

**Ultimate Parent: Protective Life Corporation**

## **PROTECTIVE LIFE INSURANCE COMPANY**

**1620 Westgate Circle, Suite 200, Brentwood, Tennessee, United States 37027-8035**  
**Exec. Office: 2801 Highway 280 South, Birmingham, Alabama, United States 35223**

**Web: [www.protective.com](http://www.protective.com)**

**Tel: 205-268-1000**

**Fax: 205-268-3270**

**AMB#: 06962**

**NAIC#: 68136**

**Ultimate Parent#: 58085**

**FEIN#: 63-0169720**

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### **BEST'S RATING**

Based on our opinion of the consolidated Financial Strength of the life/health members of Protective Life Corp., which operate under a group structure, this group member is assigned a Best's Rating of A+ (Superior). The company is assigned the Financial Size Category of Class XV which is the Financial Size Category of the parent.

### **RATING RATIONALE**

**Rating Rationale:** The rating of Protective Life Insurance Company and its core subsidiaries (collectively known as Protective) reflects their strong, sustainable earnings, diversified revenue and profit sources, broad distribution capabilities, solid risk-adjusted capitalization and superior investment performance. The rating also acknowledges Protective's success in deploying excess capital via acquisition and effective integration of insurance companies and blocks of business. While the ratings recognize Protective's strong and diverse business profile, a few of the group's product lines are not of significant size, or do not have synergies with Protective's core businesses. Also, a significant portion of its GAAP and statutory earnings are generated by segments that are somewhat opportunistic and products that are commoditized in nature.

Protective has exhibited strong operating performance on a consolidated basis. Steady sales and profitability are supported by its diversified network of non-captive distribution channels and its well-managed growth strategy. Protective's primary businesses are in the mature phase of their life cycles, which enables them to generate solid profit margins. In addition, Protective's acquisitions have increased its earnings and have allowed Protective to enter new markets and realize certain operating efficiencies. Also, A.M. Best notes that Protective's risk management efforts are driven by an effective asset/liability duration-matching program. The company utilizes a conservative approach with most of its annuity policies by instituting a market value adjustment feature in addition to a surrender charge, thereby significantly reducing interest rate risk. Lastly, Protective maintains a high-quality, diversified investment portfolio, which has experienced a significantly lower level of realized losses on sales and impairments than its peers.

A.M. Best views Protective's Asset Protection Division (APD) as outside of its core business focus of selling retail products and making acquisitions. Though its core APD business has performed well, over the years Protective has taken several reserve strengthening charges in its discontinued residual value product line (moved to the Corporate and Other segment in 2004) and more recently in its discontinued lender's indemnity product. However, exposure to both the residual value product and the lender's indemnity lines is running off rapidly and less than a thousand residual value leases will be in force by the end of 2008. Although Protective maintains revenue and earnings streams that are diversified by distribution source and product segment, a significant portion of GAAP and statutory earnings are generated by its Acquisition and Stable Value divisions. Despite the company's demonstrated competencies in these areas, A.M. Best believes both of these operations to be somewhat opportunistic; therefore, earnings growth from these divisions may be uneven. In addition, Protective has grown its life and annuity business mainly through the sale of term life insurance and fixed annuities. Therefore, potential sales volatility exists with these commodity-like products as firms compete mainly on price and rate guarantees.

**Best's Rating: A+ g**

**Outlook: Stable**

## FIVE YEAR RATING HISTORY

<u>Date</u>	Best's <u>Rating</u>
06/02/08	A+ g
04/02/07	A+ g
02/08/06	A+ g
02/08/05	A+ g
05/21/04	A+ g
01/21/04	A+ g

## KEY FINANCIAL INDICATORS (\$000)

<u>Year</u>	<u>Assets</u>	Total Capital		<u>Net Premiums Written</u>	<u>Net Invest Income</u>	<u>Net Income</u>
		<u>Capital Surplus Funds</u>	<u>Condit'l Reserve Funds</u>			
2002	17,215,793	1,156,044	171,928	2,538,738	823,344	123,449
2003	22,350,448	1,584,596	149,606	4,812,165	847,508	249,500
2004	23,683,193	1,819,693	180,885	1,657,950	971,868	276,248
2005	25,306,552	1,899,679	145,849	2,189,300	1,041,022	62,717
2006	25,613,527	1,388,425	152,311	2,242,206	1,237,330	322,982
2007	25,800,880	1,796,945	230,828	1,509,952	1,078,389	350,917
03/2007	25,232,185	1,424,406	178,332	407,678	255,320	53,653
03/2008	26,168,984	1,771,638	259,760	727,819	255,134	-24,933

