

Term Insurance Update

November 19, 2009

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Protective Life Insurance



Term Insurance Update

- ◆ LIMRA 2nd Quarter Sales Report
- ◆ Historical Rate Trends
- ◆ Redundant Reserves
- ◆ Post-Level Period Assumptions



LIMRA – 2009 2nd Quarter Sales Report
Term Sales (Year to date)

- ◆ Overall individual life sales are down over 20% compared to 2nd quarter 2008 sales
- ◆ Overall term sales vs. 2nd quarter 2008:
 - Premium down 3%
 - Policy count down 5%
- ◆ Term represents 28% of individual life market in 2009
 - Up from 23% market share through 2nd quarter 2008

Source: LIMRA "U.S. Individual Life Insurance Sales Trends Second Quarter 2009"
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LIMRA – 2009 2nd Quarter Sales Report
Term Sales (Year to date)

2nd Quarter 2009

2nd Quarter 2008

- | | |
|------------------------------|------------------------------|
| ◆ Premium per \$1,000 = 2.15 | ◆ Premium per \$1,000 = 2.11 |
| ◆ Average size = \$431,599 | ◆ Average size = \$428,960 |
| ◆ Premium per policy = \$929 | ◆ Premium per policy = \$903 |

Source: LIMRA "U.S. Individual Life Insurance Sales Trends Second Quarter 2009"
LIMRA "U.S. Individual Life Insurance Sales ; Second Quarter Review 2008"
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**LIMRA – 2009 2nd Quarter Sales Report
Term Sales (Year to date)**

Top 20	2Q 09 Premium	2Q 08 Premium	% Diff	2Q 09 Market Share%	2Q 08 Market Share
Prudential Financial	\$110,355	\$100,452	10	12.20%	11.05%
State Farm Life	\$98,386	\$93,715	5	10.88%	10.31%
ING Life Companies - U.S.	\$84,743	\$59,876	42	9.37%	6.58%
MetLife Companies	\$61,186	\$54,276	13	6.77%	5.97%
Transamerica	\$60,544	\$39,583	53	6.69%	4.35%
Northwestern Mutual	\$49,211	\$47,636	3	5.44%	5.24%
Protective Life	\$48,315	\$55,506	-13	5.34%	6.10%
New York Life	\$48,003	\$47,359	1	5.31%	5.21%
American General Life Companies	\$47,643	\$112,718	-58	5.27%	12.39%
Banner Life	\$37,991	\$41,220	-8	4.20%	4.53%
John Hancock Life Insurance Company	\$37,486	\$41,244	-9	4.15%	4.54%
Genworth Financial	\$36,578	\$48,001	-24	4.04%	5.28%
AXA Equitable	\$34,106	\$32,267	6	3.77%	3.55%
USAA Life	\$27,814	\$29,056	-4	3.08%	3.20%
Farmers New World Life	\$24,441	\$26,253	-7	2.70%	2.89%
Lincoln National Life Insurance Company	\$23,588	\$10,241	130	2.61%	1.13%
Allstate Life	\$23,275	\$29,416	-21	2.57%	3.23%
Independent Order of Foresters	\$21,497	\$15,799	36	2.38%	1.74%
MassMutual Financial Group	\$15,659	\$15,157	3	1.73%	1.67%
Household Life (Michigan)	\$13,539	\$9,609	41	1.50%	1.06%

Data from LIMRA
Charts prepared by Protective Life



**LIMRA – 2009 2nd Quarter Sales Report
Term Sales (Year to date)**

COMPANY	2 Q 09 Total Prem.	2 Q 08 Total Prem.	% Change	2 Q 09 Market Share	2 Q 08 Market Share
Prudential Financial	\$110,355	\$100,452	10	26%	21%
ING Life Companies - U.S.	\$84,743	\$59,876	42	20%	13%
MetLife Companies	\$61,186	\$54,276	13	14%	11%
Protective Life	\$48,315	\$55,506	-13	11%	12%
American General Life Companies	\$47,643	\$112,718	-58	11%	24%
Banner Life	\$37,991	\$41,220	-8	9%	9%
Genworth Financial	\$36,578	\$48,001	-24	9%	10%
Grand Total	\$426,811	\$472,049	-10%	100%	100%

COMPANY	2 Q 09 Total Face	2 Q 08 Total Face	% Change	2 Q 09 Market Share	2 Q 08 Market Share
ING Life Companies - U.S.	\$58,115,904	\$44,380,989	31	28%	18%
Prudential Financial	\$42,461,211	\$40,251,926	5	20%	16%
MetLife Companies	\$30,060,969	\$29,343,210	2	14%	12%
Banner Life	\$23,034,247	\$27,296,458	-16	11%	11%
Protective Life	\$20,834,772	\$26,632,257	-22	10%	11%
American General Life Companies	\$19,836,894	\$55,386,140	-64	9%	23%
Genworth Financial	\$15,504,577	\$21,659,457	-28	7%	9%
Grand Total	\$209,848,574	\$244,950,437	-14%	100%	100%

