8

[1] Excludes \$0.8 million in cash and cash equivalents and money market funds.

Level 3 Financial Assets - Pension: (<i>\$ in millions</i>)	Limited Partnerships	
	For the years ended December 31,	
	2014	2013
Balance, beginning of period	\$ 55.3	\$ 50.1
Purchases	3.4	4.2
Sales	(4.2)	(8.1)
Net appreciation on partnerships	3.1	9.1
Balance, end of period	\$ 57.6	\$ 55.3

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

16. Employee Benefit Plans and Employment Agreements (continued)

Supplemental Plans

The Company also has two supplemental plans that provide benefits to certain executives in excess of the primary plan. These plans are unfunded and represent general obligations of the Company. We fund periodic benefit payments under these plans from cash flow from operations as they become due.

The following tables set forth a reconciliation of beginning and ending balances of the projected benefit obligation of the Company's supplemental plans for the years ended December 31, 2014, 2013 and 2012.

Changes in Benefit Obligations:

(\$ in millions)

	Supplemental Plan		
	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Plans' Projected Benefit Obligation			
Projected benefit obligation, beginning of period	\$ (137.4)	\$ (150.9)	\$ (141.9)
Interest cost	(6.4)	(5.6)	(6.1)
Actuarial gain (loss)	(18.6)	10.8	(12.7)
Plan disbursements	8.7	8.3	9.8
Plan amendments	—	—	—
Projected benefit obligation, end of period	\$ (153.7)	\$ (137.4)	\$ (150.9)
Plan assets less than projected benefit obligations, end of period	\$ (153.7)	\$ (137.4)	\$ (150.9)
Accumulated benefit obligation	\$ 153.7	\$ 137.4	\$ 150.9

Amounts Recognized in Consolidated Balance Sheets:

(\$ in millions)

	Supplemental Plan	
	For the years ended December 31,	
	2014	2013
		As restated
Pension and post-employment liabilities	\$ (153.7)	\$ (137.4)

Changes recognized in Other Comprehensive Income (Loss) were as follows:

(\$ in millions)

	Supplemental Plan		
	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ 63.5	\$ 77.2	\$ 66.9
Deferrals for the period – net actuarial loss / (gain)	18.6	(10.8)	12.7
Amortization for the period – net actuarial loss / (gain)	(2.6)	(2.9)	(2.4)
Balance, end of period	\$ 79.5	\$ 63.5	\$ 77.2

Amounts in Accumulated Other Comprehensive Income (Loss) that are expected to be recognized as components of Net Periodic Cost (Credit) during the next fiscal year are as follows:

(\$ in millions)

	Supplemental Plan
Prior service (credit) cost	\$ —
Net actuarial loss	3.0
Total	\$ 3.0

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

16. Employee Benefit Plans and Employment Agreements (continued)

Components of Supplemental Plan Benefit Expense:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Service cost	\$ —	\$ —	\$ —
Interest cost	6.4	5.6	6.1
Plan assets expected return	—	—	—
Net loss amortization	2.6	2.9	2.4
Prior service cost amortization	—	—	—
Supplemental plan benefit expense	\$ 9.0	\$ 8.5	\$ 8.5

Other Post-Employment Benefits

We have historically provided our employees with other post-employment benefits that include health care and life insurance. In December 2009, we announced the decision to eliminate retiree medical coverage for active employees whose age plus years of service did not equal at least 65 as of March 31, 2010. Employees who remain eligible must still meet certain other defined criteria to receive benefits.

In addition, the cap on the Company's contribution of retiree medical costs for retirees under the age of 65 was reduced beginning with the 2011 plan year. In October 2012, we announced that effective January 1, 2013, the Company's contribution for pre-65 retiree medical and for post-65 retiree medical was reduced per covered member. These decisions affected retiree medical contributions for both past service and active employees. Curtailments and plan amendments were recognized as a result of the plan changes.

This decision affected benefits attributed to past service for employees that were not grandfathered into retiree medical coverage as well as the expected years of future service for the reduction in the cap for retiree medical costs. Both a negative plan amendment and curtailment were recognized as a result of the plan changes.

Components of post-employment Benefit Expense:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Service cost	\$ 0.1	\$ 0.2	\$ 0.3
Interest cost	1.4	1.3	1.8
Net gain amortization	(0.3)	—	(0.2)
Prior service cost amortization	(1.1)	(1.2)	(1.6)
Other post-employment benefit expense	\$ 0.1	\$ 0.3	\$ 0.3

Changes in Plan Accumulated Benefit Obligation:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Balance, beginning of period	\$ (36.5)	\$ (40.6)	\$ (59.6)
Service and interest cost accrued	(1.5)	(1.5)	(2.1)
Actuarial gain (loss)	0.7	2.2	3.9
Plan disbursements	3.9	3.4	5.3
Plan amendments	—	—	11.9
Balance, end of period	\$ (33.4)	\$ (36.5)	\$ (40.6)

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

16. Employee Benefit Plans and Employment Agreements (continued)

Amounts Recognized in Consolidated Balance Sheets:

(\$ in millions)

	As of December 31,	
	2014	2013
	As restated	
Pension and post-employment liabilities	\$ (33.4)	\$ (36.5)

Changes recognized in Other Comprehensive Income (Loss) were as follows:

(\$ in millions)

	Other Post-Employment Benefits		
	For the years ended December 31,		
	2014	2013	2012
	As restated		As revised
Balance, beginning of period	\$ (6.5)	\$ (4.3)	\$ (0.6)
Deferrals for the period – net actuarial loss / (gain)	(0.7)	(2.2)	(3.9)
Amortization for the period – net actuarial loss / (gain)	0.3	—	0.2
Subtotal, end of period	(6.9)	(6.5)	(4.3)
Balance, beginning of period	(10.8)	(12.0)	(1.7)
Deferrals for prior service cost / (credit)	—	—	(11.9)
Amortization for prior service cost / (credit)	1.1	1.2	1.6
Subtotal, end of period	(9.7)	(10.8)	(12.0)
Balance, end of period	\$ (16.6)	\$ (17.3)	\$ (16.3)

The post-employment benefit plan is unfunded and had accumulated post-employment benefit obligations of \$33.4 million and \$36.5 million as of December 31, 2014 and 2013, respectively. We fund periodic benefit payments under this plan from cash flows from operations as they become due.

Gain amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic post-employment credits for the next fiscal year are \$1.4 million, all of which relate to prior service cost.

Employment Agreements and Restructuring Expense

We have entered into agreements with certain key executives of the Company that will, in certain circumstances, provide separation benefits upon the termination of the executive's employment by the Company for reasons other than death, disability, cause or retirement, or by the executive for "good reason," as defined in the agreements. The agreements provide this protection only if the termination occurs following (or is effectively connected with) the occurrence of a change of control, as defined in the agreements. As soon as reasonably possible upon a change in control, as so defined, we are required to make an irrevocable contribution to a trust in an amount sufficient to pay benefits due under these agreements.

401(k) Plan

The Company's employees are eligible to participate in a 401(k) plan. Under this plan, employees may contribute up to 60% of eligible base salary, and then the Company matches up to 6% of an employee's contributions at certain percentage levels. Certain employees can elect to defer a certain percentage of their base pay into the Company's Non-Qualified Excess Investment Plan and receive a Company match based upon the same formula in our 401(k) plan. All balances under this plan are unfunded general obligations of the Company, which the Company hedges by making contributions to a trust subject to the claims of our creditors in certain circumstances. Expense recognized related to the 401(k) plan was \$4.3 million, \$4.0 million and \$3.4 million in 2014, 2013 and 2012, respectively.

Effective April 1, 2010, employees of the Company (except Saybrus employees) are eligible to receive an annual employer discretionary contribution according to the 401(k) plan terms.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

16. Employee Benefit Plans and Employment Agreements (continued)

Additional Retirement Benefits

We have agreements with certain of our employees that provide for additional retirement benefits. As of December 31, 2014 and 2013, the estimated liability for these agreements was \$18.1 million and \$16.9 million, respectively. We fund periodic benefit payments under this plan from cash flows from operations as they become due.

17. Share-Based Payments

We provide share-based compensation to certain of our employees and non-employee directors, as further described below. The compensation cost that has been charged against income for these plans is summarized in the following table:

Share-Based Compensation Plans:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Compensation cost charged to income from continuing operations	\$ 3.0	\$ 4.6	\$ 2.6
Income tax expense (benefit) before valuation allowance	\$ (1.0)	\$ (1.6)	\$ (0.9)

We did not capitalize any cost of stock-based compensation during the three years ended December 31, 2014.

Stock options

Each option, once vested, entitles the holder to purchase one share of our common stock. The employees' options vest over a three-year period while the directors' options vest immediately. Once vested, options become exercisable. For stock options awarded, we recognize expense over the vesting period equal to their fair value at issuance. We calculate the fair value of options using the Black-Scholes option valuation model. The Stock Incentive Plan authorizes the issuance to officers and employees of up to that number of options equal to 5% of the total number of common stock shares outstanding immediately after the initial public offering in June 2001, or approximately 262,500 shares, plus an additional 1%, or approximately 52,500 shares, for officers and employees, less the number of share options issuable under the Directors' Stock Plan. The Directors' Stock Plan authorizes the issuance to non-employee directors of up to that number of options equal to 0.5%, or approximately 26,250 shares, of the total number of common stock shares outstanding immediately after the initial public offering in June 2001, plus 25,000 shares, bringing the total to approximately 51,250 shares.

Key Assumptions Used in Option Valuation:

	For the years ended December 31,		
	2014	2013	2012
Expected term [1]	N/A	N/A	10 years
Weighted-average expected volatility			37.7%
Weighted-average interest rate			1.9%
Weighted-average common share dividend yield			—%

[1] Insufficient historical share option exercise experience exists. Therefore, a simplified method for estimating a stock option term was used.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

17. Share-Based Payments (continued)

A summary of the stock option activity as of and for the year ended December 31, 2014 is as follows:

Summary of Stock Option Activity: [1]

(\$ in millions, except share data)

	For the years ended December 31, 2014			
	Common Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of period	\$ 77,069	\$ 186.95	1.09	\$ 0.40
Granted	—	—	0.00	—
Exercised	(1,472)	30.46	0.00	—
Forfeited	(24,702)	198.75	0.00	—
Canceled/expired	(528)	30.46	0.00	—
Outstanding, end of period	\$ 50,367	\$ 187.38	2.52	\$ 0.10
Vested and exercisable, end of period	\$ 50,367	\$ 187.38	2.52	\$ 0.10

[1] All share amounts for all periods reflect the 1-for-20 reverse stock split, which was effective August 10, 2012. See Note 10 to these consolidated financial statements for additional information on the reverse stock split.

Weighted-Average Fair Value: [1]

	For the years ended December 31,					
	2014		2013, as restated		2012, as revised	
	Common Shares	Grant Date Fair Value	Common Shares	Grant Date Fair Value	Common Shares	Grant Date Fair Value
Options granted	—	\$ —	—	\$ —	2,053	\$ 9.03

[1] All share amounts for all periods reflect the 1-for-20 reverse stock split, which was effective August 10, 2012. See Note 10 to these consolidated financial statements for additional information on the reverse stock split.

There were 1,472, 0 and 250 options exercised for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, there were no unrecognized compensation costs related to non-vested stock options.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

17. Share-Based Payments (continued)

Restricted stock units and Restricted stock

We have RSU plans under which we grant RSUs to employees and non-employee directors. RSUs granted to employees are performance-vested, time-vested or a combination thereof. Each RSU, once vested, entitles the holder to one share of our common stock when the restriction expires. We recognize compensation expense over the vesting period of the RSUs, which is generally three years for each award.

A summary of the RSU activity as of and for the year ended December 31, 2014 is as follows:

Summary of RSU Activity: [1]

	For the years ended December 31, 2014			
	Time-Vested		Performance-Contingent	
	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value
Outstanding, beginning of period	86,780	\$ 47.92	17,024	\$ 55.07
Awarded	13,063	55.81	—	—
Adjustment for performance results	—	—	—	—
Conversion of performance-contingent awards	—	—	—	—
Converted to common shares	(3,756)	41.39	(16,072)	55.07
Forfeited	—	—	(952)	55.07
Outstanding, end of period	96,087	\$ 49.25	—	\$ —

[1] All share amounts for all periods reflect the 1-for-20 reverse stock split, which was effective August 10, 2012. See Note 10 to these consolidated financial statements for additional information on the reverse stock split.

The shares underlying these awards will be issued upon vesting unless the participant elects to defer receipt. Deferred awards will be issued on each employee's and each director's respective termination or retirement. We issue new shares to satisfy RSU conversions.

RSUs Awarded: [1]

	For the years ended December 31,					
	2014		2013, as restated		2012, as revised	
	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value	Number	Weighted-Average Grant Date Fair Value
Time-vested RSUs awarded	13,063	\$ 55.81	18,251	\$ 33.76	16,497	\$ 26.95
Performance-contingent RSUs awarded	—	\$ —	—	\$ —	—	\$ —

[1] All share amounts for all periods reflect the 1-for-20 reverse stock split, which was effective August 10, 2012. See Note 10 to these consolidated financial statements for additional information on the reverse stock split.

RSU Values:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Intrinsic value of RSUs converted	\$ 0.2	\$ 2.3	\$ 0.1
Total grant date fair value of RSUs vested converted to common shares	\$ 0.2	\$ 3.6	\$ 0.2

As of December 31, 2014, there were no unrecognized compensation costs related to service-vested RSU awards.

There are no RSUs subject to future issuance based on the achievement of market criteria established under certain of our incentive plans.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

17. Share-Based Payments (continued)**Liability Awards**

The Company has issued cash-settled awards with payouts linked to the performance of the Company's stock to certain employees and executive officers. Each recipient is granted a base cash payout that is adjusted according to a formula that integrates the current stock price and the achievement of certain other Company performance criteria. Cash-settled awards are recorded as liabilities and remeasured at the end of each reporting period until final payout is made. Unlike stock-settled awards, which have a fixed grant date fair value, the fair value of the unsettled liability awards are remeasured based upon an updated calculation of the fair value of the award given changes in the criteria noted above.

The Company issues awards that are intended to be settled in cash. As of December 31, 2014 and 2013, a liability of \$1.4 million and \$4.7 million, respectively was accrued for these awards. Cash payments of \$4.7 million and \$0 were made related to these awards for the years ended December 31, 2014 and 2013, respectively.

18. Earnings Per Share

The following table presents a reconciliation of shares used in calculating basic earnings (loss) per common share to those used in calculating diluted earnings (loss) per common share.

Shares Used in Calculation of Earnings Per Share: [1]*(shares in thousands)*

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Weighted-average common shares outstanding	5,748	5,735	5,770
Weighted-average effect of dilutive potential common shares:			
Restricted stock units	5	27	75
Employee stock options	2	2	1
Potential common shares	7	29	76
Less: Potential common shares excluded from calculation due to net losses	(7)	—	(76)
Dilutive potential common shares	—	29	—
Weighted-average common shares outstanding, including dilutive potential common shares	5,748	5,764	5,770

[1] All share amounts for all periods reflect the 1-for-20 reverse stock split, which was effective August 10, 2012. See Note 10 to these consolidated financial statements for additional information on the reverse stock split.

As a result of the net loss from continuing operations for the years ended December 31, 2014 and 2012, we are required to use basic weighted average common shares outstanding in the calculation of diluted earnings per share for those periods, since the inclusion of shares of restricted stock units and options would have been anti-dilutive to the earnings per share calculation. During 2013 we reported net income from continuing operations and included all potentially dilutive common shares in the calculation of diluted earnings per share.

On August 10, 2012, a 1-for-20 reverse stock split became effective and an odd lot program was subsequently instituted following the 1-for-20 reverse stock split. The odd lot program terminated as of October 26, 2012.

The reverse stock split reduced the shares of common stock outstanding from approximately 116.0 million to approximately 5.8 million. All weighted-average common shares outstanding for the years ended December 31, 2014, 2013 and 2012, respectively, have been adjusted to reflect the 1-for-20 reverse stock split. See Note 10 to these consolidated financial statements for additional information on the reverse stock split.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

19. Segment Information

In managing our business, we analyze segment performance on the basis of operating income. Operating income, as well as components of and financial measures derived from operating income, are non-U.S. GAAP financial measures.

Management believes that these measures provide additional insight into the underlying trends in our operations and are the internal performance measures we use in the management of our operations, including our compensation plans and planning processes. However, our non-U.S. GAAP financial measures should not be considered as substitutes for net income or measures that are derived from or incorporate net income and may be different from similarly titled measures of other companies. Investors should evaluate both U.S. GAAP and non-U.S. GAAP financial measures when reviewing our performance. Operating income is calculated by excluding realized investment gains (losses) as their amount and timing may be subject to management's investment decisions.

Segment Information on Revenues:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Life and Annuity [1]	\$ 1,640.8	\$ 1,689.6	\$ 1,769.1
Saybrus Partners [2]	37.5	26.8	22.9
Less: Intercompany revenues [3]	11.4	8.8	10.8
Total revenues	\$ 1,666.9	\$ 1,707.6	\$ 1,781.2

[1] Includes intercompany interest revenue of \$0.1 million, \$0.4 million and \$0.6 million for the years ended December 31, 2014, 2013 and 2012.

[2] Includes intercompany commission revenue of \$11.5 million, \$9.2 million and \$11.4 million for the years ended December 31, 2014, 2013 and 2012.

[3] All intercompany balances are eliminated in consolidating the financial statements.

Life and Annuity derives revenue from premiums, fee income and COI charges and net investment income. Saybrus derives revenue primarily from fees collected for advisory and distribution services.

Results of Operations by Segment as Reconciled to Consolidated Net Income (Loss):

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Life and Annuity operating income (loss)	\$ (160.2)	\$ 19.0	\$ (151.2)
Saybrus Partners operating income (loss)	6.2	3.1	2.6
Less: Applicable income tax expense (benefit)	10.5	8.5	(4.7)
Income (loss) from discontinued operations, net of income taxes	(3.5)	(2.9)	(15.6)
Net realized investment gains (losses)	(41.2)	16.0	(16.8)
Gain on debt repurchase	—	—	11.9
Less: Net income (loss) attributable to noncontrolling interests	4.0	0.7	0.6
Net income (loss)	\$ (213.2)	\$ 26.0	\$ (165.0)

We have not provided asset information for the segments. The assets attributable to Saybrus are not significant relative to the assets of our consolidated balance sheets and are not utilized by the chief operating decision maker. All third-party interest revenue and interest expense of the Company reside within the Life and Annuity segment.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

20. Discontinued Operations

PFG Holdings, Inc.

On January 4, 2010, we signed a definitive agreement to sell PFG and its subsidiaries, including AGL Life Assurance Company, to Tiptree. Because of the divestiture, these operations are reflected as discontinued operations. On June 23, 2010, we completed the divestiture of PFG and closed the transaction.

The definitive agreement contains a provision requiring us to indemnify Tiptree for any losses due to actions resulting from certain specified acts or omissions associated with the divested business prior to closing. There has been litigation filed that falls within this provision of the agreement but does not name the Company as a party to the litigation. We intend to defend these matters vigorously based on our indemnity commitment.

There were no assets or liabilities on the consolidated balance sheets identified as discontinued operations related to PFG at December 31, 2014 and 2013.

During the years ended December 31, 2014, 2013 and 2012, net losses recognized for discontinued operations were \$0.1 million, \$1.0 million and \$5.7 million, respectively, and primarily related to the indemnification of Tiptree.

Discontinued Reinsurance Operations

In 1999, we discontinued our reinsurance operations through a combination of sale, reinsurance and placement of certain retained group accident and health reinsurance business into run-off. We adopted a formal plan to stop writing new contracts covering these risks and to end the existing contracts as soon as those contracts would permit. However, we remain liable for claims under contracts which have not been commuted.