## **BUSINESS REVIEW**

Protective Life Insurance Company (PLIC) is a wholly owned subsidiary and the lead insurance company of Protective Life Corporation (Protective), whose companies collectively have more than \$30 billion in statutory assets. PLIC and its affiliates market individual life insurance, credit life and disability insurance, guaranteed investment contracts (GICs), guaranteed funding agreements (GFAs), fixed and variable annuities, and extended service contracts throughout the United States. The company also maintains a separate division devoted to the acquisition of insurance policies from other insurers as well as entire insurance companies.

Through its subsidiaries, Protective provides financial services through the production, distribution, and administration of insurance and investment products. The company operates several business segments, which are generally distinguished by products and/or channels of distribution: Life Insurance Marketing, Acquisitions, Annuities, Stable Value Contracts, Asset Protection and Corporate & Other. In addition to PLIC, the group's other key life insurance subsidiaries include Protective Life and Annuity Insurance Company (PL&A) and West Coast Life Insurance Company (WCL).

PL&A is a wholly-owned subsidiary of PLIC utilized as a strategic subsidiary for block acquisitions requiring New York State authority. Additionally, PL&A markets fixed and variable deferred and single premium immediate annuities and individual life insurance in New York State. WCL, which is also 100% owned by PLIC, was acquired in 1997 and operates as a component of Protective's Life Marketing segment. It sells term insurance and universal life through insurance brokers, and also sells in the bank-owned life insurance (BOLI) market. PLIC guarantees the policy liabilities of PL&A and has entered into a capital maintenance agreement with WCL. Therefore, PLIC's financial strength rating is extended to each of these subsidiaries. The group's other life/health subsidiary -- Citizens Accident & Health -- is a small, single state writer of credit life and accident & health insurance. PLIC also owns a number of special purpose financial captives in Golden Gate Captive Insurance (formerly Protective Life of Ohio), Golden Gate II Captive Insurance Company (formerly Protective Life of Kentucky and Pacific Captive Insurance Company), and Tower Captive Insurance Company. Golden Gate is utilized as a reinsurer of Regulation XXX reserves associated with Protective's level premium term life business. Golden Gate II reinsures Regulation AXXX reserves associated with Protective's secondary guarantee universal life business. Tower currently has a small book of business but will be used to reinsure either term, UL or both.

Protective's Acquisitions Division acquires in-force blocks of insurance policies from other companies, as well as acquiring entire insurance companies. This division then strives to add value by reducing the cost of administering the acquired policies and improving the quality of service to the policyholders. Most acquisitions do not include the acquisition of an active sales force, thus policies acquired are typically administered

as closed blocks of business. Generally, blocks of insurance business that are acquired through this division no longer fit the selling company's business strategy or are too small to administer on a cost-effective basis. Since 1989, the division has invested nearly \$1.2 billion in capital for 17 acquisitions (including the original purchase of West Coast Life) and in 2006 completed its acquisition of the Chase Insurance Group.

The Life Marketing segment distributes level premium term insurance, universal life and variable universal life to middle and upper-income customers primarily through independent personal producing general agents organized under regional sales managers (RSM), stockbrokers and banks, brokerage general agents under the West Coast Life brand and direct marketing channels. Bank owned life insurance (BOLI) products are marketed through independent marketing organizations that specialize in the BOLI market. Recently, Protective has enhanced its universal life and variable universal life products to better suit the consumers' insurance, estate and business planning needs. The division also includes PLIC's broker/dealer subsidiary, Protective Equity Services, Inc. (PES). Through PES, PLIC's field force has available to it a portfolio of stocks, bonds and mutual funds.

In the Annuities segment, variable annuities, equity-indexed annuities, fixed-rate annuities with market value adjustment (MVA) features, single premium deferred annuities, and immediate annuities are sold through stockbrokers, financial institutions (primarily banks) and independent agents. Protective's strong broker/dealer relationships have allowed it to maintain good sales momentum, and new distribution through the Chase retail system has lifted sales. Over the past several years, a steady balance between fixed and variable sales has enabled the company to push annuity funds under management over the \$7 billion mark. However, A.M. Best believes Protective will remain challenged to continue to build sales momentum and further improve unit costs to maintain profit margins in this highly competitive and difficult market environment. Lastly, the low interest rate environment continues to pose a challenge for fixed annuity sales, and A.M. Best expects Protective to maintain a disciplined approach in this line.