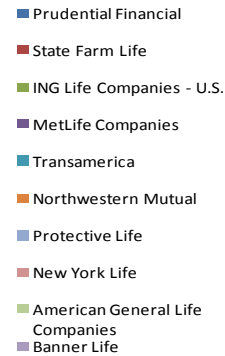
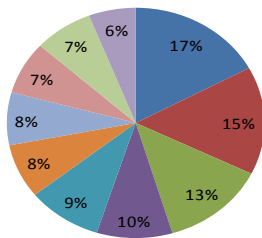
COMPANY	2 Q 09 Total Policies	2 Q 08 Total Policies	% Change	2 Q 09 Market Share	2 Q 08 Market Share
ING Life Companies - U.S.	92,164	67,578	36	24%	16%
Prudential Financial	59,640	53,782	11	18%	13%
MetLife Companies	50,400	45,503	11	13%	11%
Genworth Financial	47,053	54,828	-14	12%	13%
American General Life Companies	46,073	102,138	-55	12%	24%
Protective Life	42,825	51,057	-16	11%	12%
Banner Life	41,117	43,918	-6	11%	10%
Grand Total	379,272	418,804	-9%	100%	100%

Data from LIMRA
Charts prepared by Protective Life



LIMRA – 2009 2nd Quarter Sales Report
Term Sales (Year to date)

Term Market Share
Top 10 Companies



*Data from LIMRA
Charts prepared by Protective Life*

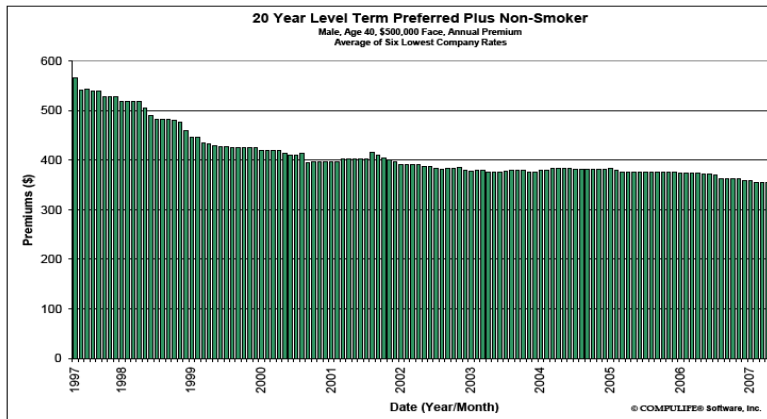
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Historical Term Rate Trends

- ◆ Term premium rates have decreased steadily since the late 1990's.
- ◆ Slight increases in some premium rates in 2000 in response to introduction of Regulation XXX.
- ◆ Prices continued to drop
 - Decrease in expected mortality
 - Access to capital for reserves, often through coinsurance
 - Competition
- ◆ How low can term rates drop?

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Historical Term Rate Trends



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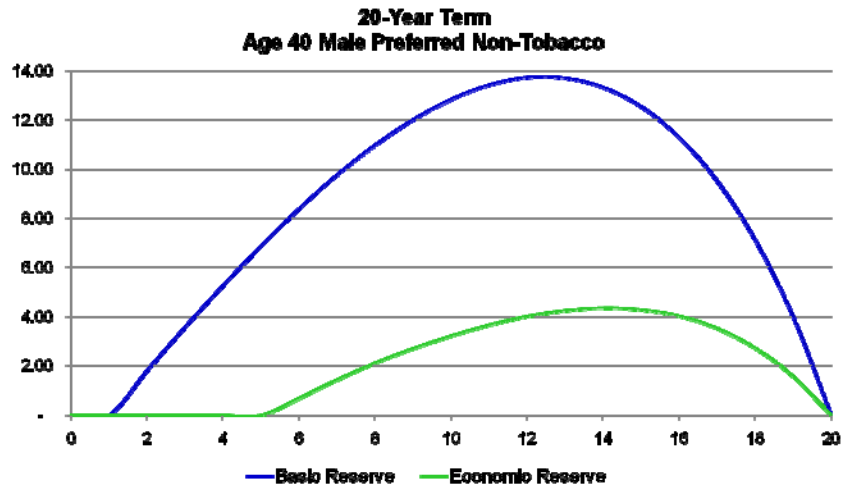
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Redundant Reserves

- ◆ Statutory Reserve
 - Prescribed mortality (2001 CSO preferred class structure)
 - Prescribed lapse rates (0%)
 - Prescribed interest rate (4.00%)
- ◆ Economic Reserve
 - Gross premium valuation
 - Expected mortality and lapse rates
 - Interest rate = 6.00%
- ◆ Redundant Reserve = Statutory Reserve – Economic Reserve

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Redundant Reserves



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Redundant Reserves

- ◆ How to fund redundant reserves?
 - Coinsurance
 - Retain
 - Securitization / Letter of Credit (LOC)

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Redundant Reserves

- ◆ Impact of current economic crisis on financing redundant reserves
 - Increased cost of capital
 - Higher reinsurance costs
 - Some reinsurers no longer quoting on coinsurance business
 - Lower returns if retaining redundant reserves
 - Fewer options for LOC as banks conserve capital
 - Higher cost to fund reserves through securitization

Redundant Reserves

- ◆ Term insurance market response to economic crisis:
 - Price increases

 - Removal of products with higher capital requirements
 - 30-year term products
 - ROP term products

 - Deficiency reserve relief

 - Principles based approach to reserves?

Post-Level Period Assumptions

- ◆ Lapse rate assumption
 - Relationship of shock lapse rates to ART premium levels
 - Impact of conversion options
- ◆ Mortality assumption
- ◆ Post-level period experience studies



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