We have established reserves for claims and related expenses that we expect to pay on our discontinued group accident and health reinsurance business. These reserves are based on currently known facts and estimates about, among other things, the amount of insured losses and expenses that we believe we will pay, the period over which they will be paid, the amount of reinsurance we believe we will collect from our retrocessionaires and the likely legal and administrative costs of winding down the business. Our total policy liabilities and accruals were \$39.3 million and \$44.1 million as of December 31, 2014 and 2013, respectively. Our total amounts recoverable from retrocessionaires related to paid losses were \$0.1 million and \$0.1 million as of December 31, 2014 and 2013, respectively. Losses of \$3.4 million in 2014, \$1.9 million in 2013 and \$9.9 million in 2012 were recognized primarily related to adverse developments which occurred during these respective years. See Note 23 to these consolidated financial statements for additional discussion on remaining liabilities of our discontinued reinsurance operations.

21. Phoenix Life Statutory Financial Information and Regulatory Matters

Our insurance subsidiaries are required to file, with state regulatory authorities, annual statements prepared on an accounting basis prescribed or permitted by such authorities.

As of December 31, 2014, statutory surplus differs from equity reported in accordance with U.S. GAAP for life insurance companies primarily as follows:

- policy acquisition costs are expensed when incurred;
- surplus notes are included in surplus rather than debt;
- post-employment benefit expense allocated to Phoenix Life relate only to vested participants and expense is based on different assumptions and reflect a different method of adoption;
- life insurance reserves are based on different assumptions; and
- deferred tax assets are limited to amounts reversing in a specified period with an additional limitation based upon 10% or 15% of statutory surplus, dependent on meeting certain risk-based capital (“RBC”) thresholds.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

21. Phoenix Life Statutory Financial Information and Regulatory Matters (continued)

The information below is taken from the Phoenix Life annual statement filed with state regulatory authorities.

Statutory Financial Data for Phoenix Life: [1] (\$ in millions)	As of or for the years ended December 31,		
	2014	2013	2012
Statutory capital, surplus and surplus notes	\$ 609.2	\$ 597.0	\$ 793.6
Asset valuation reserve ("AVR")	143.0	138.2	128.9
Statutory capital, surplus and AVR [2]	\$ 752.2	\$ 735.2	\$ 922.5
Statutory net gain (loss) from operations	\$ 116.2	\$ 79.8	\$ 160.5
Statutory net income (loss)	\$ 132.5	\$ (21.0)	\$ 156.2

[1] Amounts in statements filed with state regulatory authorities may differ from audited financial statements.

[2] Includes all life insurance subsidiaries in consolidation.

Phoenix Life's statutory basis capital and surplus (including AVR) increased from \$735.2 million at December 31, 2013 to \$752.2 million at December 31, 2014. The principal factors of the change were net income of \$132.5 million offset by \$58.9 million of life subsidiary unrealized losses and \$56.0 million of dividends declared during 2014.

New York Insurance Law requires that New York life insurers report their RBC. RBC is based on a formula calculated by applying factors to various assets, premium and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk. New York Insurance Law gives the NYDFS explicit regulatory authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not exceed certain RBC levels. Each of the U.S. insurance subsidiaries of Phoenix Life is also subject to these same RBC requirements. As of December 31, 2014 and 2013, Phoenix Life's RBC was in excess of 300% of Company Action Level (the level where a life insurance enterprise must submit a comprehensive plan to state insurance regulators) and each of its U.S. insurance subsidiaries was in excess of 200%.

Our primary sources of liquidity are dividends from Phoenix Life. Under New York Insurance Law, Phoenix Life is permitted to pay stockholder dividends in any calendar year without prior approval from the NYDFS in the amount of the lesser of 10% of Phoenix Life's surplus to policyholders as of the immediately preceding calendar year or Phoenix Life's statutory net gain from operations for the immediately preceding calendar year, not including realized capital gains. Based on this calculation, Phoenix Life would be able to pay a dividend of \$59.9 million in 2015. During the year ended December 31, 2014, Phoenix Life declared \$56.0 million in dividends. In assessing our ability to pay dividends from Phoenix Life, we also consider the level of statutory capital and RBC of that entity. Phoenix Life may have less flexibility to pay dividends to the parent company if we experience declines in either statutory capital or RBC in the future. As of December 31, 2014, we had \$752.2 million of statutory capital, surplus and AVR.

22. Premises and Equipment

Premises and equipment are included in other assets in our consolidated balance sheets.

Cost and Carrying Value of Premises and Equipment: (\$ in millions)	As of December 31,			
	2014		2013, as restated	
	Cost	Carrying Value	Cost	Carrying Value
Real estate	\$ 99.8	\$ 32.6	\$ 99.3	\$ 33.6
Equipment and software	73.8	12.2	72.6	12.2
Leasehold improvements	0.4	0.2	0.4	0.2
Premises and equipment cost and carrying value	174.0	\$ 45.0	172.3	\$ 46.0
Accumulated depreciation and amortization	(129.0)		(126.3)	
Premises and equipment	\$ 45.0		\$ 46.0	

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

22. Premises and Equipment (continued)

Depreciation and amortization expense for premises and equipment for 2014, 2013 and 2012 totaled \$6.0 million, \$8.2 million and \$12.0 million, respectively.

Rental expenses for operating leases, principally with respect to buildings, amounted to \$0.6 million, \$0.6 million and \$0.9 million in 2014, 2013 and 2012, respectively. Future minimum rental payments under non-cancelable operating leases were \$5.9 million as of December 31, 2014, payable as follows: in 2015, \$0.8 million; in 2016, \$0.8 million; in 2017, \$0.8 million; in 2018, \$0.8 million; in 2019, \$0.5 million and thereafter, \$2.2 million. All future obligations for leased property of our discontinued operations were assumed by the buyer upon the completion of the sale on June 23, 2010. See Note 20 to these consolidated financial statements for additional information.

23. Contingent Liabilities

Litigation and arbitration

The Company is regularly involved in litigation and arbitration, both as a defendant and as a plaintiff. The litigation and arbitration naming the Company as a defendant ordinarily involves our activities as an insurer, employer, investor, investment advisor or taxpayer.

It is not feasible to predict or determine the ultimate outcome of all legal or arbitration proceedings or to provide reasonable ranges of potential losses. Management of the Company believes that the outcome of our litigation and arbitration matters are not likely, either individually or in the aggregate, to have a material adverse effect on the financial condition of the Company. However, given the large or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation and arbitration, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the results of operations or cash flows in particular quarterly or annual periods.

SEC Cease-and-Desist Order

Phoenix and PHL Variable are subject to a Securities and Exchange Commission (the “SEC”) Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order, which was approved by the SEC in March 2014 (the “March 2014 Order”) and was subsequently amended by an amended SEC administrative order approved by the SEC in August 2014 (the March 2014 Order, as amended, the “Amended Order”). The Amended Order and the March 2014 Order (collectively, the “Orders”), directed Phoenix and PHL Variable to cease and desist from committing or causing any violations and any future violations of Section 13(a) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder and Section 15(d) of the Exchange Act and Rules 15d-1 and 15d-13 thereunder. Phoenix and PHL Variable remain subject to these obligations. Pursuant to the Orders, Phoenix and PHL Variable were required to file certain periodic SEC reports in accordance with the timetables set forth in the Orders. All of such filings have been made. Phoenix and PHL Variable paid civil monetary penalties to the SEC in the aggregate amount of \$1.1 million pursuant to the terms of the Orders.

Cases Brought by Policy Investors

On June 5, 2012, Wilmington Savings Fund Society, FSB, as successor in interest to Christiana Bank & Trust Company and as trustee of 60 unnamed trusts, filed suit against Phoenix, Phoenix Life and PHL Variable in the United States District Court for the Central District of California; the case was later transferred to the District of Delaware (C.A. No. 13-499-RGA) by order dated March 28, 2013. After the plaintiffs twice amended their complaint, and dropped Phoenix as a defendant and dropped one of the plaintiff Trusts, the court issued an order on April 9, 2014 dismissing seven of the ten counts, and partially dismissing two more, with prejudice. The court dismissed claims alleging that Phoenix Life and PHL Variable committed RICO violations and fraud by continuing to collect premiums while concealing an intent to later deny death claims. The claims that remain in the case seek a declaration that the policies at issue are valid, and damages relating to cost of insurance increases. This case has been settled, and the settlement does not have a material impact on Phoenix’s financial statements.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

23. Contingent Liabilities (continued)

On August 2, 2012, Lima LS PLC filed a complaint against Phoenix, Phoenix Life, PHL Variable, James D. Wehr, Philip K. Polkinghorn, Edward W. Cassidy, Dona D. Young and other unnamed defendants in the United States District Court for the District of Connecticut (Case No. CV12-01122). On July 1, 2013, the defendants' motion to dismiss the complaint was granted in part and denied in part. Thereafter, on July 31, 2013, the plaintiff served an amended complaint against the same defendants, with the exception that Mr. Cassidy was dropped as a defendant. The plaintiffs allege that Phoenix Life promoted certain policy sales knowing that the policies would ultimately be owned by investors and then challenging the validity of these policies or denying claims submitted on these policies. Plaintiffs are seeking damages, including punitive and treble damages, attorneys' fees and a declaratory judgment. We believe we have meritorious defenses against this lawsuit and we intend to vigorously defend against these claims. The outcome of this litigation and any potential losses are uncertain.

Cost of Insurance Cases

On November 18, 2011, Martin Fleisher and another plaintiff (the "Fleisher Litigation"), on behalf of themselves and others similarly situated, filed suit against Phoenix Life in the United States District Court for the Southern District of New York (C.A. No. 1:11-cv-08405-CM-JCF (U.S. Dist. Ct; S.D.N.Y.)) challenging COI rate adjustments implemented by Phoenix Life in 2010 and 2011, which Phoenix Life maintains were based on policy language permitting such adjustments. By order dated July 12, 2013, two separate classes were certified in the Fleisher Litigation; by subsequent order dated August 26, 2013, the court decertified one of the classes. The complaint seeks damages for breach of contract. The class certified in the court's July 12, 2013 order, as limited by the court's August 26, 2013 order, is limited to holders of Phoenix Life policies issued in New York subject to New York law and subject to Phoenix Life's 2011 COI rate adjustment. By order dated April 29, 2014, the court denied Martin Fleisher's motion for summary judgment in the Fleisher Litigation in its entirety, while granting in part and denying in part Phoenix Life's motion for summary judgment.

Phoenix Life's subsidiary, PHL Variable, has been named as a defendant in six actions challenging its COI rate adjustments implemented concurrently with the Phoenix Life adjustments. Five cases have been brought against PHL Variable, while one case has been brought against PHL Variable and Phoenix Life. These six cases, only one of which is styled as a class action, have been brought by (1) Tiger Capital LLC (C.A. No. 1:12-cv-02939-CM-JCF; U.S. Dist. Ct; S.D.N.Y., complaint filed on March 14, 2012; the "Tiger Capital Litigation"); (2-5) U.S. Bank National Association, as securities intermediary for Lima Acquisition LP ((2: C.A. No. 1:12-cv-06811-CM-JCF; U.S. Dist. Ct; S.D.N.Y., complaint filed on November 16, 2011; 3: C.A. No. 1:13-cv-01580-CM-JCF; U.S. Dist. Ct; S.D.N.Y., complaint filed on March 8, 2013; collectively, the "U.S. Bank N.Y. Litigations"); (4: C.A. No. 3:14-cv-00555-WWE; U.S. Dist. Ct; D. Conn., complaint originally filed on March 6, 2013, in the District of Delaware and transferred by order dated April 22, 2014, to the District of Connecticut; and 5: C.A. No. 3:14-cv-01398-WWE, U.S. Dist. Ct; D. Conn., complaint filed on September 23, 2014, and amended on October 16, 2014, to add Phoenix Life as a defendant (collectively the "U.S. Bank Conn. Litigations")); and (6) SPRR LLC (C.A. No. 1:14-cv-8714; U.S. Dist. Ct.; S.D.N.Y., complaint filed on October 31, 2014; the "SPRR Litigation"). SPRR LLC filed suit against PHL Variable, on behalf of itself and others similarly situated, challenging COI rate adjustments implemented by PHL Variable in 2011.

The Tiger Capital Litigation and the two U.S. Bank N.Y. Litigations were assigned to the same judge as the Fleisher Litigation, and discovery in these four actions has concluded. By orders in both U.S. Bank N.Y. Litigations dated May 23, 2014, the court denied U.S. Bank's motions for summary judgment in their entirety, while granting in part and denying in part PHL Variable's motions for summary judgment. U.S. Bank moved for reconsideration of the court's summary judgment decisions in the U.S. Bank N.Y. Litigations, which the court denied by orders dated June 4, 2014. By order in the Tiger Capital Litigation dated July 23, 2014, the court denied Tiger Capital's motion for summary judgment in its entirety, while granting in part and denying in part PHL Variable's motion for summary judgment. Plaintiff in the Tiger Capital Litigation seeks damages for breach of contract. Plaintiff in the U.S. Bank N.Y. Litigations and the U.S. Bank Conn. Litigations seeks damages and attorneys' fees for breach of contract and other common law and statutory claims. The plaintiff in the SPRR Litigation seeks damages for breach of contract for a nationwide class of policyholders.

The Fleisher Litigation, the U.S. Bank N.Y. Litigations and the Tiger Capital Litigation are scheduled for consecutive trials commencing on June 15, 2015.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

23. Contingent Liabilities (continued)

Complaints to state insurance departments regarding PHL Variable's COI rate adjustments have also prompted regulatory inquiries or investigations in several states, with two of such states (California and Wisconsin) issuing letters directing PHL Variable to take remedial action in response to complaints by a single policyholder. PHL Variable disagrees with both states' positions. On March 23, 2015, an Administrative Law Judge ("ALJ") in Wisconsin ordered PHL Variable to pay restitution to current and former owners of seven policies and imposed a fine on PHL Variable which, in a total amount, does not have a material impact on PHL Variable's financial position (Office of the Commissioner of Insurance Case No. 13- C35362). PHL Variable disagrees with the ALJ's determination and intends to appeal the order.

Phoenix Life and PHL Variable believe that they have meritorious defenses against all of these lawsuits and regulatory directives and intend to vigorously defend against them, including by appeal if necessary. The outcome of these matters is uncertain and any potential losses cannot be reasonably estimated.

Regulatory matters

State regulatory bodies, the SEC, the Financial Industry Regulatory Authority ("FINRA"), the IRS and other regulatory bodies regularly make inquiries of us and, from time to time, conduct examinations or investigations concerning our compliance with laws and regulations related to, among other things, our insurance and broker-dealer subsidiaries, securities offerings and registered products. We endeavor to respond to such inquiries in an appropriate way and to take corrective action if warranted. Further, the Company is providing to the SEC certain information and documentation regarding the restatement of its prior period financial statements and the staff of the SEC has indicated to the Company that the matter remains subject to further investigation and potential further regulatory action. We cannot predict the outcome of any of such investigations or actions related to these or other matters.

Regulatory actions may be difficult to assess or quantify. The nature and magnitude of their outcomes may remain unknown for substantial periods of time. It is not feasible to predict or determine the ultimate outcome of all pending inquiries, investigations, legal proceedings and other regulatory actions, or to provide reasonable ranges of potential losses. Based on current information, we believe that the outcomes of our regulatory matters are not likely, either individually or in the aggregate, to have a material adverse effect on our consolidated financial condition. However, given the inherent unpredictability of regulatory matters, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our consolidated financial statements in particular quarterly or annual periods.

State Insurance Department Examinations

During 2012 and 2013, the NYDFS conducted its routine quinquennial financial and market conduct examination covering the period ended December 31, 2012 of Phoenix Life. The Connecticut Insurance Department conducted its routine financial examination of PHL Variable, and two other Connecticut-domiciled insurance subsidiaries. The NYDFS issued the final examination portion of its report for Phoenix Life on June 26, 2014. The Connecticut Insurance Department released its financial examination report for PHL Variable on May 28, 2014 and its market conduct examination on December 29, 2014.

Unclaimed Property Inquiries

On July 5, 2011, the NYDFS issued a letter ("308 Letter") requiring life insurers doing business in New York to use data available on the U.S. Social Security Administration's Death Master File or a similar database to identify instances where death benefits under life insurance policies, annuities and retained asset accounts are payable, to locate and pay beneficiaries under such contracts and to report the results of the use of the data. Additionally, the insurers are required to report on their success in finding and making payments to beneficiaries or escheatment of funds deemed abandoned under state laws. We have substantially completed the work associated with this matter and the remaining amount of claim and interest payments to beneficiaries or state(s) has been recorded in policy liabilities and accruals. In addition, 39 states have indicated their intent to perform an unclaimed property audit of funds deemed abandoned under state laws. The audits are in process.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

23. Contingent Liabilities (continued)

Discontinued Reinsurance Operations

In 1999, Phoenix Life discontinued reinsurance operations through a combination of sale, reinsurance and placement of certain retained group accident and health reinsurance business into run-off. A formal plan was adopted to stop writing new contracts covering these risks and to end existing contracts as soon as those contracts would permit. However, Phoenix Life remains subject to claims under contracts that have not been commuted. Certain discontinued group accident and health reinsurance business was the subject of disputes concerning the placement of the business with reinsurers and the recovery of reinsurance. These disputes have been substantially resolved or settled.

We have established reserves for claims and related expenses that we expect to pay on our discontinued group accident and health reinsurance business. These reserves are based on currently known facts and estimates about, among other things, the amount of insured losses and expenses that we believe we will pay, the period over which they will be paid, the amount of reinsurance we believe we will collect from our retrocessionaires and the likely legal and administrative costs of winding down the business.

Phoenix Life expects reserves and reinsurance to cover the run-off of the business; however, unfavorable or favorable claims and/or reinsurance recovery experience are reasonably possible and could result in our recognition of additional losses or gains in future years. Management believes, based on current information and after consideration of the provisions made in these consolidated financial statements, that any future adverse or favorable development of recorded reserves and/or reinsurance recoverables will not have a material adverse effect on its financial position. Nevertheless, it is possible that future developments could have a material adverse effect on our results of operations.

See Note 20 to these consolidated financial statements for additional information regarding discontinued operations.

24. Other Commitments

We have an agreement with HP Enterprise Services related to the management of our infrastructure services which expires in 2015. The remaining commitments total \$14.3 million through 2015.

As part of its normal investment activities, the Company enters into agreements to fund limited partnerships that make debt and equity investments. As of December 31, 2014, the Company had unfunded commitments of \$237.1 million under such agreements, of which \$73.0 million is expected to be funded by December 31, 2015. See Note 8 to these consolidated financial statements for additional information on VIEs.

In addition, the Company enters into agreements to purchase private placement investments. As of December 31, 2014, the Company had open commitments of \$103.3 million under such agreements which are expected to be funded by June 30, 2015.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

25. Condensed Financial Information of The Phoenix Companies, Inc., and Other Supplementary Data

A summary of The Phoenix Companies, Inc. (parent company only) financial information is presented below. See Notes 9 and 16 to these consolidated financial statements for additional information regarding indebtedness and accrued pension and post-employment benefits, respectively.