The Stable Value Products Division (SVP) offers market value adjusted GICs through brokers, consultants, and GIC managers. These contracts are generally issued to 401(k) or other qualified retirement savings plans and guarantee a fixed return for a specific period of time. The division also markets fixed and floating rate funding agreements directly to the trustees of municipal bond proceeds, institutional investors, bank trust departments and money market funds. Additionally, guaranteed funding agreements (GFAs) are sold to special purpose entities in connection with Funding Agreement-Backed Note Programs (FANIPs). In November 2003, Protective established the first ever publicly registered FANIP, which provides for the issuance of up to \$3 billion of secured medium-term notes to both institutional and retail investors. The retail issues typically have a higher net spread than institutional offerings as well as facilitate the asset/liability management process by reducing the amount of sizable maturities.

GICs and GFAs are generally sold with a maturity of two to seven years; short-term contracts are also sold but comprise a minor portion of the portfolio. Protective's liquidity

requirements are well-managed as its FANIPs do not have early termination provisions. A.M. Best expects the company's to continue to maintain an opportunistic approach with disciplined financial management.

The Asset Protection Division (APD) markets automobile, recreational vehicle and marine extended service contracts through over 4,500 automobile, marine and RV dealers nationwide. APD is the largest marketer of marine service contracts in the U.S. APD also sells single-premium credit life and disability insurance. Products are marketed by employee field representatives and general agents representing Protective. Historically, growth in this division was accomplished primarily through acquisition and through capturing blocks of credit business via reinsurance. Utilizing producer-owned reinsurance companies (PORCs) as an important marketing tool for adding new distribution outlets, PORCs reinsure a significant portion of Protective's direct premium writings.

Over the years, APD's results have been negatively impacted by claims in non-core, casualty insurance products such as surety bonds and residual value guarantees. In addition, the bankruptcy of the originator and servicer in the discontinued Lender's Indemnity product line negatively impacted the segment in 2006. The company, however, has taken affirmative steps to exit and reduce risk exposure in its non-core lines. A.M. Best believes that Protective's APD will generate consistent profitability by focusing on the continuing operations -- service contracts and credit insurance -- which have been experiencing favorable underwriting results.

## **PREMIUM AND RESERVE ANALYSIS**

<u>Direct Premiums</u> (000)	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Ordinary life	1,593,847	1,682,798	1,927,626	1,485,257	1,375,685
Group life	7,667	7,947	15,057	6,073	9,180
Credit life	42,035	44,843	52,653	60,388	61,818
Individual annuities	1,196,134	1,274,456	953,121	638,367	577,202
Group annuities	337,070	210,060	85,287	155,916	64,822
Individual A&H	30,438	32,515	34,967	37,448	39,851
Credit A&H	39,006	42,522	47,352	55,510	58,515
Group A&H	1,339	3,190	3,593	2,927	58,076
Total	<u>3,247,536</u>	<u>3,298,330</u>	<u>3,119,657</u>	<u>2,441,885</u>	<u>2,245,149</u>

<u>Reins Assumed</u> <u>Prem (000)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Ordinary life	130,525	134,528	140,258	147,524	755,978
Group life	1,040	995	1,061	1,124	893
Credit life	-1	193	5,944	8,500	13,552
Individual annuities	95,127	202,058	57,023	86,170	2,761,749
Group annuities	1,257	1,931	5,803	11,171	26,672

Individual A&H	93	104	363	463	638
Credit A&H	-26	314	10,892	15,916	24,574
Group A&H	25	33	4,628	5,030	7,019
Total	<u>228,039</u>	<u>340,157</u>	<u>225,972</u>	<u>275,898</u>	<u>3,591,075</u>

<u>Reins Ceded Prens</u> <u>(000)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Ordinary life	1,763,245	1,128,856	1,038,964	925,592	820,046
Group life	19,973	5,342	3,655	2,007	4,353
Credit life	38,711	42,850	54,758	63,555	74,604
Individual annuities	110,078	171,857	3,380	4,272	2,479
Group annuities	...	513	...	...	...
Individual A&H	2,582	3,089	3,129	3,790	4,343
Credit A&H	31,693	41,983	49,030	59,162	60,731
Group A&H	-658	1,791	3,413	1,455	57,503
Total	<u>1,965,624</u>	<u>1,396,281</u>	<u>1,156,328</u>	<u>1,059,833</u>	<u>1,024,059</u>