Parent Company Financial Position:

(\$ in millions)

	As of December 31,	
	2014	2013
		As restated
Assets		
Available-for-sale debt securities, at fair value	\$ 5.1	\$ 10.8
Affiliate securities	30.0	30.0
Short-term investments	49.9	119.9
Fair value investments	23.5	23.2
Cash and cash equivalents	11.2	35.4
Investments in subsidiaries	880.8	989.9
Advances to subsidiaries	—	12.4
Deferred income taxes, net	—	—
Other assets	30.7	6.6
Total assets	\$ 1,031.2	\$ 1,228.2
Liabilities and Stockholders' Equity		
Indebtedness (Note 9)	\$ 268.6	\$ 268.6
Accrued pension and post-employment benefits (Note 16)	380.0	313.1
Due to subsidiaries	7.3	—
Other liabilities	48.7	57.0
Total liabilities	704.6	638.7
Total stockholders' equity	326.6	589.5
Total liabilities and stockholders' equity	\$ 1,031.2	\$ 1,228.2

Parent Company Results of Operations:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Revenues			
Equity in undistributed income (loss) of subsidiaries	\$ (99.0)	\$ 44.1	\$ (149.7)
Investment income	4.5	1.2	0.8
Net realized investment gains (losses)	0.6	3.6	2.0
Total revenues	(93.9)	48.9	(146.9)
Interest expense	20.4	20.4	20.4
Other operating expenses	102.6	70.7	10.2
Total expenses	123.0	91.1	30.6
Income (loss) before income taxes	(216.9)	(42.2)	(177.5)
Income tax expense (benefit)	(3.7)	(68.7)	(12.0)
Income (loss) from continuing operations	(213.2)	26.5	(165.5)
Income (loss) from discontinued operations of subsidiaries	—	(0.5)	0.5
Net income (loss)	\$ (213.2)	\$ 26.0	\$ (165.0)

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

25. Condensed Financial Information of The Phoenix Companies, Inc., and Other Supplementary Data (continued)

Parent Company Cash Flows:

(\$ in millions)

	For the years ended December 31,		
	2014	2013	2012
		As restated	As revised
Operating Activities			
Interest income received	\$ 3.7	\$ 0.9	\$ 1.2
Interest paid	(20.0)	(20.0)	(20.0)
Taxes paid	—	(2.2)	(15.1)
Taxes received	—	3.5	3.4
Payments to/from subsidiaries	(113.4)	52.5	0.8
Other operating activities, net	(13.8)	(14.9)	(0.6)
Cash provided by (used for) operating activities	(143.5)	19.8	(30.3)
Purchases of available-for-sale debt securities	—	(30.0)	(5.0)
Purchases of short-term investments	(589.4)	(579.5)	(264.8)
Sales, repayments and maturities of available-for-sale debt securities	5.0	1.0	27.5
Sales, repayments and maturities of short-term investments	659.4	564.7	173.9
Subsidiary loan payments received	3.3	3.0	4.0
Proceeds from the sale of subsidiary	—	—	1.0
Dividends received from subsidiaries	56.0	74.2	71.8
Capital contributions to subsidiaries	(15.0)	(45.0)	—
Cash provided by (used for) investing activities	119.3	(11.6)	8.4
Treasury stock acquired	—	—	(3.4)
Cash provided by (used for) financing activities	—	—	(3.4)
Change in cash and cash equivalents	(24.2)	8.2	(25.3)
Cash and cash equivalents, beginning of period	35.4	27.2	52.5
Cash and cash equivalents, end of period	\$ 11.2	\$ 35.4	\$ 27.2

Other supplementary data related to investments, insurance information, reinsurance, and valuation and qualifying accounts are presented in various locations within the consolidated financial statements and related notes.

- Investment information including the amortized cost and fair value of investments is provided in Note 8, Investing Activities, and Note 12, Derivative Instruments. The Company's invested assets did not include related party investments as of December 31, 2014.
- The Company manages its business by segregating its operations into two reporting segments: Life and Annuity and Saybrus. All insurance information disclosed within the consolidated balance sheets, the consolidated statements of income and comprehensive income and Note 6, Deferred Policy Acquisition Costs, is applicable to the Life and Annuity segment. Unearned premiums included in policy liabilities and accruals were \$84.8 million, \$93.0 million and \$102.2 million as of December 31, 2014, 2013 and 2012, respectively. Saybrus, the Company's non-insurance segment, had operating expenses of \$31.2 million, \$23.3 million and \$20.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. Saybrus did not have any insurance information or investment income as of, and for the years ended December 31, 2014, 2013 and 2012.
- Information related to reinsurance, including gross, ceded and assumed balances for premiums, policy benefits and life insurance inforce, is provided in Note 4, Reinsurance.
- Information about the valuation allowance established for certain deferred tax assets is provided in Note 14, Income Taxes.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information

The following tables reflect unaudited summarized quarterly financial results during the years ended December 31, 2014 and 2013.

Summarized Selected Quarterly Financial Data:

(\$ in millions, except per share amounts)

	Quarter ended 2014			
	Mar 31,	June 30,	Sept 30,	Dec 31,
	As revised	As restated	As revised	As revised
Revenues	\$ 399.0	\$ 413.1	\$ 414.4	\$ 440.4
Benefits and expenses	\$ 431.4	\$ 454.5	\$ 434.0	\$ 542.2
Income tax expense (benefit)	\$ (4.8)	\$ (19.6)	\$ 2.6	\$ 32.3
Income (loss) from continuing operations	\$ (27.6)	\$ (21.8)	\$ (22.2)	\$ (134.1)
Income (loss) from discontinued operations	\$ (0.6)	\$ (0.6)	\$ (0.3)	\$ (2.0)
Net income (loss)	\$ (28.2)	\$ (22.4)	\$ (22.5)	\$ (136.1)
Less: Net (income) loss attributable to noncontrolling interests	\$ (0.1)	\$ —	\$ (0.1)	\$ 4.2
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (28.1)	\$ (22.4)	\$ (22.4)	\$ (140.3)
Net income (loss) attributable to The Phoenix Companies, Inc. per share:				
Basic	\$ (4.89)	\$ (3.90)	\$ (3.90)	\$ (24.40)
Diluted	\$ (4.89)	\$ (3.90)	\$ (3.90)	\$ (24.40)

Summarized Selected Quarterly Financial Data:

(\$ in millions, except per share amounts)

	Quarter ended 2013			
	Mar 31,	June 30,	Sept 30,	Dec 31,
	As revised	As revised	As revised	As restated
Revenues	\$ 394.8	\$ 419.2	\$ 429.8	\$ 463.8
Benefits and expenses	\$ 459.8	\$ 449.1	\$ 438.9	\$ 321.7
Income tax expense (benefit)	\$ 4.2	\$ (1.2)	\$ 8.7	\$ (3.2)
Income (loss) from continuing operations	\$ (69.2)	\$ (28.7)	\$ (17.8)	\$ 145.3
Income (loss) from discontinued operations	\$ (1.8)	\$ (0.2)	\$ 0.3	\$ (1.2)
Net income (loss)	\$ (71.0)	\$ (28.9)	\$ (17.5)	\$ 144.1
Less: Net income (loss) attributable to noncontrolling interests	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ 1.0

Net income (loss) attributable to The Phoenix Companies, Inc.	\$	(70.9)	\$	(28.8)	\$	(17.4)	\$	143.1
Net income (loss) attributable to The Phoenix Companies, Inc. per share:								
Basic	\$	(12.41)	\$	(5.02)	\$	(3.03)	\$	24.92
Diluted	\$	(12.41)	\$	(5.02)	\$	(3.03)	\$	24.84

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

Quarterly Financial Data	Page
2014 Consolidated Balance Sheet as of:	
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June 30, 2014, as revised	F-111
September 30, 2014, as revised	F-119
2014 Consolidated Statement of Income and Comprehensive Income for the three months ended:	
March 31, 2014, as revised	F-106
June 30, 2014, as restated	F-112
September 30, 2014, as revised	F-120
2014 Consolidated Statement of Income and Comprehensive Income for the period ended:	
June 30, 2014, as revised	F-114
September 30, 2014, as revised	F-122
2014 Consolidated Statement of Cash Flows for the period ended:	
March 31, 2014, as revised	F-108
June 30, 2014, as revised	F-116
September 30, 2014, as revised	F-124
2014 Consolidated Statement of Changes in Stockholders' Equity for the period ended:	
March 31, 2014, as revised	F-110
June 30, 2014, as revised	F-118
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2013 Consolidated Balance Sheet as of:	
March 31, 2013, as revised	F-127
June 30, 2013, as revised	F-133
September 30, 2013, as revised	F-141
2013 Consolidated Statement of Income and Comprehensive Income for the three months ended:	
March 31, 2013, as revised	F-128
June 30, 2013, as revised	F-134
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2013 Consolidated Statement of Income and Comprehensive Income for the period ended:	
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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Balance Sheet As of March 31, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
ASSETS:				
Available-for-sale debt securities, at fair value	\$ 12,002.1	\$ —	\$ (81.4) [1]	\$ 11,920.7
Available-for-sale equity securities, at fair value	64.1	—	79.1 [1]	143.2
Short-term investments	571.0	—	—	571.0
Limited partnerships and other investments	569.5	—	—	569.5
Policy loans, at unpaid principal balances	2,353.7	—	—	2,353.7
Derivative instruments	172.7	—	(12.7)	160.0
Fair value investments	215.2	—	—	215.2
Total investments	15,948.3	—	(15.0)	15,933.3
Cash and cash equivalents	424.5	—	—	424.5
Accrued investment income	176.0	—	—	176.0
Reinsurance recoverable	616.0	(4.3)	(0.1)	611.6
Deferred policy acquisition costs	892.4	7.8	6.7	906.9
Deferred income taxes, net	47.4	—	(1.8)	45.6
Other assets	278.8	—	20.5	299.3
Discontinued operations assets	41.4	—	4.8	46.2
Separate account assets	3,308.0	—	—	3,308.0
Total assets	\$ 21,732.8	\$ 3.5	\$ 15.1	\$ 21,751.4
LIABILITIES:				
Policy liabilities and accruals	\$ 12,425.8	\$ (17.5)	\$ (9.7)	\$ 12,398.6
Policyholder deposit funds	3,540.0	—	15.3	3,555.3
Dividend obligations	819.8	—	(2.2)	817.6
Indebtedness	378.8	—	—	378.8
Pension and post-employment liabilities	309.4	—	(2.8)	306.6
Other liabilities	373.0	—	6.1	379.1
Discontinued operations liabilities	36.7	—	4.8	41.5
Separate account liabilities	3,308.0	—	—	3,308.0
Total liabilities	21,191.5	(17.5)	11.5	21,185.5
STOCKHOLDERS' EQUITY:				
Common stock, \$.01 par value: 5.7 million shares outstanding	0.1	—	—	0.1
Additional paid-in capital	2,633.1	—	—	2,633.1
Accumulated other comprehensive income (loss)	(195.4)	1.1	2.0	(192.3)
Retained earnings (accumulated deficit)	(1,725.4)	19.9	1.6	(1,703.9)
Treasury stock, at cost: 0.7 million shares	(182.9)	—	—	(182.9)
Total The Phoenix Companies, Inc. stockholders' equity	529.5	21.0	3.6	554.1
Noncontrolling interests	11.8	—	—	11.8
Total stockholders' equity	541.3	21.0	3.6	565.9
Total liabilities and stockholders' equity	\$ 21,732.8	\$ 3.5	\$ 15.1	\$ 21,751.4

[1] Included within Other Adjustments is a reclassification of \$79.1 million to reflect perpetual preferred stock securities as available-for-sale equity securities.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statement of Income and Comprehensive Income For the three months ended March 31, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
REVENUES:				
Premiums	\$ 79.6	\$ —	\$ —	\$ 79.6
Fee income	134.8	—	—	134.8
Net investment income	213.5	—	(2.0)	211.5
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	—	—	—	—
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(0.2)	—	—	(0.2)
Net OTTI losses recognized in earnings	(0.2)	—	—	(0.2)
Net realized investment gains (losses), excluding OTTI losses	(25.5)	—	(1.2)	(26.7)
Net realized investment gains (losses)	(25.7)	—	(1.2)	(26.9)
Total revenues	402.2	—	(3.2)	399.0
 BENEFITS AND EXPENSES:				
Policy benefits	236.0	(0.7)	(5.0)	230.3
Policyholder dividends	73.8	—	(1.6)	72.2
Policy acquisition cost amortization	22.4	—	2.2	24.6
Interest expense on indebtedness	7.1	—	—	7.1
Other operating expenses	97.9	—	(0.7)	97.2
Total benefits and expenses	437.2	(0.7)	(5.1)	431.4
Income (loss) from continuing operations before income taxes	(35.0)	0.7	1.9	(32.4)
Income tax expense (benefit)	(3.6)	—	(1.2)	(4.8)
Income (loss) from continuing operations	(31.4)	0.7	3.1	(27.6)
Income (loss) from discontinued operations, net of income taxes	(0.9)	—	0.3	(0.6)
Net income (loss)	(32.3)	0.7	3.4	(28.2)
Less: Net income (loss) attributable to noncontrolling interests	1.0	—	(1.1)	(0.1)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (33.3)	\$ 0.7	\$ 4.5	\$ (28.1)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the three months ended March 31, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (33.3)	\$ 0.7	\$ 4.5	\$ (28.1)
Net income (loss) attributable to noncontrolling interests	1.0	—	(1.1)	(0.1)
Net income (loss)	(32.3)	0.7	3.4	(28.2)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets	16.9	0.8	6.0	23.7
Net pension liability adjustment	1.6	—	0.1	1.7
Other comprehensive income (loss) before income taxes	18.5	0.8	6.1	25.4
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets	28.7	—	4.0	32.7
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	28.7	—	4.0	32.7
Other comprehensive income (loss), net of income taxes	(10.2)	0.8	2.1	(7.3)
Comprehensive income (loss)	(42.5)	1.5	5.5	(35.5)
Less: Comprehensive income (loss) attributable to noncontrolling interests	1.0	—	(1.1)	(0.1)
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ (43.5)	\$ 1.5	\$ 6.6	\$ (35.4)
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (5.47)	\$ 0.12	\$ 0.73	\$ (4.79)
Income (loss) from continuing operations – diluted	\$ (5.47)	\$ 0.12	\$ 0.73	\$ (4.79)
Income (loss) from discontinued operations – basic	\$ (0.16)	\$ —	\$ 0.05	\$ (0.10)
Income (loss) from discontinued operations – diluted	\$ (0.16)	\$ —	\$ 0.05	\$ (0.10)
Net income (loss) attributable to The Phoenix Companies, Inc. – basic	\$ (5.80)	\$ 0.12	\$ 0.78	\$ (4.89)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (5.80)	\$ 0.12	\$ 0.78	\$ (4.89)
Basic weighted-average common shares outstanding (in thousands)	5,742			5,742
Diluted weighted-average common shares outstanding (in thousands)	5,742			5,742

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)

Consolidated Statement of Cash Flows
For the period ended March 31, 2014

	As reported	Correction of errors	As revised
OPERATING ACTIVITIES:			
Net income (loss)	\$ (33.3)	\$ 5.2	\$ (28.1)
Net realized investment gains / losses	25.7	1.2	26.9
Policy acquisition costs deferred	(14.4)	(0.2)	(14.6)
Policy acquisition cost amortization	22.4	2.2	24.6
Amortization and depreciation	1.5	—	1.5
Interest credited	35.6	—	35.6
Equity in earnings of limited partnerships and other investments	(23.8)	3.7	(20.1)
Change in:			
Accrued investment income	(43.3)	(0.7)	(44.0)
Deferred income taxes, net	(6.1)	(2.2)	(8.3)
Reinsurance recoverable	(12.2)	(0.7)	(12.9)
Policy liabilities and accruals	(137.6)	(5.0)	(142.6)
Dividend obligations	31.8	(1.6)	30.2
Pension and post-employment liabilities	(4.9)	—	(4.9)
Impact of operating activities of consolidated investment entities, net	(5.6)	(1.1)	(6.7)
Other operating activities, net	23.9	(0.8)	23.1
Cash provided by (used for) operating activities	(140.3)	—	(140.3)
INVESTING ACTIVITIES:			
Purchases of:			
Available-for-sale debt securities	(338.5)	0.1	(338.4)
Available-for-sale equity securities	(1.7)	(0.1)	(1.8)
Short-term investments	(649.3)	—	(649.3)
Derivative instruments	(17.8)	—	(17.8)
Fair value and other investments	(0.3)	—	(0.3)
Sales, repayments and maturities of:			
Available-for-sale debt securities	338.8	(0.1)	338.7
Available-for-sale equity securities	3.0	0.1	3.1
Short-term investments	489.8	—	489.8
Derivative instruments	42.1	—	42.1
Fair value and other investments	2.8	—	2.8
Contributions to limited partnerships and limited liability corporations	(18.2)	—	(18.2)
Distributions from limited partnerships and limited liability corporations	30.3	—	30.3
Policy loans, net	32.0	—	32.0
Impact of investing activities of consolidated investment entities, net	—	—	—
Other investing activities, net	(2.0)	—	(2.0)
Cash provided by (used for) investing activities	(89.0)	—	(89.0)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

Consolidated Statement of Cash Flows
For the period ended March 31, 2014

	As reported	Correction of errors	As revised
FINANCING ACTIVITIES:			
Policyholder deposits	361.3	—	361.3
Policyholder withdrawals	(321.5)	—	(321.5)
Net transfers (to) from separate accounts	118.2	—	118.2
Impact of financing activities of consolidated investment entities, net	0.1	—	0.1
Other financing activities, net	—	—	—
Cash provided by (used for) financing activities	158.1	—	158.1
Change in cash and cash equivalents	(71.2)	—	(71.2)
Change in cash included in discontinued operations assets	(0.7)	—	(0.7)
Cash and cash equivalents, beginning of period	496.4	—	496.4
Cash and cash equivalents, end of period	\$ 424.5	\$ —	\$ 424.5

Supplemental Disclosure of Cash Flow Information

Income taxes (paid) refunded	\$ —	\$ —	\$ —
Interest expense on indebtedness paid	\$ (4.7)	\$ —	\$ (4.7)

Non-Cash Transactions During the Year

Investment exchanges	\$ 13.0	\$ —	\$ 13.0
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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)	Consolidated Statement of Changes in Stockholders' Equity For the period ended March 31, 2014		
	As reported	Correction of errors	As revised
COMMON STOCK:			
Balance, beginning of period	\$ 0.1	\$ —	\$ 0.1
Balance, end of period	\$ 0.1	\$ —	\$ 0.1
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of period	\$ 2,633.1	\$ —	\$ 2,633.1
Issuance of shares and compensation expense on stock compensation awards	—	—	—
Balance, end of period	\$ 2,633.1	\$ —	\$ 2,633.1
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balance, beginning of period	\$ (185.2)	\$ 0.2	\$ (185.0)
Other comprehensive income (loss)	(10.2)	2.9	(7.3)
Balance, end of period	\$ (195.4)	\$ 3.1	\$ (192.3)
ACCUMULATED DEFICIT:			
Balance, beginning of period	\$ (1,692.1)	\$ 16.3	\$ (1,675.8)
Net income (loss)	(33.3)	5.2	(28.1)
Balance, end of period	\$ (1,725.4)	\$ 21.5	\$ (1,703.9)
TREASURY STOCK, AT COST:			
Balance, beginning of period	\$ (182.9)	\$ —	\$ (182.9)
Balance, end of period	\$ (182.9)	\$ —	\$ (182.9)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO THE PHOENIX COMPANIES, INC.:			
Balance, beginning of period	\$ 573.0	\$ 16.5	\$ 589.5
Change in stockholders' equity attributable to The Phoenix Companies, Inc.	(43.5)	8.1	(35.4)
Balance, end of period	\$ 529.5	\$ 24.6	\$ 554.1
NONCONTROLLING INTERESTS:			
Balance, beginning of period	\$ 10.7	\$ 1.1	\$ 11.8
Change in noncontrolling interests	1.1	(1.1)	—
Balance, end of period	\$ 11.8	\$ —	\$ 11.8
TOTAL STOCKHOLDERS' EQUITY:			
Balance, beginning of period	\$ 583.7	\$ 17.6	\$ 601.3
Change in stockholders' equity	(42.4)	7.0	(35.4)
Balance, end of period	\$ 541.3	\$ 24.6	\$ 565.9

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Balance Sheet As of June 30, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
ASSETS:				
Available-for-sale debt securities, at fair value	\$ 12,454.1	\$ —	\$ (83.6) [1]	\$ 12,370.5
Available-for-sale equity securities, at fair value	68.5	—	80.6 [1]	149.1
Short-term investments	504.8	—	—	504.8
Limited partnerships and other investments	557.9	—	—	557.9
Policy loans, at unpaid principal balances	2,325.4	—	—	2,325.4
Derivative instruments	175.0	—	(12.5)	162.5
Fair value investments	207.4	—	—	207.4
Total investments	16,293.1	—	(15.5)	16,277.6
Cash and cash equivalents	330.2	—	—	330.2
Accrued investment income	185.7	—	—	185.7
Reinsurance recoverable	594.7	(3.8)	1.5	592.4
Deferred policy acquisition costs	869.0	7.7	5.1	881.8
Deferred income taxes, net	29.4	—	0.1	29.5
Other assets	279.0	—	22.1	301.1
Discontinued operations assets	39.9	—	4.8	44.7
Separate account assets	3,285.4	—	—	3,285.4
Total assets	\$ 21,906.4	\$ 3.9	\$ 18.1	\$ 21,928.4
LIABILITIES:				
Policy liabilities and accruals	\$ 12,429.0	\$ (18.4)	\$ (0.6)	\$ 12,410.0
Policyholder deposit funds	3,658.7	—	14.7	3,673.4
Dividend obligations	895.6	—	(0.9)	894.7
Indebtedness	378.9	—	—	378.9
Pension and post-employment liabilities	302.5	—	(2.8)	299.7
Other liabilities	376.4	—	6.7	383.1
Discontinued operations liabilities	35.1	—	4.8	39.9
Separate account liabilities	3,285.4	—	—	3,285.4
Total liabilities	21,361.6	(18.4)	21.9	21,365.1
STOCKHOLDERS' EQUITY:				
Common stock, \$.01 par value: 5.7 million shares outstanding	0.1	—	—	0.1
Additional paid-in capital	2,632.7	—	—	2,632.7
Accumulated other comprehensive income (loss)	(177.2)	1.2	3.9	(172.1)
Retained earnings (accumulated deficit)	(1,739.7)	21.1	(7.7)	(1,726.3)
Treasury stock, at cost: 0.7 million shares	(182.9)	—	—	(182.9)
Total The Phoenix Companies, Inc. stockholders' equity	533.0	22.3	(3.8)	551.5
Noncontrolling interests	11.8	—	—	11.8
Total stockholders' equity	544.8	22.3	(3.8)	563.3
Total liabilities and stockholders' equity	\$ 21,906.4	\$ 3.9	\$ 18.1	\$ 21,928.4

[1] Included within Other Adjustments is a reclassification of \$80.6 million to reflect perpetual preferred stock securities as available-for-sale equity securities.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the three months ended June 30, 2014			
	As reported	Correction of errors		As restated
		UL unlock	Other adjustments	
REVENUES:				
Premiums	\$ 83.2	\$ —	\$ —	\$ 83.2
Fee income	134.2	—	—	134.2
Net investment income	195.3		(3.8)	191.5
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	(1.0)	—	—	(1.0)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	—	—	—	—
Net OTTI losses recognized in earnings	(1.0)	—	—	(1.0)
Net realized investment gains (losses), excluding OTTI losses	5.1		0.1	5.2
Net realized investment gains (losses)	4.1	—	0.1	4.2
Total revenues	416.8	—	(3.7)	413.1
BENEFITS AND EXPENSES:				
Policy benefits	298.5	(1.1)	3.9	301.3
Policyholder dividends	42.4	—	0.2	42.6
Policy acquisition cost amortization	17.4	(0.2)	1.9	19.1
Interest expense on indebtedness	7.1	—	—	7.1
Other operating expenses	85.5	—	(1.1)	84.4
Total benefits and expenses	450.9	(1.3)	4.9	454.5
Income (loss) from continuing operations before income taxes	(34.1)	1.3	(8.6)	(41.4)
Income tax expense (benefit)	(20.4)	—	0.8	(19.6)
Income (loss) from continuing operations	(13.7)	1.3	(9.4)	(21.8)
Income (loss) from discontinued operations, net of income taxes	(0.6)	—	—	(0.6)
Net income (loss)	(14.3)	1.3	(9.4)	(22.4)
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	—
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (14.3)	\$ 1.3	\$ (9.4)	\$ (22.4)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the three months ended June 30, 2014			
	As reported	Correction of errors		As restated
		UL unlock	Other adjustments	
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (14.3)	\$ 1.3	\$ (9.4)	\$ (22.4)
Net income (loss) attributable to noncontrolling interests	—	—	—	—
Net income (loss)	(14.3)	1.3	(9.4)	(22.4)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets	52.8	0.1	(1.0)	51.9
Net pension liability adjustment	1.8	—	(0.1)	1.7
Other comprehensive income (loss) before income taxes	54.6	0.1	(1.1)	53.6
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets	36.4	—	(3.0)	33.4
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	36.4	—	(3.0)	33.4
Other comprehensive income (loss), net of income taxes	18.2	0.1	1.9	20.2
Comprehensive income (loss)	3.9	1.4	(7.5)	(2.2)
Less: Comprehensive income (loss) attributable to noncontrolling interests	—	—	—	—
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ 3.9	\$ 1.4	\$ (7.5)	\$ (2.2)
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (2.38)	\$ 0.23	\$ (1.64)	\$ (3.80)
Income (loss) from continuing operations – diluted	\$ (2.38)	\$ 0.23	\$ (1.64)	\$ (3.80)
Income (loss) from discontinued operations – basic	\$ (0.10)	\$ —	\$ —	\$ (0.10)
Income (loss) from discontinued operations – diluted	\$ (0.10)	\$ —	\$ —	\$ (0.10)
Net income (loss) attributable to The Phoenix Companies, Inc. – basic	\$ (2.49)	\$ 0.23	\$ (1.64)	\$ (3.90)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (2.49)	\$ 0.23	\$ (1.64)	\$ (3.90)
Basic weighted-average common shares outstanding (in thousands)	5,749			5,749
Diluted weighted-average common shares outstanding (in thousands)	5,749			5,749

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the six months ended June 30, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
REVENUES:				
Premiums	\$ 162.8	\$ —	\$ —	\$ 162.8
Fee income	269.0	—	—	269.0
Net investment income	408.8	—	(5.8)	403.0
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	(1.0)	—	—	(1.0)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(0.2)	—	—	(0.2)
Net OTTI losses recognized in earnings	(1.2)	—	—	(1.2)
Net realized investment gains (losses), excluding OTTI losses	(20.4)	—	(1.1)	(21.5)
Net realized investment gains (losses)	(21.6)	—	(1.1)	(22.7)
Total revenues	819.0	—	(6.9)	812.1
BENEFITS AND EXPENSES:				
Policy benefits	534.5	(1.8)	(1.1)	531.6
Policyholder dividends	116.2	—	(1.4)	114.8
Policy acquisition cost amortization	39.8	(0.2)	4.1	43.7
Interest expense on indebtedness	14.2	—	—	14.2
Other operating expenses	183.4	—	(1.8)	181.6
Total benefits and expenses	888.1	(2.0)	(0.2)	885.9
Income (loss) from continuing operations before income taxes	(69.1)	2.0	(6.7)	(73.8)
Income tax expense (benefit)	(24.0)	—	(0.4)	(24.4)
Income (loss) from continuing operations	(45.1)	2.0	(6.3)	(49.4)
Income (loss) from discontinued operations, net of income taxes	(1.5)	—	0.3	(1.2)
Net income (loss)	(46.6)	2.0	(6.0)	(50.6)
Less: Net income (loss) attributable to noncontrolling interests	1.0	—	(1.1)	(0.1)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (47.6)	\$ 2.0	\$ (4.9)	\$ (50.5)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the six months ended June 30, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (47.6)	\$ 2.0	\$ (4.9)	\$ (50.5)
Net income (loss) attributable to noncontrolling interests	1.0	—	(1.1)	(0.1)
Net income (loss)	(46.6)	2.0	(6.0)	(50.6)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets	69.7	0.9	5.0	75.6
Net pension liability adjustment	3.4	—	—	3.4
Other comprehensive income (loss) before income taxes	73.1	0.9	5.0	79.0
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets	65.1	—	1.0	66.1
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	65.1	—	1.0	66.1
Other comprehensive income (loss), net of income taxes	8.0	0.9	4.0	12.9
Comprehensive income (loss)	(38.6)	2.9	(2.0)	(37.7)
Less: Comprehensive income (loss) attributable to noncontrolling interests	1.0	—	(1.1)	(0.1)
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ (39.6)	\$ 2.9	\$ (0.9)	\$ (37.6)
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (7.85)	\$ 0.35	\$ (0.90)	\$ (8.58)
Income (loss) from continuing operations – diluted	\$ (7.85)	\$ 0.35	\$ (0.90)	\$ (8.58)
Income (loss) from discontinued operations – basic	\$ (0.26)	\$ —	\$ 0.05	\$ (0.21)
Income (loss) from discontinued operations – diluted	\$ (0.26)	\$ —	\$ 0.05	\$ (0.21)
Net income (loss) attributable to The Phoenix Companies, Inc.– basic	\$ (8.29)	\$ 0.35	\$ (0.85)	\$ (8.79)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (8.29)	\$ 0.35	\$ (0.85)	\$ (8.79)
Basic weighted-average common shares outstanding (in thousands)	5,745			5,745
Diluted weighted-average common shares outstanding (in thousands)	5,745			5,745

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)

	Consolidated Statement of Cash Flows For the period ended June 30, 2014		
	As reported	Correction of errors	As revised
OPERATING ACTIVITIES:			
Net income (loss)	\$ (47.6)	\$ (2.9)	\$ (50.5)
Net realized investment gains / losses	21.6	1.1	22.7
Policy acquisition costs deferred	(31.7)	(1.5)	(33.2)
Policy acquisition cost amortization	39.8	3.9	43.7
Amortization and depreciation	3.0	—	3.0
Interest credited	70.2	—	70.2
Equity in earnings of limited partnerships and other investments	(29.8)	3.7	(26.1)
Change in:			
Accrued investment income	(81.1)	2.1	(79.0)
Deferred income taxes, net	(24.6)	(1.0)	(25.6)
Reinsurance recoverable	8.6	(2.8)	5.8
Policy liabilities and accruals	(237.4)	(0.1)	(237.5)
Dividend obligations	30.9	(1.4)	29.5
Pension and post-employment liabilities	(10.0)	—	(10.0)
Impact of operating activities of consolidated investment entities, net	(7.7)	(1.1)	(8.8)
Other operating activities, net	14.6	—	14.6
Cash provided by (used for) operating activities	(281.2)	—	(281.2)
INVESTING ACTIVITIES:			
Purchases of:			
Available-for-sale debt securities	(871.9)	0.5	(871.4)
Available-for-sale equity securities	(2.2)	(0.5)	(2.7)
Short-term investments	(1,058.9)	—	(1,058.9)
Derivative instruments	(33.0)	—	(33.0)
Fair value and other investments	(0.6)	—	(0.6)
Sales, repayments and maturities of:			
Available-for-sale debt securities	662.8	(0.1)	662.7
Available-for-sale equity securities	4.3	0.1	4.4
Short-term investments	915.6	—	915.6
Derivative instruments	53.6	—	53.6
Fair value and other investments	14.1	—	14.1
Contributions to limited partnerships and limited liability corporations	(34.0)	—	(34.0)
Distributions from limited partnerships and limited liability corporations	64.0	—	64.0
Policy loans, net	78.0	—	78.0
Impact of investing activities of consolidated investment entities, net	—	—	—
Other investing activities, net	(4.4)	—	(4.4)
Cash provided by (used for) investing activities	(212.6)	—	(212.6)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statement of Cash Flows For the period ended June 30, 2014		
	As reported	Correction of errors	As revised
FINANCING ACTIVITIES:			
Policyholder deposits	713.0	—	713.0
Policyholder withdrawals	(611.9)	—	(611.9)
Net transfers (to) from separate accounts	227.7	—	227.7
Impact of financing activities of consolidated investment entities, net	0.2	—	0.2
Other financing activities, net	—	—	—
Cash provided by (used for) financing activities	329.0	—	329.0
Change in cash and cash equivalents	(164.8)	—	(164.8)
Change in cash included in discontinued operations assets	(1.4)	—	(1.4)
Cash and cash equivalents, beginning of period	496.4	—	496.4
Cash and cash equivalents, end of period	\$ 330.2	\$ —	\$ 330.2
 <i>Supplemental Disclosure of Cash Flow Information</i>			
Income taxes (paid) refunded	\$ —	\$ —	\$ —
Interest expense on indebtedness paid	\$ (13.9)	\$ —	\$ (13.9)
 <i>Non-Cash Transactions During the Year</i>			
Investment exchanges	\$ 62.4	\$ —	\$ 62.4

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)	Consolidated Statement of Changes in Stockholders' Equity For the period ended June 30, 2014		
	As reported	Correction of errors	As revised
COMMON STOCK:			
Balance, beginning of period	\$ 0.1	\$ —	\$ 0.1
Balance, end of period	\$ 0.1	\$ —	\$ 0.1
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of period	\$ 2,633.1	\$ —	\$ 2,633.1
Issuance of shares and compensation expense on stock compensation awards	(0.4)	—	(0.4)
Balance, end of period	\$ 2,632.7	\$ —	\$ 2,632.7
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balance, beginning of period	\$ (185.2)	\$ 0.2	\$ (185.0)
Other comprehensive income (loss)	8.0	4.9	12.9
Balance, end of period	\$ (177.2)	\$ 5.1	\$ (172.1)
ACCUMULATED DEFICIT:			
Balance, beginning of period	\$ (1,692.1)	\$ 16.3	\$ (1,675.8)
Net income (loss)	(47.6)	(2.9)	(50.5)
Balance, end of period	\$ (1,739.7)	\$ 13.4	\$ (1,726.3)
TREASURY STOCK, AT COST:			
Balance, beginning of period	\$ (182.9)	\$ —	\$ (182.9)
Balance, end of period	\$ (182.9)	\$ —	\$ (182.9)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO THE PHOENIX COMPANIES, INC.:			
Balance, beginning of period	\$ 573.0	\$ 16.5	\$ 589.5
Change in stockholders' equity attributable to The Phoenix Companies, Inc.	(40.0)	2.0	(38.0)
Balance, end of period	\$ 533.0	\$ 18.5	\$ 551.5
NONCONTROLLING INTERESTS:			
Balance, beginning of period	\$ 10.7	\$ 1.1	\$ 11.8
Change in noncontrolling interests	1.1	(1.1)	—
Balance, end of period	\$ 11.8	\$ —	\$ 11.8
TOTAL STOCKHOLDERS' EQUITY:			
Balance, beginning of period	\$ 583.7	\$ 17.6	\$ 601.3
Change in stockholders' equity	(38.9)	0.9	(38.0)
Balance, end of period	\$ 544.8	\$ 18.5	\$ 563.3

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Balance Sheet As of September 30, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
ASSETS:				
Available-for-sale debt securities, at fair value	\$ 12,706.6	\$ —	\$ (119.1) [1]	\$ 12,587.5
Available-for-sale equity securities, at fair value	75.4	—	114.5 [1]	189.9
Short-term investments	90.4	—	—	90.4
Limited partnerships and other investments	559.9	—	0.8	560.7
Policy loans, at unpaid principal balances	2,324.1	—	—	2,324.1
Derivative instruments	149.9	—	(11.7)	138.2
Fair value investments	206.5	—	0.7	207.2
Total investments	16,112.8	—	(14.8)	16,098.0
Cash and cash equivalents	443.2	—	—	443.2
Accrued investment income	214.2	—	—	214.2
Reinsurance recoverable	575.6	(3.9)	1.2	572.9
Deferred policy acquisition costs	874.6	7.2	2.1	883.9
Deferred income taxes, net	31.8	—	0.2	32.0
Other assets	300.7	—	15.9	316.6
Discontinued operations assets	38.8	—	4.8	43.6
Separate account assets	3,089.1	—	—	3,089.1
Total assets	\$ 21,680.8	\$ 3.3	\$ 9.4	\$ 21,693.5
LIABILITIES:				
Policy liabilities and accruals	\$ 12,384.2	\$ (18.9)	\$ (1.8)	\$ 12,363.5
Policyholder deposit funds	3,819.5	—	17.1	3,836.6
Dividend obligations	876.1	—	(1.2)	874.9
Indebtedness	378.9	—	(0.1)	378.8
Pension and post-employment liabilities	295.5	—	(2.8)	292.7
Other liabilities	282.6	—	2.8	285.4
Discontinued operations liabilities	34.0	—	4.8	38.8
Separate account liabilities	3,089.1	—	—	3,089.1
Total liabilities	21,159.9	(18.9)	18.8	21,159.8
STOCKHOLDERS' EQUITY:				
Common stock, \$.01 par value: 5.7 million shares outstanding	0.1	—	—	0.1
Additional paid-in capital	2,632.7	—	—	2,632.7
Accumulated other comprehensive income (loss)	(182.9)	0.7	2.9	(179.3)
Retained earnings (accumulated deficit)	(1,757.9)	21.5	(12.3)	(1,748.7)
Treasury stock, at cost: 0.7 million shares	(182.9)	—	—	(182.9)
Total The Phoenix Companies, Inc. stockholders' equity	509.1	22.2	(9.4)	521.9
Noncontrolling interests	11.8	—	—	11.8
Total stockholders' equity	520.9	22.2	(9.4)	533.7
Total liabilities and stockholders' equity	\$ 21,680.8	\$ 3.3	\$ 9.4	\$ 21,693.5

[1] Included within Other Adjustments is a reclassification of \$116.0 million to reflect perpetual preferred stock securities as available-for-sale equity securities.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the three months ended September 30, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
REVENUES:				
Premiums	\$ 78.1	\$ —	\$ —	\$ 78.1
Fee income	135.2	—	—	135.2
Net investment income	204.9	—	—	204.9
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	(3.7)	—	—	(3.7)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(0.2)	—	—	(0.2)
Net OTTI losses recognized in earnings	(3.9)	—	—	(3.9)
Net realized investment gains (losses), excluding OTTI losses	1.8	—	(1.7)	0.1
Net realized investment gains (losses)	(2.1)	—	(1.7)	(3.8)
Total revenues	416.1	—	(1.7)	414.4
BENEFITS AND EXPENSES:				
Policy benefits	265.4	(0.7)	(1.1)	263.6
Policyholder dividends	56.7	—	0.3	57.0
Policy acquisition cost amortization	24.9	0.3	4.2	29.4
Interest expense on indebtedness	7.0	—	—	7.0
Other operating expenses	78.8	—	(1.8)	77.0
Total benefits and expenses	432.8	(0.4)	1.6	434.0
Income (loss) from continuing operations before income taxes	(16.7)	0.4	(3.3)	(19.6)
Income tax expense (benefit)	1.3	—	1.3	2.6
Income (loss) from continuing operations	(18.0)	0.4	(4.6)	(22.2)
Income (loss) from discontinued operations, net of income taxes	(0.3)	—	—	(0.3)
Net income (loss)	(18.3)	0.4	(4.6)	(22.5)
Less: Net income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (18.2)	\$ 0.4	\$ (4.6)	\$ (22.4)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the three months ended September 30, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (18.2)	\$ 0.4	\$ (4.6)	\$ (22.4)
Net income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Net income (loss)	(18.3)	0.4	(4.6)	(22.5)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets	(13.7)	(0.5)	(0.2)	(14.4)
Net pension liability adjustment	1.7	—	—	1.7
Other comprehensive income (loss) before income taxes	(12.0)	(0.5)	(0.2)	(12.7)
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets	(6.3)	—	0.8	(5.5)
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	(6.3)	—	0.8	(5.5)
Other comprehensive income (loss), net of income taxes	(5.7)	(0.5)	(1.0)	(7.2)
Comprehensive income (loss)	(24.0)	(0.1)	(5.6)	(29.7)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ (23.9)	\$ (0.1)	\$ (5.6)	\$ (29.6)
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (3.13)	\$ 0.07	\$ (0.80)	\$ (3.85)
Income (loss) from continuing operations – diluted	\$ (3.13)	\$ 0.07	\$ (0.80)	\$ (3.85)
Income (loss) from discontinued operations – basic	\$ (0.05)	\$ —	\$ —	\$ (0.05)
Income (loss) from discontinued operations – diluted	\$ (0.05)	\$ —	\$ —	\$ (0.05)
Net income (loss) attributable to The Phoenix Companies, Inc. – basic	\$ (3.17)	\$ 0.07	\$ (0.80)	\$ (3.90)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (3.17)	\$ 0.07	\$ (0.80)	\$ (3.90)
Basic weighted-average common shares outstanding (in thousands)	5,750			5,750
Diluted weighted-average common shares outstanding (in thousands)	5,750			5,750

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the nine months ended September 30, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
REVENUES:				
Premiums	\$ 240.9	\$ —	\$ —	\$ 240.9
Fee income	404.2	—	—	404.2
Net investment income	613.7	—	(5.8)	607.9
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	(4.7)	—	—	(4.7)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(0.4)	—	—	(0.4)
Net OTTI losses recognized in earnings	(5.1)	—	—	(5.1)
Net realized investment gains (losses), excluding OTTI losses	(18.6)	—	(2.8)	(21.4)
Net realized investment gains (losses)	(23.7)	—	(2.8)	(26.5)
Total revenues	1,235.1	—	(8.6)	1,226.5
BENEFITS AND EXPENSES:				
Policy benefits	799.9	(2.5)	(2.2)	795.2
Policyholder dividends	172.9	—	(1.1)	171.8
Policy acquisition cost amortization	64.7	0.1	8.3	73.1
Interest expense on indebtedness	21.2	—	—	21.2
Other operating expenses	262.2	—	(3.6)	258.6
Total benefits and expenses	1,320.9	(2.4)	1.4	1,319.9
Income (loss) from continuing operations before income taxes	(85.8)	2.4	(10.0)	(93.4)
Income tax expense (benefit)	(22.7)	—	0.9	(21.8)
Income (loss) from continuing operations	(63.1)	2.4	(10.9)	(71.6)
Income (loss) from discontinued operations, net of income taxes	(1.8)	—	0.3	(1.5)
Net income (loss)	(64.9)	2.4	(10.6)	(73.1)
Less: Net income (loss) attributable to noncontrolling interests	0.9	—	(1.1)	(0.2)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (65.8)	\$ 2.4	\$ (9.5)	\$ (72.9)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the nine months ended September 30, 2014			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (65.8)	\$ 2.4	\$ (9.5)	\$ (72.9)
Net income (loss) attributable to noncontrolling interests	0.9	—	(1.1)	(0.2)
Net income (loss)	(64.9)	2.4	(10.6)	(73.1)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets	56.0	0.4	4.8	61.2
Net pension liability adjustment	5.1	—	—	5.1
Other comprehensive income (loss) before income taxes	61.1	0.4	4.8	66.3
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets	58.8	—	1.8	60.6
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	58.8	—	1.8	60.6
Other comprehensive income (loss), net of income taxes	2.3	0.4	3.0	5.7
Comprehensive income (loss)	(62.6)	2.8	(7.6)	(67.4)
Less: Comprehensive income (loss) attributable to noncontrolling interests	0.9	—	(1.1)	(0.2)
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ (63.5)	\$ 2.8	\$ (6.5)	\$ (67.2)
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (10.98)	\$ 0.42	\$ (1.70)	\$ (12.42)
Income (loss) from continuing operations – diluted	\$ (10.98)	\$ 0.42	\$ (1.70)	\$ (12.42)
Income (loss) from discontinued operations – basic	\$ (0.31)	\$ —	\$ 0.05	\$ (0.26)
Income (loss) from discontinued operations – diluted	\$ (0.31)	\$ —	\$ 0.05	\$ (0.26)
Net income (loss) attributable to The Phoenix Companies, Inc. – basic	\$ (11.45)	\$ 0.42	\$ (1.65)	\$ (12.68)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (11.45)	\$ 0.42	\$ (1.65)	\$ (12.68)
Basic weighted-average common shares outstanding (in thousands)	5,747			5,747
Diluted weighted-average common shares outstanding (in thousands)	5,747			5,747

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)

	Consolidated Statement of Cash Flows For the period ended September 30, 2014		
	As reported	Correction of errors	As revised
OPERATING ACTIVITIES:			
Net income (loss)	\$ (65.8)	\$ (7.1)	\$ (72.9)
Net realized investment gains / losses	23.7	2.8	26.5
Policy acquisition costs deferred	(52.3)	(2.6)	(54.9)
Policy acquisition cost amortization	64.7	8.4	73.1
Amortization and depreciation	4.5	—	4.5
Interest credited	113.4	—	113.4
Equity in earnings of limited partnerships and other investments	(48.1)	3.7	(44.4)
Change in:			
Accrued investment income	(134.0)	2.1	(131.9)
Deferred income taxes, net	(20.6)	(1.9)	(22.5)
Reinsurance recoverable	28.7	(2.5)	26.2
Policy liabilities and accruals	(365.1)	(2.2)	(367.3)
Dividend obligations	47.5	(1.0)	46.5
Pension and post-employment liabilities	(15.3)	—	(15.3)
Impact of operating activities of consolidated investment entities, net	(8.6)	(1.1)	(9.7)
Other operating activities, net	4.2	(2.0)	2.2
Cash provided by (used for) operating activities	(423.1)	(3.4)	(426.5)
INVESTING ACTIVITIES:			
Purchases of:			
Available-for-sale debt securities	(1,798.4)	44.2 [1]	(1,754.2)
Available-for-sale equity securities	(7.9)	(44.2) [1]	(52.1)
Short-term investments	(1,584.6)	—	(1,584.6)
Derivative instruments	(51.3)	—	(51.3)
Fair value and other investments	(0.7)	—	(0.7)
Sales, repayments and maturities of:			
Available-for-sale debt securities	1,194.5	(6.8) [1]	1,187.7
Available-for-sale equity securities	10.1	6.8 [1]	16.9
Short-term investments	1,856.1	—	1,856.1
Derivative instruments	73.5	—	73.5
Fair value and other investments	16.7	—	16.7
Contributions to limited partnerships and limited liability corporations	(58.0)	—	(58.0)
Distributions from limited partnerships and limited liability corporations	104.5	—	104.5
Policy loans, net	91.0	—	91.0
Impact of investing activities of consolidated investment entities, net	—	—	—
Other investing activities, net	(7.7)	—	(7.7)
Cash provided by (used for) investing activities	(162.2)	—	(162.2)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statement of Cash Flows For the period ended September 30, 2014		
	As reported	Correction of errors	As revised
FINANCING ACTIVITIES:			
Policyholder deposits	1,080.9	18.7	1,099.6
Policyholder withdrawals	(878.3)	(15.3)	(893.6)
Net transfers (to) from separate accounts	330.6	—	330.6
Impact of financing activities of consolidated investment entities, net	0.1	—	0.1
Other financing activities, net	—	—	—
Cash provided by (used for) financing activities	533.3	3.4	536.7
Change in cash and cash equivalents	(52.0)	—	(52.0)
Change in cash included in discontinued operations assets	(1.2)	—	(1.2)
Cash and cash equivalents, beginning of period	496.4	—	496.4
Cash and cash equivalents, end of period	\$ 443.2	\$ —	\$ 443.2

Supplemental Disclosure of Cash Flow Information

Income taxes (paid) refunded	\$ —	\$ —	\$ —
Interest expense on indebtedness paid	\$ (18.6)	\$ —	\$ (18.6)

Non-Cash Transactions During the Year

Investment exchanges	\$ 62.4	\$ —	\$ 62.4
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[1] Includes a reclassification to reflect perpetual preferred stock securities as available-for-sale equity securities from available-for-sale debt securities.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)	Consolidated Statement of Changes in Stockholders' Equity For the period ended September 30, 2014		
	As reported	Correction of errors	As revised
COMMON STOCK:			
Balance, beginning of period	\$ 0.1	\$ —	\$ 0.1
Balance, end of period	\$ 0.1	\$ —	\$ 0.1
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of period	\$ 2,633.1	\$ —	\$ 2,633.1
Issuance of shares and compensation expense on stock compensation awards	(0.4)	—	(0.4)
Balance, end of period	\$ 2,632.7	\$ —	\$ 2,632.7
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balance, beginning of period	\$ (185.2)	\$ 0.2	\$ (185.0)
Other comprehensive income (loss)	2.3	3.4	5.7
Balance, end of period	\$ (182.9)	\$ 3.6	\$ (179.3)
ACCUMULATED DEFICIT:			
Balance, beginning of period	\$ (1,692.1)	\$ 16.3	\$ (1,675.8)
Net income (loss)	(65.8)	(7.1)	(72.9)
Balance, end of period	\$ (1,757.9)	\$ 9.2	\$ (1,748.7)
TREASURY STOCK, AT COST:			
Balance, beginning of period	\$ (182.9)	\$ —	\$ (182.9)
Balance, end of period	\$ (182.9)	\$ —	\$ (182.9)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO THE PHOENIX COMPANIES, INC.:			
Balance, beginning of period	\$ 573.0	\$ 16.5	\$ 589.5
Change in stockholders' equity attributable to The Phoenix Companies, Inc.	(63.9)	(3.7)	(67.6)
Balance, end of period	\$ 509.1	\$ 12.8	\$ 521.9
NONCONTROLLING INTERESTS:			
Balance, beginning of period	\$ 10.7	\$ 1.1	\$ 11.8
Change in noncontrolling interests	1.1	(1.1)	—
Balance, end of period	\$ 11.8	\$ —	\$ 11.8
TOTAL STOCKHOLDERS' EQUITY:			
Balance, beginning of period	\$ 583.7	\$ 17.6	\$ 601.3
Change in stockholders' equity	(62.8)	(4.8)	(67.6)
Balance, end of period	\$ 520.9	\$ 12.8	\$ 533.7

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Balance Sheet As of March 31, 2013			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
ASSETS:				
Available-for-sale debt securities, at fair value	\$ 11,881.1	\$ —	\$ (64.5) [1]	\$ 11,816.6
Available-for-sale equity securities, at fair value	34.6	—	63.3 [1]	97.9
Short-term investments	699.5	—	—	699.5
Limited partnerships and other investments	563.4	—	—	563.4
Policy loans, at unpaid principal balances	2,340.1	—	—	2,340.1
Derivative instruments	194.4	—	(12.8)	181.6
Fair value investments	215.2	—	—	215.2
Total investments	15,928.3	—	(14.0)	15,914.3
Cash and cash equivalents	295.2	—	—	295.2
Accrued investment income	176.1	—	—	176.1
Reinsurance recoverable	594.4	—	(0.9)	593.5
Deferred policy acquisition costs	881.5	—	(10.9)	870.6
Deferred income taxes, net	41.5	—	—	41.5
Other assets [2]	319.1	—	20.3	339.4
Discontinued operations assets	48.4	—	4.8	53.2
Separate account assets	3,406.7	—	—	3,406.7
Total assets	\$ 21,691.2	\$ —	\$ (0.7)	\$ 21,690.5
LIABILITIES:				
Policy liabilities and accruals	\$ 12,653.8	\$ —	\$ (12.1)	\$ 12,641.7
Policyholder deposit funds	3,153.8	—	6.1	3,159.9
Dividend obligations	943.8	—	(1.5)	942.3
Indebtedness	378.8	—	—	378.8
Pension and post-employment liabilities	424.7	—	—	424.7
Other liabilities	256.1	—	6.1	262.2
Discontinued operations liabilities	42.9	—	4.7	47.6
Separate account liabilities	3,406.7	—	—	3,406.7
Total liabilities	21,260.6	—	3.3	21,263.9
STOCKHOLDERS' EQUITY:				
Common stock, \$.01 par value: 5.7 million shares outstanding	0.1	—	—	0.1
Additional paid-in capital	2,632.9	—	—	2,632.9
Accumulated other comprehensive income (loss)	(260.8)	—	2.8	(258.0)
Retained earnings (accumulated deficit)	(1,765.9)	—	(6.8)	(1,772.7)
Treasury stock, at cost: 0.7 million shares	(182.9)	—	—	(182.9)
Total The Phoenix Companies, Inc. stockholders' equity	423.4	—	(4.0)	419.4
Noncontrolling interests	7.2	—	—	7.2
Total stockholders' equity	430.6	—	(4.0)	426.6
Total liabilities and stockholders' equity	\$ 21,691.2	\$ —	\$ (0.7)	\$ 21,690.5

[1] Included within Other Adjustments is a reclassification of \$63.4 million to reflect perpetual preferred stock securities as available-for-sale equity securities.

[2] Includes receivables which were previously disclosed as a separate line item in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statement of Income and Comprehensive Income For the three months ended March 31, 2013			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
REVENUES:				
Premiums	\$ 82.7	\$ —	\$ —	\$ 82.7
Fee income	136.3	—	—	136.3
Net investment income	191.1	—	(0.7)	190.4
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	(0.9)	—	0.4	(0.5)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(1.7)	—	—	(1.7)
Net OTTI losses recognized in earnings	(2.6)	—	0.4	(2.2)
Net realized investment gains (losses), excluding OTTI losses	(13.3)	—	0.9	(12.4)
Net realized investment gains (losses)	(15.9)	—	1.3	(14.6)
Total revenues	394.2	—	0.6	394.8
BENEFITS AND EXPENSES:				
Policy benefits	318.8	—	(48.2) [1]	270.6
Policyholder dividends	4.4	—	44.9 [1]	49.3
Policy acquisition cost amortization	45.3	—	4.3	49.6
Interest expense on indebtedness	7.7	—	(0.6)	7.1
Other operating expenses	80.8	—	2.4	83.2
Total benefits and expenses	457.0	—	2.8	459.8
Income (loss) from continuing operations before income taxes	(62.8)	—	(2.2)	(65.0)
Income tax expense (benefit)	4.2	—	—	4.2
Income (loss) from continuing operations	(67.0)	—	(2.2)	(69.2)
Income (loss) from discontinued operations, net of income taxes	(1.8)	—	—	(1.8)
Net income (loss)	(68.8)	—	(2.2)	(71.0)
Less: Net income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (68.7)	\$ —	\$ (2.2)	\$ (70.9)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income			
	For the three months ended March 31, 2013			
	As reported	Correction of errors		As revised
	UL unlock	Other adjustments		
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (68.7)	\$ —	\$ (2.2)	\$ (70.9)
Net income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Net income (loss)	(68.8)	—	(2.2)	(71.0)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets [2]	(7.5)	—	(1.5)	(9.0)
Net pension liability adjustment	3.8	—	(1.2)	2.6
Other comprehensive income (loss) before income taxes	(3.7)	—	(2.7)	(6.4)
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets [2]	7.8	—	—	7.8
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	7.8	—	—	7.8
Other comprehensive income (loss), net of income taxes	(11.5)	—	(2.7)	(14.2)
Comprehensive income (loss)	(80.3)	—	(4.9)	(85.2)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	(80.2)	—	(4.9)	(85.1)
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (11.72)	\$ —	\$ (0.38)	\$ (12.10)
Income (loss) from continuing operations – diluted	\$ (11.72)	\$ —	\$ (0.38)	\$ (12.10)
Income (loss) from discontinued operations – basic	\$ (0.31)	\$ —	\$ —	\$ (0.31)
Income (loss) from discontinued operations – diluted	\$ (0.31)	\$ —	\$ —	\$ (0.31)
Net income (loss) attributable to The Phoenix Companies, Inc.– basic	\$ (12.02)	\$ —	\$ (0.38)	\$ (12.41)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (12.02)	\$ —	\$ (0.38)	\$ (12.41)
Basic weighted-average common shares outstanding (in thousands)	5,715			5,715
Diluted weighted-average common shares outstanding (in thousands)	5,715			5,715

[1] Included within Other Adjustments is an error related to reserves for certain survivorship policies in the closed block of \$43.3 million that is fully offset by a change in policyholder dividends. This amount was previously identified and was reported as an out-of-period adjustment in the three months ended March 31, 2013.

[2] Amounts were previously presented separately as net unrealized gains (losses) on investments where credit-related impairments were recognized, and net unrealized gains (losses) on all other investments in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statement of Cash Flows For the period ended March 31, 2013		
	As reported	Correction of errors	As revised
OPERATING ACTIVITIES:			
Net income (loss)	\$ (68.7)	\$ (2.2)	\$ (70.9)
Net realized investment gains / losses	15.9	(1.3)	14.6
Policy acquisition costs deferred	(14.9)	(0.2)	(15.1)
Policy acquisition cost amortization	45.3	4.3	49.6
Amortization and depreciation	2.2	—	2.2
Interest credited	30.5	—	30.5
Equity in earnings of limited partnerships and other investments	(8.7)	0.1	(8.6)
Change in:			
Accrued investment income	(45.8)	—	(45.8)
Deferred income taxes, net	—	—	—
Reinsurance recoverable	(11.0)	8.5	(2.5)
Policy liabilities and accruals	(116.8)	(55.2) [1]	(172.0)
Dividend obligations	(39.4)	44.9 [1]	5.5
Pension and post-employment liabilities	(0.8)	—	(0.8)
Impact of operating activities of consolidated investment entities, net	1.4	—	1.4
Other operating activities, net [2]	24.2	1.1	25.3
Cash provided by (used for) operating activities	(186.6)	—	(186.6)
INVESTING ACTIVITIES:			
Purchases of:			
Available-for-sale debt securities	(394.1)	10.0 [3]	(384.1)
Available-for-sale equity securities	—	(10.0) [3]	(10.0)
Short-term investments	(699.5)	—	(699.5)
Derivative instruments	(44.8)	—	(44.8)
Fair value and other investments [4]	(14.9)	—	(14.9)
Sales, repayments and maturities of:			
Available-for-sale debt securities	428.4	—	428.4
Available-for-sale equity securities	1.1	—	1.1
Short-term investments	699.7	—	699.7
Derivative instruments	12.5	—	12.5
Fair value and other investments [4]	4.6	—	4.6
Contributions to limited partnerships and limited liability corporations	(9.8)	—	(9.8)
Distributions from limited partnerships and limited liability corporations	33.6	—	33.6
Policy loans, net	49.5	—	49.5
Impact of investing activities of consolidated investment entities, net	—	—	—
Other investing activities, net	(0.8)	—	(0.8)
Cash provided by (used for) investing activities	65.5	—	65.5

(Continued on next page)

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statement of Cash Flows For the period ended March 31, 2013		
	As reported	Correction of errors	As revised
FINANCING ACTIVITIES:			
Policyholder deposits	362.9	—	362.9
Policyholder withdrawals	(282.7)	—	(282.7)
Net transfers (to) from separate accounts	89.5	—	89.5
Impact of financing activities of consolidated investment entities, net	0.6	—	0.6
Other financing activities, net	—	—	—
Cash provided by (used for) financing activities	170.3	—	170.3
Change in cash and cash equivalents	49.2	—	49.2
Change in cash included in discontinued operations assets	(0.4)	—	(0.4)
Cash and cash equivalents, beginning of period	246.4	—	246.4
Cash and cash equivalents, end of period	\$ 295.2	\$ —	\$ 295.2

Supplemental Disclosure of Cash Flow Information

Income taxes (paid) refunded	\$ (0.1)	\$ —	\$ (0.1)
Interest expense on indebtedness paid	\$ (4.7)	\$ —	\$ (4.7)

Non-Cash Transactions During the Year

Investment exchanges	\$ 37.7	\$ —	\$ 37.7
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- [1] Includes an error related to reserves for certain survivorship policies in the closed block of \$43.3 million that is fully offset by a change in policyholder dividends. This amount was previously identified and was reported as an out-of-period adjustment in the three months ended March 31, 2013.
- [2] Includes receivables which were previously disclosed as a separate line item in the 2013 Form 10-K.
- [3] Includes a reclassification to reflect perpetual preferred stock securities as available-for-sale equity securities from available-for-sale debt securities.
- [4] Includes other investments which were previously disclosed as a separate line item in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)	Consolidated Statement of Changes in Stockholders' Equity For the period ended March 31, 2013		
	As reported	Correction of errors	As revised
COMMON STOCK:			
Balance, beginning of period	\$ 0.1	\$ —	\$ 0.1
Balance, end of period	\$ 0.1	\$ —	\$ 0.1
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of period	\$ 2,633.1	\$ —	\$ 2,633.1
Issuance of shares and compensation expense on stock compensation awards	(0.2)	—	(0.2)
Balance, end of period	\$ 2,632.9	\$ —	\$ 2,632.9
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balance, beginning of period	\$ (249.3)	\$ 5.5	\$ (243.8)
Other comprehensive income (loss)	(11.5)	(2.7)	(14.2)
Balance, end of period	\$ (260.8)	\$ 2.8	\$ (258.0)
ACCUMULATED DEFICIT:			
Balance, beginning of period	\$ (1,697.2)	\$ (4.6)	\$ (1,701.8)
Net income (loss)	(68.7)	(2.2)	(70.9)
Balance, end of period	\$ (1,765.9)	\$ (6.8)	\$ (1,772.7)
TREASURY STOCK, AT COST:			
Balance, beginning of period	\$ (182.9)	\$ —	\$ (182.9)
Balance, end of period	\$ (182.9)	\$ —	\$ (182.9)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO THE PHOENIX COMPANIES, INC.:			
Balance, beginning of period	\$ 503.8	\$ 0.9	\$ 504.7
Change in stockholders' equity attributable to The Phoenix Companies, Inc.	(80.4)	(4.9)	(85.3)
Balance, end of period	\$ 423.4	\$ (4.0)	\$ 419.4
NONCONTROLLING INTERESTS:			
Balance, beginning of period	\$ 6.7	\$ —	\$ 6.7
Change in noncontrolling interests	0.5	—	0.5
Balance, end of period	\$ 7.2	\$ —	\$ 7.2
TOTAL STOCKHOLDERS' EQUITY:			
Balance, beginning of period	\$ 510.5	\$ 0.9	\$ 511.4
Change in stockholders' equity	(79.9)	(4.9)	(84.8)
Balance, end of period	\$ 430.6	\$ (4.0)	\$ 426.6

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Balance Sheet As of June 30, 2013			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
ASSETS:				
Available-for-sale debt securities, at fair value	\$ 11,725.9	\$ —	\$ (71.1) [1]	\$ 11,654.8
Available-for-sale equity securities, at fair value	38.7	—	68.7 [1]	107.4
Short-term investments	599.8	—	—	599.8
Limited partnerships and other investments	559.4	—	—	559.4
Policy loans, at unpaid principal balances	2,350.1	—	—	2,350.1
Derivative instruments	206.5	—	(17.6)	188.9
Fair value investments	216.1	—	—	216.1
Total investments	15,696.5	—	(20.0)	15,676.5
Cash and cash equivalents	369.3	—	—	369.3
Accrued investment income	183.3	—	—	183.3
Reinsurance recoverable	577.0	—	(0.3)	576.7
Deferred policy acquisition costs	914.6	—	0.3	914.9
Deferred income taxes, net	65.8	—	0.1	65.9
Other assets [2]	325.1	—	15.5	340.6
Discontinued operations assets	47.1	—	4.8	51.9
Separate account assets	3,273.5	—	—	3,273.5
Total assets	\$ 21,452.2	\$ —	\$ 0.4	\$ 21,452.6
LIABILITIES:				
Policy liabilities and accruals	\$ 12,577.7	\$ —	\$ (7.9)	\$ 12,569.8
Policyholder deposit funds	3,247.8	—	8.1	3,255.9
Dividend obligations	744.6	—	(2.1)	742.5
Indebtedness	378.8	—	—	378.8
Pension and post-employment liabilities	418.5	—	—	418.5
Other liabilities	385.3	—	(2.9)	382.4
Discontinued operations liabilities	41.3	—	4.8	46.1
Separate account liabilities	3,273.5	—	—	3,273.5
Total liabilities	21,067.5	—	—	21,067.5
STOCKHOLDERS' EQUITY:				
Common stock, \$.01 par value: 5.7 million shares outstanding	0.1	—	—	0.1
Additional paid-in capital	2,633.0	—	—	2,633.0
Accumulated other comprehensive income (loss)	(274.3)	—	3.2	(271.1)
Retained earnings (accumulated deficit)	(1,798.7)	—	(2.8)	(1,801.5)
Treasury stock, at cost: 0.7 million shares	(182.9)	—	—	(182.9)
Total The Phoenix Companies, Inc. stockholders' equity	377.2	—	0.4	377.6
Noncontrolling interests	7.5	—	—	7.5
Total stockholders' equity	384.7	—	0.4	385.1
Total liabilities and stockholders' equity	\$ 21,452.2	\$ —	\$ 0.4	\$ 21,452.6

[1] Included within Other Adjustments is a reclassification of \$68.7 million to reflect perpetual preferred stock securities as available-for-sale equity securities.

[2] Includes receivables which were previously disclosed as a separate line item in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the three months ended June 30, 2013			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
REVENUES:				
Premiums	\$ 87.4	\$ —	\$ —	\$ 87.4
Fee income	132.6	—	—	132.6
Net investment income	194.0	—	(0.1)	193.9
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	—	—	(0.4)	(0.4)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(2.5)	—	—	(2.5)
Net OTTI losses recognized in earnings	(2.5)	—	(0.4)	(2.9)
Net realized investment gains (losses), excluding OTTI losses	9.7	—	(1.5)	8.2
Net realized investment gains (losses)	7.2	—	(1.9)	5.3
Total revenues	421.2	—	(2.0)	419.2
BENEFITS AND EXPENSES:				
Policy benefits	272.8	—	(0.6)	272.2
Policyholder dividends	51.3	—	0.1	51.4
Policy acquisition cost amortization	32.2	—	(5.1)	27.1
Interest expense on indebtedness	7.1	—	—	7.1
Other operating expenses	91.8	—	(0.5)	91.3
Total benefits and expenses	455.2	—	(6.1)	449.1
Income (loss) from continuing operations before income taxes	(34.0)	—	4.1	(29.9)
Income tax expense (benefit)	(1.3)	—	0.1	(1.2)
Income (loss) from continuing operations	(32.7)	—	4.0	(28.7)
Income (loss) from discontinued operations, net of income taxes	(0.2)	—	—	(0.2)
Net income (loss)	(32.9)	—	4.0	(28.9)
Less: Net income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (32.8)	\$ —	\$ 4.0	\$ (28.8)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income			
	For the three months ended June 30, 2013			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (32.8)	\$ —	\$ 4.0	\$ (28.8)
Net income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Net income (loss)	(32.9)	—	4.0	(28.9)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets [1]	(40.4)	—	0.5	(39.9)
Net pension liability adjustment	2.6	—	—	2.6
Other comprehensive income (loss) before income taxes	(37.8)	—	0.5	(37.3)
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets [1]	(24.3)	—	0.1	(24.2)
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	(24.3)	—	0.1	(24.2)
Other comprehensive income (loss), net of income taxes	(13.5)	—	0.4	(13.1)
Comprehensive income (loss)	(46.4)	—	4.4	(42.0)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ (46.3)	\$ —	\$ 4.4	\$ (41.9)
 EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (5.69)	\$ —	\$ 0.70	\$ (4.99)
Income (loss) from continuing operations – diluted	\$ (5.69)	\$ —	\$ 0.70	\$ (4.99)
Income (loss) from discontinued operations – basic	\$ (0.03)	\$ —	\$ —	\$ (0.03)
Income (loss) from discontinued operations – diluted	\$ (0.03)	\$ —	\$ —	\$ (0.03)
Net income (loss) attributable to The Phoenix Companies, Inc.– basic	\$ (5.71)	\$ —	\$ 0.70	\$ (5.02)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (5.71)	\$ —	\$ 0.70	\$ (5.02)
Basic weighted-average common shares outstanding (in thousands)	5,742			5,742
Diluted weighted-average common shares outstanding (in thousands)	5,742			5,742

[1] Amounts were previously presented separately as net unrealized gains (losses) on investments where credit-related impairments were recognized, and net unrealized gains (losses) on all other investments in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income			
	For the six months ended June 30, 2013			
	As reported	Correction of errors		As revised
	UL unlock	Other adjustments		
REVENUES:				
Premiums	\$ 170.1	\$ —	\$ —	\$ 170.1
Fee income	268.9	—	—	268.9
Net investment income	385.1	—	(0.8)	384.3
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	(0.9)	—	—	(0.9)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(4.2)	—	—	(4.2)
Net OTTI losses recognized in earnings	(5.1)	—	—	(5.1)
Net realized investment gains (losses), excluding OTTI losses	(3.6)	—	(0.6)	(4.2)
Net realized investment gains (losses)	(8.7)	—	(0.6)	(9.3)
Total revenues	815.4	—	(1.4)	814.0
BENEFITS AND EXPENSES:				
Policy benefits	591.6	—	(48.8) [1]	542.8
Policyholder dividends	55.7	—	45.0 [1]	100.7
Policy acquisition cost amortization	77.5	—	(0.8)	76.7
Interest expense on indebtedness	14.8	—	(0.6)	14.2
Other operating expenses	172.6	—	1.9	174.5
Total benefits and expenses	912.2	—	(3.3)	908.9
Income (loss) from continuing operations before income taxes	(96.8)	—	1.9	(94.9)
Income tax expense (benefit)	2.9	—	0.1	3.0
Income (loss) from continuing operations	(99.7)	—	1.8	(97.9)
Income (loss) from discontinued operations, net of income taxes	(2.0)	—	—	(2.0)
Net income (loss)	(101.7)	—	1.8	(99.9)
Less: Net income (loss) attributable to noncontrolling interests	(0.2)	—	—	(0.2)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (101.5)	\$ —	\$ 1.8	\$ (99.7)

(Continued on next page)

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the six months ended June 30, 2013			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (101.5)	\$ —	\$ 1.8	\$ (99.7)
Net income (loss) attributable to noncontrolling interests	(0.2)	—	—	(0.2)
Net income (loss)	(101.7)	—	1.8	(99.9)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets [2]	(47.9)	—	(1.0)	(48.9)
Net pension liability adjustment	6.4	—	(1.2)	5.2
Other comprehensive income (loss) before income taxes	(41.5)	—	(2.2)	(43.7)
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets [2]	(16.5)	—	0.1	(16.4)
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	(16.5)	—	0.1	(16.4)
Other comprehensive income (loss), net of income taxes	(25.0)	—	(2.3)	(27.3)
Comprehensive income (loss)	(126.7)	—	(0.5)	(127.2)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(0.2)	—	—	(0.2)
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ (126.5)	\$ —	\$ (0.5)	\$ (127.0)
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (17.36)	\$ —	\$ 0.31	\$ (17.01)
Income (loss) from continuing operations – diluted	\$ (17.36)	\$ —	\$ 0.31	\$ (17.01)
Income (loss) from discontinued operations – basic	\$ (0.35)	\$ —	\$ —	\$ (0.35)
Income (loss) from discontinued operations – diluted	\$ (0.35)	\$ —	\$ —	\$ (0.35)
Net income (loss) attributable to The Phoenix Companies, Inc. – basic	\$ (17.68)	\$ —	\$ 0.31	\$ (17.36)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (17.68)	\$ —	\$ 0.31	\$ (17.36)
Basic weighted-average common shares outstanding (in thousands)	5,742			5,742
Diluted weighted-average common shares outstanding (in thousands)	5,742			5,742

[1] Included within Other Adjustments is an error related to reserves for certain survivorship policies in the closed block of \$43.3 million that is fully offset by a change in policyholder dividends. This amount was previously identified and was reported as an out-of-period adjustment in the three months ended March 31, 2013.

[2] Amounts were previously presented separately as net unrealized gains (losses) on investments where credit-related impairments were recognized, and net unrealized gains (losses) on all other investments in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)

	Consolidated Statement of Cash Flows For the period ended June 30, 2013		
	As reported	Correction of errors	As revised
OPERATING ACTIVITIES:			
Net income (loss)	\$ (101.5)	\$ 1.8	\$ (99.7)
Net realized investment gains / losses	8.7	0.6	9.3
Policy acquisition costs deferred	(28.9)	(0.4)	(29.3)
Policy acquisition cost amortization	77.5	(0.8)	76.7
Amortization and depreciation	4.3	—	4.3
Interest credited	63.7	—	63.7
Equity in earnings of limited partnerships and other investments	(21.4)	0.1	(21.3)
Change in:			
Accrued investment income	(70.1)	—	(70.1)
Deferred income taxes, net	—	—	—
Reinsurance recoverable	5.8	8.0	13.8
Policy liabilities and accruals	(193.8)	(55.3) [1]	(249.1)
Dividend obligations	(33.5)	45.0 [1]	11.5
Pension and post-employment liabilities	(4.4)	—	(4.4)
Impact of operating activities of consolidated investment entities, net	(2.0)	—	(2.0)
Other operating activities, net [2]	35.2	1.0	36.2
Cash provided by (used for) operating activities	(260.4)	—	(260.4)
INVESTING ACTIVITIES:			
Purchases of:			
Available-for-sale debt securities	(992.7)	16.1 [3]	(976.6)
Available-for-sale equity securities	(2.4)	(16.1) [3]	(18.5)
Short-term investments	(849.4)	—	(849.4)
Derivative instruments	(59.8)	—	(59.8)
Fair value and other investments [4]	(20.0)	—	(20.0)
Sales, repayments and maturities of:			
Available-for-sale debt securities	912.6	(0.1) [3]	912.5
Available-for-sale equity securities	2.7	0.1 [3]	2.8
Short-term investments	949.6	—	949.6
Derivative instruments	22.4	—	22.4
Fair value and other investments [4]	11.7	—	11.7
Contributions to limited partnerships and limited liability corporations	(27.7)	—	(27.7)
Distributions from limited partnerships and limited liability corporations	58.8	—	58.8
Policy loans, net	57.3	—	57.3
Impact of investing activities of consolidated investment entities, net	—	—	—
Other investing activities, net	(4.2)	—	(4.2)
Cash provided by (used for) investing activities	58.9	—	58.9

(Continued on next page)

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statement of Cash Flows For the period ended June 30, 2013		
	As reported	Correction of errors	As revised
FINANCING ACTIVITIES:			
Policyholder deposits	708.9	—	708.9
Policyholder withdrawals	(578.1)	—	(578.1)
Net transfers (to) from separate accounts	193.0	—	193.0
Impact of financing activities of consolidated investment entities, net	1.1	—	1.1
Other financing activities, net	—	—	—
Cash provided by (used for) financing activities	324.9	—	324.9
Change in cash and cash equivalents	123.4	—	123.4
Change in cash included in discontinued operations assets	(0.5)	—	(0.5)
Cash and cash equivalents, beginning of period	246.4	—	246.4
Cash and cash equivalents, end of period	\$ 369.3	\$ —	\$ 369.3

Supplemental Disclosure of Cash Flow Information

Income taxes (paid) refunded	\$ (8.7)	\$ —	\$ (8.7)
Interest expense on indebtedness paid	\$ (13.9)	\$ —	\$ (13.9)

Non-Cash Transactions During the Year

Investment exchanges	\$ 74.4	\$ —	\$ 74.4
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- [1] Includes an error related to reserves for certain survivorship policies in the closed block of \$43.3 million that is fully offset by a change in policyholder dividends. This amount was previously identified and was reported as an out-of-period adjustment in the three months ended March 31, 2013.
- [2] Includes receivables which were previously disclosed as a separate line item in the 2013 Form 10-K.
- [3] Includes a reclassification to reflect perpetual preferred stock securities as available-for-sale equity securities from available-for-sale debt securities.
- [4] Includes other investments which were previously disclosed as a separate line item in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)	Consolidated Statement of Changes in Stockholders' Equity For the period ended June 30, 2013		
	As reported	Correction of errors	As revised
COMMON STOCK:			
Balance, beginning of period	\$ 0.1	\$ —	\$ 0.1
Balance, end of period	\$ 0.1	\$ —	\$ 0.1
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of period	\$ 2,633.1	\$ —	\$ 2,633.1
Issuance of shares and compensation expense on stock compensation awards	(0.1)	—	(0.1)
Balance, end of period	\$ 2,633.0	\$ —	\$ 2,633.0
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balance, beginning of period	\$ (249.3)	\$ 5.5	\$ (243.8)
Other comprehensive income (loss)	(25.0)	(2.3)	(27.3)
Balance, end of period	\$ (274.3)	\$ 3.2	\$ (271.1)
ACCUMULATED DEFICIT:			
Balance, beginning of period	\$ (1,697.2)	\$ (4.6)	\$ (1,701.8)
Net income (loss)	(101.5)	1.8	(99.7)
Balance, end of period	\$ (1,798.7)	\$ (2.8)	\$ (1,801.5)
TREASURY STOCK, AT COST:			
Balance, beginning of period	\$ (182.9)	\$ —	\$ (182.9)
Balance, end of period	\$ (182.9)	\$ —	\$ (182.9)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO THE PHOENIX COMPANIES, INC.:			
Balance, beginning of period	\$ 503.8	\$ 0.9	\$ 504.7
Change in stockholders' equity attributable to The Phoenix Companies, Inc.	(126.6)	(0.5)	(127.1)
Balance, end of period	\$ 377.2	\$ 0.4	\$ 377.6
NONCONTROLLING INTERESTS:			
Balance, beginning of period	\$ 6.7	\$ —	\$ 6.7
Change in noncontrolling interests	0.8	—	0.8
Balance, end of period	\$ 7.5	\$ —	\$ 7.5
TOTAL STOCKHOLDERS' EQUITY:			
Balance, beginning of period	\$ 510.5	\$ 0.9	\$ 511.4
Change in stockholders' equity	(125.8)	(0.5)	(126.3)
Balance, end of period	\$ 384.7	\$ 0.4	\$ 385.1

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Balance Sheet As of September 30, 2013			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
ASSETS:				
Available-for-sale debt securities, at fair value	\$ 11,713.2	\$ —	\$ (63.4) [1]	\$ 11,649.8
Available-for-sale equity securities, at fair value	45.2	—	62.5 [1]	107.7
Short-term investments	454.8	—	—	454.8
Limited partnerships and other investments	573.0	—	—	573.0
Policy loans, at unpaid principal balances	2,329.9	—	—	2,329.9
Derivative instruments	197.2	—	(17.2)	180.0
Fair value investments	223.7	—	—	223.7
Total investments	15,537.0	—	(18.1)	15,518.9
Cash and cash equivalents	492.8	—	—	492.8
Accrued investment income	206.1	—	—	206.1
Reinsurance recoverable	589.6	—	0.3	589.9
Deferred policy acquisition costs	900.4	—	4.8	905.2
Deferred income taxes, net	66.0	—	0.1	66.1
Other assets [2]	345.0	—	23.6	368.6
Discontinued operations assets	45.5	—	4.8	50.3
Separate account assets	3,350.9	—	—	3,350.9
Total assets	\$ 21,533.3	\$ —	\$ 15.5	\$ 21,548.8
LIABILITIES:				
Policy liabilities and accruals	\$ 12,559.3	\$ —	\$ (8.2)	\$ 12,551.1
Policyholder deposit funds	3,328.6	—	10.4	3,339.0
Dividend obligations	746.5	—	(1.7)	744.8
Indebtedness	378.8	—	—	378.8
Pension and postretirement liabilities	407.2	—	—	407.2
Other liabilities	342.9	—	5.2	348.1
Discontinued operations liabilities	39.6	—	4.7	44.3
Separate account liabilities	3,350.9	—	—	3,350.9
Total liabilities	21,153.8	—	10.4	21,164.2
STOCKHOLDERS' EQUITY:				
Common stock, \$.01 par value: 5.7 million shares outstanding	0.1	—	—	0.1
Additional paid-in capital	2,633.1	—	—	2,633.1
Accumulated other comprehensive income (loss)	(258.9)	—	3.5	(255.4)
Retained earnings (accumulated deficit)	(1,820.5)	—	1.6	(1,818.9)
Treasury stock, at cost: 0.7 million shares	(182.9)	—	—	(182.9)
Total The Phoenix Companies, Inc. stockholders' equity	370.9	—	5.1	376.0
Noncontrolling interests	8.6	—	—	8.6
Total stockholders' equity	379.5	—	5.1	384.6
Total liabilities and stockholders' equity	\$ 21,533.3	\$ —	\$ 15.5	\$ 21,548.8

[1] Included within Other Adjustments is a reclassification of \$62.5 million to reflect perpetual preferred stock securities as available-for-sale equity securities.

[2] Includes receivables which were previously disclosed as a separate line item in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the three months ended September 30, 2013			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
REVENUES:				
Premiums	\$ 84.5	\$ —	\$ —	\$ 84.5
Fee income	140.4	—	—	140.4
Net investment income	199.3	—	—	199.3
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	(1.7)	—	0.2	(1.5)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(0.4)	—	—	(0.4)
Net OTTI losses recognized in earnings	(2.1)	—	0.2	(1.9)
Net realized investment gains (losses), excluding OTTI losses	10.1	—	(2.6)	7.5
Net realized investment gains (losses)	8.0	—	(2.4)	5.6
Total revenues	432.2	—	(2.4)	429.8
 BENEFITS AND EXPENSES:				
Policy benefits	261.1	—	(1.5)	259.6
Policyholder dividends	66.2	—	0.1	66.3
Policy acquisition cost amortization	33.1	—	(4.5)	28.6
Interest expense on indebtedness	7.1	—	—	7.1
Other operating expenses	77.7	—	(0.4)	77.3
Total benefits and expenses	445.2	—	(6.3)	438.9
Income (loss) from continuing operations before income taxes	(13.0)	—	3.9	(9.1)
Income tax expense (benefit)	9.2	—	(0.5)	8.7
Income (loss) from continuing operations	(22.2)	—	4.4	(17.8)
Income (loss) from discontinued operations, net of income taxes	0.3	—	—	0.3
Net income (loss)	(21.9)	—	4.4	(17.5)
Less: Net income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (21.8)	\$ —	\$ 4.4	\$ (17.4)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the three months ended September 30, 2013			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (21.8)	\$ —	\$ 4.4	\$ (17.4)
Net income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Net income (loss)	(21.9)	—	4.4	(17.5)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets [1]	12.6	—	0.3	12.9
Net pension liability adjustment	2.6	—	—	2.6
Other comprehensive income (loss) before income taxes	15.2	—	0.3	15.5
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets [1]	(0.2)	—	—	(0.2)
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	(0.2)	—	—	(0.2)
Other comprehensive income (loss), net of income taxes	15.4	—	0.3	15.7
Comprehensive income (loss)	(6.5)	—	4.7	(1.8)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(0.1)	—	—	(0.1)
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ (6.4)	\$ —	\$ 4.7	\$ (1.7)
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (3.87)	\$ —	\$ 0.77	\$ (3.08)
Income (loss) from continuing operations – diluted	\$ (3.87)	\$ —	\$ 0.77	\$ (3.08)
Income (loss) from discontinued operations – basic	\$ 0.05	\$ —	\$ —	\$ 0.05
Income (loss) from discontinued operations – diluted	\$ 0.05	\$ —	\$ —	\$ 0.05
Net income (loss) attributable to The Phoenix Companies, Inc. – basic	\$ (3.80)	\$ —	\$ 0.77	\$ (3.03)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (3.80)	\$ —	\$ 0.77	\$ (3.03)
Basic weighted-average common shares outstanding (in thousands)	5,742			5,742
Diluted weighted-average common shares outstanding (in thousands)	5,742			5,742

[1] Amounts were previously presented separately as net unrealized gains (losses) on investments where credit-related impairments were recognized, and net unrealized gains (losses) on all other investments in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income For the nine months ended September 30, 2013			
	As reported	Correction of errors		As revised
		UL unlock	Other adjustments	
REVENUES:				
Premiums	\$ 254.6	\$ —	\$ —	\$ 254.6
Fee income	409.3	—	—	409.3
Net investment income	584.4	—	(0.8)	583.6
Net realized investment gains (losses):				
Total other-than-temporary impairment (“OTTI”) losses	(2.6)	—	0.2	(2.4)
Portion of OTTI losses recognized in other comprehensive income (“OCI”)	(4.6)	—	—	(4.6)
Net OTTI losses recognized in earnings	(7.2)	—	0.2	(7.0)
Net realized investment gains (losses), excluding OTTI losses	6.5	—	(3.2)	3.3
Net realized investment gains (losses)	(0.7)	—	(3.0)	(3.7)
Total revenues	1,247.6	—	(3.8)	1,243.8
 BENEFITS AND EXPENSES:				
Policy benefits	852.7	—	(50.3) [1]	802.4
Policyholder dividends	121.9	—	45.1 [1]	167.0
Policy acquisition cost amortization	110.6	—	(5.3)	105.3
Interest expense on indebtedness	21.9	—	(0.6)	21.3
Other operating expenses	250.3	—	1.5	251.8
Total benefits and expenses	1,357.4	—	(9.6)	1,347.8
Income (loss) from continuing operations before income taxes	(109.8)	—	5.8	(104.0)
Income tax expense (benefit)	12.1	—	(0.4)	11.7
Income (loss) from continuing operations	(121.9)	—	6.2	(115.7)
Income (loss) from discontinued operations, net of income taxes	(1.7)	—	—	(1.7)
Net income (loss)	(123.6)	—	6.2	(117.4)
Less: Net income (loss) attributable to noncontrolling interests	(0.3)	—	—	(0.3)
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (123.3)	\$ —	\$ 6.2	\$ (117.1)

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THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statements of Income and Comprehensive Income			
	For the nine months ended September 30, 2013			
	As reported	Correction of errors		As revised
UL unlock		Other adjustments		
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) attributable to The Phoenix Companies, Inc.	\$ (123.3)	\$ —	\$ 6.2	\$ (117.1)
Net income (loss) attributable to noncontrolling interests	(0.3)	—	—	(0.3)
Net income (loss)	(123.6)	—	6.2	(117.4)
Other comprehensive income (loss) before income taxes:				
Unrealized investment gains (losses), net of related offsets [2]	(35.3)	—	(0.7)	(36.0)
Net pension liability adjustment	9.0	—	(1.2)	7.8
Other comprehensive income (loss) before income taxes	(26.3)	—	(1.9)	(28.2)
Less: Income tax expense (benefit) related to:				
Unrealized investment gains (losses), net of related offsets [2]	(16.7)	—	0.1	(16.6)
Net pension liability adjustment	—	—	—	—
Total income tax expense (benefit)	(16.7)	—	0.1	(16.6)
Other comprehensive income (loss), net of income taxes	(9.6)	—	(2.0)	(11.6)
Comprehensive income (loss)	(133.2)	—	4.2	(129.0)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(0.3)	—	—	(0.3)
Comprehensive income (loss) attributable to The Phoenix Companies, Inc.	\$ (132.9)	\$ —	\$ 4.2	\$ (128.7)
EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations – basic	\$ (21.23)	\$ —	\$ 1.08	\$ (20.09)
Income (loss) from continuing operations – diluted	\$ (21.23)	\$ —	\$ 1.08	\$ (20.09)
Income (loss) from discontinued operations – basic	\$ (0.30)	\$ —	\$ —	\$ (0.30)
Income (loss) from discontinued operations – diluted	\$ (0.30)	\$ —	\$ —	\$ (0.30)
Net income (loss) attributable to The Phoenix Companies, Inc. – basic	\$ (21.47)	\$ —	\$ 1.08	\$ (20.39)
Net income (loss) attributable to The Phoenix Companies, Inc. – diluted	\$ (21.47)	\$ —	\$ 1.08	\$ (20.39)
Basic weighted-average common shares outstanding (in thousands)	5,742			5,742
Diluted weighted-average common shares outstanding (in thousands)	5,742			5,742

[1] Included within Other Adjustments is an error related to reserves for certain survivorship policies in the closed block of \$43.3 million that is fully offset by a change in policyholder dividends. This amount was previously identified and was reported as an out-of-period adjustment in the three months ended March 31, 2013.

[2] Amounts were previously presented separately as net unrealized gains (losses) on investments where credit-related impairments were recognized, and net unrealized gains (losses) on all other investments in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)

	Consolidated Statement of Cash Flows For the period ended September 30, 2013		
	As reported	Correction of errors	As revised
OPERATING ACTIVITIES:			
Net income (loss)	\$ (123.3)	\$ 6.2	\$ (117.1)
Net realized investment gains / losses	(3.8)	3.0	(0.8)
Policy acquisition costs deferred	(42.8)	(0.7)	(43.5)
Policy acquisition cost amortization	110.6	(5.3)	105.3
Amortization and depreciation	6.3	—	6.3
Interest credited	99.8	—	99.8
Equity in earnings of limited partnerships and other investments	(35.4)	0.1	(35.3)
Change in:			
Accrued investment income	(102.8)	—	(102.8)
Deferred income taxes, net	—	—	—
Reinsurance recoverable	(6.7)	7.4	0.7
Policy liabilities and accruals	(299.3)	(56.2) [1]	(355.5)
Dividend obligations	(9.4)	45.1 [1]	35.7
Pension and post-employment liabilities	(13.1)	—	(13.1)
Impact of operating activities of consolidated investment entities, net	(3.6)	—	(3.6)
Other operating activities, net [2]	45.8	0.4	46.2
Cash provided by (used for) operating activities	(377.7)	—	(377.7)
INVESTING ACTIVITIES:			
Purchases of:			
Available-for-sale debt securities	(1,673.6)	20.4 [3]	(1,653.2)
Available-for-sale equity securities	(4.5)	(20.4) [3]	(24.9)
Short-term investments	(1,089.1)	—	(1,089.1)
Derivative instruments	(72.4)	—	(72.4)
Fair value and other investments [4]	(26.7)	—	(26.7)
Sales, repayments and maturities of:			
Available-for-sale debt securities	1,524.1	(4.5) [3]	1,519.6
Available-for-sale equity securities	3.8	4.5 [3]	8.3
Short-term investments	1,334.5	—	1,334.5
Derivative instruments	34.0	—	34.0
Fair value and other investments [4]	18.2	—	18.2
Contributions to limited partnerships and limited liability corporations	(51.8)	—	(51.8)
Distributions from limited partnerships and limited liability corporations	78.9	—	78.9
Policy loans, net	86.8	—	86.8
Impact of investing activities of consolidated investment entities, net	—	—	—
Other investing activities, net	(6.9)	—	(6.9)
Cash provided by (used for) investing activities	155.3	—	155.3

(Continued on next page)

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(Continued from previous page)
(\$ in millions, except share data)

	Consolidated Statement of Cash Flows For the period ended September 30, 2013		
	As reported	Correction of errors	As revised
FINANCING ACTIVITIES:			
Policyholder deposits	1,025.1	—	1,025.1
Policyholder withdrawals	(857.4)	—	(857.4)
Net transfers (to) from separate accounts	299.3	—	299.3
Impact of financing activities of consolidated investment entities, net	2.3	—	2.3
Other financing activities, net	—	—	—
Cash provided by (used for) financing activities	469.3	—	469.3
Change in cash and cash equivalents	246.9	—	246.9
Change in cash included in discontinued operations assets	(0.5)	—	(0.5)
Cash and cash equivalents, beginning of period	246.4	—	246.4
Cash and cash equivalents, end of period	\$ 492.8	\$ —	\$ 492.8

Supplemental Disclosure of Cash Flow Information

Income taxes (paid) refunded	\$ (8.5)	\$ —	\$ (8.5)
Interest expense on indebtedness paid	\$ (18.6)	\$ —	\$ (18.6)

Non-Cash Transactions During the Year

Investment exchanges	\$ 85.7	\$ —	\$ 85.7
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[1] Includes an error related to reserves for certain survivorship policies in the closed block of \$43.3 million that is fully offset by a change in policyholder dividends. This amount was previously identified and was reported as an out-of-period adjustment in the three months ended March 31, 2013.

[2] Includes receivables which were previously disclosed as a separate line item in the 2013 Form 10-K.

[3] Includes a reclassification to reflect perpetual preferred stock securities as available-for-sale equity securities from available-for-sale debt securities.

[4] Includes other investments which were previously disclosed as a separate line item in the 2013 Form 10-K.

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

26. Supplemental Unaudited Quarterly Financial Information (continued)

(\$ in millions)	Consolidated Statement of Changes in Stockholders' Equity For the period ended September 30, 2013		
	As reported	Correction of errors	As revised
COMMON STOCK:			
Balance, beginning of period	\$ 0.1	\$ —	\$ 0.1
Balance, end of period	\$ 0.1	\$ —	\$ 0.1
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of period	\$ 2,633.1	\$ —	\$ 2,633.1
Issuance of shares and compensation expense on stock compensation awards	—	—	
Balance, end of period	\$ 2,633.1	\$ —	\$ 2,633.1
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):			
Balance, beginning of period	\$ (249.3)	\$ 5.5	\$ (243.8)
Other comprehensive income (loss)	(9.6)	(2.0)	(11.6)
Balance, end of period	\$ (258.9)	\$ 3.5	\$ (255.4)
ACCUMULATED DEFICIT:			
Balance, beginning of period	\$ (1,697.2)	\$ (4.6)	\$ (1,701.8)
Net income (loss)	(123.3)	6.2	(117.1)
Balance, end of period	\$ (1,820.5)	\$ 1.6	\$ (1,818.9)
TREASURY STOCK, AT COST:			
Balance, beginning of period	\$ (182.9)	\$ —	\$ (182.9)
Balance, end of period	\$ (182.9)	\$ —	\$ (182.9)
TOTAL STOCKHOLDERS' EQUITY ATTRIBUTABLE TO THE PHOENIX COMPANIES, INC.:			
Balance, beginning of period	\$ 503.8	\$ 0.9	\$ 504.7
Change in stockholders' equity attributable to The Phoenix Companies, Inc.	(132.9)	4.2	(128.7)
Balance, end of period	\$ 370.9	\$ 5.1	\$ 376.0
NONCONTROLLING INTERESTS:			
Balance, beginning of period	\$ 6.7	\$ —	\$ 6.7
Change in noncontrolling interests	1.9	—	1.9
Balance, end of period	\$ 8.6	\$ —	\$ 8.6
TOTAL STOCKHOLDERS' EQUITY:			
Balance, beginning of period	\$ 510.5	\$ 0.9	\$ 511.4
Change in stockholders' equity	(131.0)	4.2	(126.8)
Balance, end of period	\$ 379.5	\$ 5.1	\$ 384.6

THE PHOENIX COMPANIES, INC.
Notes to Consolidated Financial Statements (continued)

27. Subsequent Events

Dividends

On March 19, 2015, Phoenix Life declared a \$15.0 million dividend to Phoenix.

Late Filings

On February 6, 2015, we filed a Notification of Late Filing on Form 12b-25 with the SEC disclosing that our inability to file the 2014 Form 10-K on or before the prescribed due date and our expectation that it will be filed within the extension period afforded under Rule 12b-25 of the Securities Exchange Act of 1934, as amended, on or before March 31, 2015.

Restatement

Phoenix filed a Current Report on Form 8-K with the SEC on February 6, 2015 disclosing that Phoenix's Audit Committee concluded that Phoenix's previously issued audited consolidated financial statements for the year ended December 31, 2013 and unaudited interim consolidated financial statements for the three months ended December 31, 2013 included in Phoenix's Annual Report on Form 10-K for the year ended December 31, 2013 and Phoenix's previously issued unaudited interim consolidated financial statements for the three months ended June 30, 2014 included in Phoenix's Quarterly Report on Form 10-Q for the period ended June 30, 2014 filed with the SEC should no longer be relied upon and should be restated because of certain material errors identified in such financial statements. In addition, as required by applicable accounting standards, Phoenix will adjust the financial statements for all known errors, some of which were already recorded and disclosed in prior SEC reports as out-of-period adjustments.

EXHIBIT INDEX

Exhibit

- 2.1 Plan of Reorganization (incorporated herein by reference to Exhibit 2.1 to The Phoenix Companies, Inc. Registration Statement on Form S-1 (Registration No. 333-55268), filed February 9, 2001, as amended)
- 3.1 Amended and Restated Certificate of Incorporation of The Phoenix Companies, Inc., as amended August 10, 2012 (incorporated herein by reference to Exhibit 3.1(a) to The Phoenix Companies, Inc. Annual Report on Form 10-K filed April 1, 2014)
- 3.2 By-Laws of The Phoenix Companies, Inc., as amended May 15, 2012 (incorporated herein by reference to Exhibit 3.2 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed August 9, 2012)
- 4.1 Indenture dated as of December 27 2001, between The Phoenix Companies, Inc. and SunTrust Bank, as Trustee (incorporated herein by reference to Exhibit 4.1 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 27, 2002)
- 4.2 Specimen of Global Bond dated as of December 27, 2001, issued by The Phoenix Companies, Inc. (incorporated herein by reference to Exhibit 4.2 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 27, 2002)
- 4.3 First Supplemental Indenture dated as of January 18, 2013, to the Indenture incorporated by reference as Exhibit 4.1 hereto, between the Company and U.S. Bank National Association, as successor trustee to SunTrust Bank, as Trustee (incorporated herein by reference to Exhibit 4.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed January 18, 2013)
- 4.4 Second Supplemental Indenture dated as of May 23, 2013, to the Indenture incorporated by reference as Exhibit 4.1 hereto, between the Company and U.S. Bank National Association, as successor trustee to SunTrust Bank, as Trustee (incorporated herein by reference to Exhibit 4.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed May 24, 2013)
- 4.5 Third Supplemental Indenture dated as of February 21, 2014, to the Indenture incorporated by reference as Exhibit 4.1 hereto, between the Company and U.S. Bank National Association, as successor trustee to SunTrust Bank, as Trustee (incorporated herein by reference to Exhibit 4.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed February 21, 2014)
- 10.1 The Phoenix Companies, Inc. Stock Incentive Plan, as amended and restated (incorporated herein by reference to Exhibit 10.2 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2008; SEC File Number 001-16517)
- 10.2 First Amendment to The Phoenix Companies, Inc. Stock Incentive Plan, as amended and restated (incorporated herein by reference to Exhibit 10.2 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 5, 2009)
- 10.3 Second Amendment to The Phoenix Companies, Inc. Stock Incentive Plan, as amended and restated (incorporated herein by reference to Exhibit 10.2 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 7, 2012)
- 10.4 Third Amendment to The Phoenix Companies, Inc. Stock Incentive Plan, as amended and restated (incorporated herein by reference to Exhibit 10.4 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed April 1, 2014)
- 10.5 Form of Incentive Stock Option Agreement under The Phoenix Companies, Inc. Stock Incentive Plan (incorporated herein by reference to Exhibit 10.3 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005; SEC File Number 001-16517)
- 10.6 Form of Non-Qualified Stock Option Agreement under The Phoenix Companies, Inc. Stock Incentive Plan (incorporated herein by reference to Exhibit 10.4 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005; SEC File Number 001-16517)
- 10.7 Form of Non-Qualified Stock Option Agreement (Performance and Service-Vesting Awards) (incorporated herein by reference to Exhibit 10.2 to The Phoenix Companies, Inc. Current Report on Form 8-K filed May 4, 2009)
- 10.8 The Phoenix Companies, Inc. Directors Stock Plan, as amended and restated (incorporated herein by reference to Exhibit 10.6 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2008; SEC File Number 001-16517)

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- 10.9 The Phoenix Companies, Inc. Excess Benefit Plan, as amended and restated (incorporated herein by reference to Exhibit 10.9 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2008; SEC File Number 001-16517)
- 10.10 First Amendment to The Phoenix Companies, Inc. Excess Benefit Plan, as amended and restated (incorporated herein by reference to Exhibit 10.8 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 10, 2010)
- 10.11 The Phoenix Companies, Inc. Non-Qualified Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.13 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2008) (merged into The Phoenix Companies, Inc. Non-Qualified Excess Investment Plan, effective September 1, 2009)
- 10.12 First Amendment to The Phoenix Companies, Inc. Non-Qualified Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.8 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed November 6, 2009) (merged into The Phoenix Companies, Inc. Non-Qualified Excess Investment Plan, effective September 1, 2009)
- 10.13 The Phoenix Companies, Inc. Non-Qualified Excess Investment Plan amended and restated as of September 1, 2009 (incorporated herein by reference to Exhibit 10.10 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed November 6, 2009)
- 10.14 First Amendment to The Phoenix Companies, Inc. Non-Qualified Excess Investment Plan amended and restated as of September 1, 2009 (incorporated herein by reference to Exhibit 10.14 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 10, 2010)
- 10.15 Second Amendment to The Phoenix Companies, Inc. Non-Qualified Excess Investment Plan amended and restated as of September 1, 2009 (incorporated herein by reference to Exhibit 10.15 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed April 1, 2014)
- 10.16 Third Amendment to The Phoenix Companies, Inc. Non-Qualified Excess Investment Plan amended and restated as of September 1, 2009 (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed March 12, 2012)
- 10.17 Fourth Amendment to The Phoenix Companies, Inc. Non-Qualified Excess Investment Plan amended and restated as of September 1, 2009 (incorporated herein by reference to Exhibit 10.17 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed April 1, 2014)
- 10.18 The Phoenix Companies, Inc. Nonqualified Supplemental Executive Retirement Plan, as amended and restated (incorporated herein by reference to Exhibit 10.9 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 5, 2009)
- 10.19 First Amendment to The Phoenix Companies, Inc. Nonqualified Supplemental Executive Retirement Plan, as amended and restated (incorporated herein by reference to Exhibit 10.17 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 10, 2010)
- 10.20 Second Amendment to The Phoenix Companies, Inc. Nonqualified Supplemental Executive Retirement Plan, as amended and restated (incorporated herein by reference to Exhibit 10.20 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed April 1, 2014)
- 10.21 The Phoenix Companies, Inc. Nonqualified Supplemental Executive Retirement Plan B, as amended and restated (incorporated herein by reference to Exhibit 10.10 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 5, 2009)
- 10.22 First Amendment to The Phoenix Companies, Inc. Nonqualified Supplemental Executive Retirement Plan B, as amended and restated (incorporated herein by reference to Exhibit 10.20 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 10, 2010)
- 10.23 Second Amendment to The Phoenix Companies, Inc. Nonqualified Supplemental Executive Retirement Plan B, as amended and restated (incorporated herein by reference to Exhibit 10.23 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed April 1, 2014)
- 10.24 The Phoenix Companies, Inc. 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan, as amended and restated (incorporated herein by reference to Exhibit 10.22 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2008; SEC File Number 001-16517)
- 10.25 First Amendment to The Phoenix Companies, Inc. 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan, as amended and restated (incorporated herein by reference to Exhibit 10.25 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed April 1, 2014)

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- 10.26 Form of Award Letter under The Phoenix Companies, Inc. 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed February 8, 2006; SEC File Number 001-16517)
- 10.27 Form of Description of Long-Term Incentive Cycle under The Phoenix Companies, Inc. 2003 Restricted Stock, Restricted Stock Unit and Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.2 to The Phoenix Companies, Inc. Current Report on Form 8-K filed February 8, 2006; SEC File Number 001-16517)
- 10.28 Form of Restricted Stock Units Agreement of The Phoenix Companies, Inc. (incorporated herein by reference to Exhibit 10.27 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 10, 2006; SEC File Number 001-16517)
- 10.29 Form of Restricted Stock Units Agreement for Individual Performance-Based Incentive Grants (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed February 28, 2007; SEC File Number 001-16517)
- 10.30 Form of Restricted Stock Units Agreement for Cliff Vested Grants (incorporated herein by reference to Exhibit 10.21 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 1, 2007; SEC File Number 001-16517)
- 10.31 Form of Restricted Stock Units Agreement for Performance-Based Grants Tied to Business Line Metrics (incorporated herein by reference to Exhibit 10.22 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 9, 2007; SEC File Number 001-16517)
- 10.32 Form of Restricted Stock Units Agreement for 3-Year Performance-Based Long-Term Incentive Cycles (incorporated herein by reference to Exhibit 10.23 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 9, 2007; SEC File Number 001-16517)
- 10.33 Form of Restricted Stock Units Agreement (Performance and Service-Vesting Awards) (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed May 4, 2009)
- 10.34 Form of Cash Agreement for Long-Term Incentive Cycle Performance-Based Grants with Post-Performance Service-Vesting Criteria (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed April 24, 2009)
- 10.35 The Phoenix Companies, Inc. Executive Severance Allowance Plan, as amended and restated (incorporated herein by reference to Exhibit 10.33 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2008; SEC File Number 001-16517)
- 10.36 First Amendment to The Phoenix Companies, Inc. Executive Severance Allowance Plan, as amended and restated (incorporated herein by reference to Exhibit 10.36 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed April 1, 2014)
- 10.37 The Phoenix Companies, Inc. Annual Incentive Plan for Executive Officers, as amended and restated (incorporated herein by reference to Exhibit 10.35 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2008; SEC File Number 001-16517)
- 10.38 First Amendment to The Phoenix Companies, Inc. Annual Incentive Plan for Executive Officers, as amended and restated (incorporated herein by reference to Exhibit 10.38 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed April 1, 2014)
- 10.39 The Phoenix Companies, Inc. Equity Deferral Plan (incorporated herein by reference to Exhibit 10.36 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2008; SEC File Number 001-16517)
- 10.40 First Amendment to The Phoenix Companies, Inc. Equity Deferral Plan (incorporated herein by reference to Exhibit 10.40 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed April 1, 2014)
- 10.41 The Phoenix Companies, Inc. Directors Equity Deferral Plan (incorporated herein by reference to Exhibit 10.37 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2008; SEC File Number 001-16517)
- 10.42 The Phoenix Companies, Inc. Directors Cash Deferral Plan (incorporated herein by reference to Exhibit 10.38 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2008; SEC File Number 001-16517)
- 10.43 Form of Change in Control Agreement (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed December 13, 2013)
- 10.44 Offer Letter dated February 9, 2004 by The Phoenix Companies, Inc. to Philip K. Polkinghorn (incorporated herein by reference to Exhibit 10.50 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 22, 2004; SEC File Number 001-16517)

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10.45	Discussion of compensation of James D. Wehr (incorporated herein by reference to The Phoenix Companies, Inc. Current Report on Form 8-K filed May 4, 2009)
10.46	Fiscal Agency Agreement dated as of December 15, 2004 between Phoenix Life Insurance Company and The Bank of New York (incorporated herein by reference to Exhibit 10.38 to The Phoenix Companies, Inc. Annual Report on Form 10-K filed March 11, 2005; SEC File Number 001-16517)
10.47	Investment and Contribution Agreement, dated as of October 30, 2008, by and among The Phoenix Companies, Inc., Phoenix Investment Management Company, Virtus Holdings, Inc. and Harris Bankcorp, Inc. (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed November 5, 2008; SEC File Number 001-16517)
10.48	Separation Agreement, Plan of Reorganization and Distribution by and between The Phoenix Companies, Inc. and Virtus Investment Partners, Inc. dated as of December 18, 2008 (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed December 23, 2008; SEC File Number 001-16517)
10.49	Transition Services Agreement by and between The Phoenix Companies, Inc. and Virtus Investment Partners, Inc. dated as of December 18, 2008 (incorporated herein by reference to Exhibit 10.2 to The Phoenix Companies, Inc. Current Report on Form 8-K filed December 23, 2008; SEC File Number 001-16517)
10.50	Tax Separation Agreement by and between The Phoenix Companies, Inc. and Virtus Investment Partners, Inc. dated as of December 18, 2008 (incorporated herein by reference to Exhibit 10.3 to The Phoenix Companies, Inc. Current Report on Form 8-K filed December 23, 2008; SEC File Number 001-16517)
10.51	Amendment to Tax Separation Agreement by and between The Phoenix Companies, Inc. and Virtus Investment Partners, Inc. dated as of April 8, 2009 (incorporated herein by reference to Exhibit 10.39 to The Phoenix Companies, Inc. Quarterly Report on Form 10-Q filed May 8, 2009)
10.52	Employee Matters Agreement by and between The Phoenix Companies, Inc. and Virtus Investment Partners, Inc. dated as of December 18, 2008 (incorporated herein by reference to Exhibit 10.4 to The Phoenix Companies, Inc. Current Report on Form 8-K filed December 23, 2008; SEC File Number 001-16517)
10.53	Amended and Restated Technology Services Agreement by and among Phoenix Life Insurance Company and Electronic Data Systems, LLC dated January 1, 2009 (incorporated herein by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed January 6, 2009; SEC File Number 001-16517)
10.54	Letter from The Phoenix Companies, Inc. to the Chief Financial Officer dated April 3, 2014 (incorporated by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed April 4, 2014)
10.55	Letter from The Phoenix Companies, Inc. to the Chief Investment Officer dated July 15, 2014 (incorporated by reference to Exhibit 10.1 to The Phoenix Companies, Inc. Current Report on Form 8-K filed July 18, 2014)
10.56	Modification of Award Conditions to the Chief Financial Officer dated December 12, 2014 (incorporated by reference to Item 5.02 (e) of The Phoenix Companies, Inc. Current Report on Form 8-K filed December 18, 2014)
12	Ratio of Earnings to Fixed Charges*
21	Subsidiaries of The Phoenix Companies, Inc.*
23	Consent of PricewaterhouseCoopers LLP*
24	Power of Attorney*
31.1	Certification of James D. Wehr, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Bonnie J. Malley, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32	Certification by James D. Wehr, Chief Executive Officer and Bonnie J. Malley, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*

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101.PRE XBRL Taxonomy Extension Presentation Linkbase Document*

101.DEF XBRL Taxonomy Extension Definition Linkbase Document*

* Filed herewith

We will furnish any exhibit upon the payment of a reasonable fee, which fee shall be limited to our reasonable expenses in furnishing such exhibit. Requests for copies should be directed to: Corporate Secretary, The Phoenix Companies, Inc., One American Row, P.O. Box 5056, Hartford, Connecticut 06102-5056.

STATEMENT RE: COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS [1]

(\$ amounts in millions)	Years Ended December 31,				
	2014	2013	2012	2011	2010
		As restated	As revised	As revised	As revised
Income (loss) from continuing operations before income taxes	\$ (195.2)	\$ 38.1	\$ (153.5)	\$ (5.4)	\$ (34.5)
Less: Equity in earnings (losses) of limited partnership and other investments	67.9	58.0	63.6	44.6	57.4
Add: Distributed earnings of limited partnership and other investments	94.2	101.1	64.4	33.1	61.3
Income (loss) from continuing operations before income taxes and equity in undistributed earnings of limited partnership and other investments	<u>\$ (168.9)</u>	<u>\$ 81.2</u>	<u>\$ (152.7)</u>	<u>\$ (16.9)</u>	<u>\$ (30.6)</u>
Fixed Charges:					
Interest expense on indebtedness	\$ 28.3	\$ 28.3	\$ 30.8	\$ 31.8	\$ 31.8
Interest expense on attributable to rentals	0.2	0.2	0.3	0.4	0.5
Total fixed charges [2]	28.5	28.5	31.1	32.2	32.3
Interest credited on policyholder contract balances	152.1	138.0	123.7	116.5	124.2
Total fixed charges, including interest credited to policyholders	<u>\$ 180.6</u>	<u>\$ 166.5</u>	<u>\$ 154.8</u>	<u>\$ 148.7</u>	<u>\$ 156.5</u>
Income (loss) from continuing operations before income taxes, equity in undistributed earnings of limited partnership and other investments and fixed charges	<u>\$ 11.7</u>	<u>\$ 247.7</u>	<u>\$ 2.1</u>	<u>\$ 131.8</u>	<u>\$ 125.9</u>
Ratio of earnings to fixed charges and preferred stock dividends	<u>0.1</u>	<u>1.5</u>	<u>—</u>	<u>0.9</u>	<u>0.8</u>
Additional earnings required to achieve 1:1 ratio coverage	<u>\$ 168.9</u>	<u>\$ —</u>	<u>\$ 152.7</u>	<u>\$ 16.9</u>	<u>\$ 30.6</u>
SUPPLEMENTAL RATIO [3] - Ratio of earnings to fixed charges and preferred stock dividends exclusive of interest credited on policyholder contract balances:					
Income (loss) from continuing operations before income taxes and equity in undistributed earnings of limited partnership and other investments	<u>\$ (168.9)</u>	<u>\$ 81.2</u>	<u>\$ (152.7)</u>	<u>\$ (16.9)</u>	<u>\$ (30.6)</u>
Fixed Charges:					
Total fixed charges, as above	<u>\$ 28.5</u>	<u>\$ 28.5</u>	<u>\$ 31.1</u>	<u>\$ 32.2</u>	<u>\$ 32.3</u>
Income (loss) from continuing operations before income taxes, equity in undistributed earnings of limited partnership and other investments and fixed charges	<u>\$ (140.4)</u>	<u>\$ 109.7</u>	<u>\$ (121.6)</u>	<u>\$ 15.3</u>	<u>\$ 1.7</u>
Ratio of earnings to fixed charges and preferred stock dividends	<u>(4.9)</u>	<u>3.8</u>	<u>(3.9)</u>	<u>0.5</u>	<u>0.1</u>
Additional earnings required to achieve 1:1 ratio coverage	<u>\$ 168.9</u>	<u>\$ —</u>	<u>\$ 152.7</u>	<u>\$ 16.9</u>	<u>\$ 30.6</u>

[1] We had no dividends on preferred stock for the years 2010 to 2014.

[2] Total fixed charges consist of interest expense on indebtedness and an interest factor attributable to rentals. The interest factor attributable to rentals consists of

one-third of rental charges, which we deem to be representative of the interest factor inherent in rents.

[3] This ratio is disclosed for the convenience of investors and may be more comparable to the ratios disclosed by other issuers of fixed income securities.

LIST OF THE PHOENIX COMPANIES, INC. SUBSIDIARIES

Name	Jurisdiction of Incorporation
1851 Securities, Inc.	Delaware
American Phoenix Life and Reassurance Company	Connecticut
PHL Variable Insurance Company	Connecticut
Phoenix Distribution Holding Company	Connecticut
Phoenix Founders, Inc.	Connecticut
Phoenix Investment Management Company	Connecticut
Phoenix Life and Annuity Company	Connecticut
Phoenix Life Insurance Company	New York
Phoenix National Trust Holding Company	Connecticut
Phoenix New England Trust Holding Company	Connecticut
Phoenix Variable Advisors, Inc.	Delaware
PM Holdings, Inc.	Connecticut
PML International Insurance Limited	Bermuda
Saybrus Equity Services, Inc.	Delaware
Saybrus Holdings, Inc.	Delaware
Saybrus Partners, Inc.	Delaware
The Phoenix Companies, Inc. (Parent)	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8 (No. 333-128256, 333-122701, 333-75346, 333-159986) of The Phoenix Companies, Inc. of our report dated March 30, 2015 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Boston, Massachusetts
March 30, 2015

POWER OF ATTORNEY

Each person whose signature appears below does hereby make, constitute and appoint JOHN T. MULRAIN, DENNIS L. DERR and JOHN H. BEERS, and each of them, with full power to act as his or her true and lawful attorneys-in-fact and agents, in his or her name, place and stead to execute on his or her behalf, as a director of The Phoenix Companies, Inc. (the "Company"), an Annual Report on Form 10-K for the year ended December 31, 2014 (the "Annual Report"), and any and all amendments or supplements to the Annual Report, and to file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended (the "Act"), and any applicable securities exchange or securities self-regulatory body, and any and all other instruments which any of said attorneys-in-fact and agents deem necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he or she might or could do in person, with full power of substitution and re-substitution, hereby ratifying and confirming all that his or her said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue thereof.

This Power of Attorney may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed this power of attorney this 23rd day of March, 2015.

/s/ Martin N. Baily
Martin N. Baily, Director

/s/ Ann. M. Gray
Ann M. Gray, Director

/s/ Arthur P. Byrne
Arthur P. Byrne, Director

/s/ Augustus K. Oliver, II
Augustus K. Oliver, II, Director

/s/ Sanford Cloud, Jr.
Sanford Cloud, Jr., Director

/s/ Westley V. Thompson
Westley V. Thompson, Director

/s/ John H. Forsgren
John H. Forsgren, Director

/s/ James D. Wehr
James D. Wehr, Director

/s/ Arthur F. Weinbach
Arthur F. Weinbach, Director

CERTIFICATION

I, the President and Chief Executive Officer of The Phoenix Companies, Inc. (the “registrant”), certify that:

1. I have reviewed this Annual Report on Form 10-K of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Name: James D. Wehr

Title: President and Chief Executive Officer

CERTIFICATION

I, the Chief Financial Officer of The Phoenix Companies, Inc. (the “registrant”), certify that:

1. I have reviewed this Annual Report on Form 10-K of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Name: Bonnie J. Malley

Title: Executive Vice President and Chief Financial Officer

CERTIFICATION

The undersigned hereby certify that the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 of The Phoenix Companies, Inc. (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James D. Wehr

Name: James D. Wehr

Title: President
and Chief Executive Officer

Date: March 30, 2015

/s/ Bonnie J. Malley

Name: Bonnie J. Malley

Title: Executive Vice President
and Chief Financial Officer

Date: March 30, 2015

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Phoenix Companies, Inc. and will be retained by The Phoenix Companies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.