<u>Net Premiums &amp;</u> <u>Deposits (000)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Ordinary life	-38,324	689,034	1,031,215	709,612	1,313,819
Group life	-11,266	3,601	12,463	5,189	5,720
Credit life	3,323	2,186	3,839	5,333	765
Individual annuities	1,291,674	1,412,089	1,099,744	786,099	3,391,592
Group annuities	1,304,434	888,972	1,764,495	2,122,877	1,806,621
Individual A&H	27,949	29,529	32,202	34,121	36,146
Credit A&H	7,287	853	9,214	12,264	22,359
Group A&H	2,021	1,432	4,808	6,503	7,593
Total	<u>2,587,098</u>	<u>3,027,695</u>	<u>3,957,981</u>	<u>3,681,998</u>	<u>6,584,615</u>
Deposits (incl. above)	1,077,146	785,489	1,768,681	2,024,048	1,772,450

<u>General Account</u> <u>Reserve</u> <u>Distribution (000)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Ordinary life	6,219,923	6,387,353	6,021,442	5,369,228	5,225,896
Group life	47,874	53,675	48,320	35,872	31,236
Credit life	9,034	7,086	7,409	9,901	14,621
Supplementary contracts	74,580	81,761	84,789	88,600	93,046
Individual annuities	4,948,004	4,922,805	4,331,431	4,030,658	4,126,192
Group annuities	296,007	223,101	231,388	234,025	51,186

Deposit type contracts	5,771,449	5,903,893	6,520,273	5,963,883	5,600,184
Individual A&H	36,338	38,879	40,297	38,568	39,180
Credit A&H	17,862	9,409	10,957	11,132	13,687
Group A&H	737	...	103	1,242	837
Total	17,421,806	17,627,963	17,296,409	15,783,109	15,196,066

**Current Year Geographic Direct Premium Distribution (\$000):** Texas, \$269,041 (6.3%); California, \$260,445 (6.1%); Florida, \$231,480 (5.4%); Missouri, \$205,859 (4.8%); Illinois, \$162,424 (3.8%); other jurisdictions, \$3,165,433 (73.7%).

Note: These percentages include deposit-type contract funds. If deposit-type contracts are excluded, the company's top states for life, annuity and accident & health direct premiums are Missouri (11.1%), Texas (7.4%), Alabama (6.8%), Florida (6.4%), North Carolina (6.0%) and California (6.0%).

## EARNINGS

Protective has historically generated strong earnings results on both a statutory and GAAP basis. Protective's earnings are augmented by the performance of acquired blocks of business, which has enabled the company to reduce unit costs and manage its operations more efficiently. The company continues to benefit from the favorable persistency experienced on these acquired blocks of business and on its internally generated business as well. Also contributing to earnings is the lack of significant realized or unrealized losses -- both of which were common for many life insurers in recent years. Over the last five years, Protective has achieved a return on statutory capital and surplus of nearly 12%.

During 2005, Protective began transitioning to a new business model in its term and universal life (UL) insurance lines. Protective's prior model relied heavily upon the use of external coinsurance arrangements in which the redundant reserves were absorbed by the reinsurance company. In the new model, redundant reserves are funded through the capital markets with a securitization transaction executed by a captive reinsurer. As part of this process, Protective restructured its reinsurance agreements to yearly renewable term (YRT) arrangements and raised its retention limits to \$1 million per insured life and further increased its retention limit to \$2 million in 2008 (Protective's maximum retention for newly issued universal life products is \$1 million). A major effect of the transition has been that Protective is now funding a majority of the acquisition costs as most of the mortality risk is retained and YRT reinsurance is utilized for the unretained amounts. In the past, allowances received from reinsurers under coinsurance treaties would offset most of the upfront cost of acquiring business. As a result, consolidated statutory operating earnings in 2005 and 2006 were dampened by the effects of new business surplus strain associated with its term and UL sales.

On a consolidated GAAP basis, Protective has enjoyed significant profit growth and experienced many consecutive years of record earnings. Protective reported another record year in 2007 with pre-tax operating earnings of \$430 million and an operating return on average equity of 11.8%. Over the last five years, the company has produced operating ROEs consistently in the 11-14% range.

The acquired block of Chase policies have augmented the earnings of the Acquisitions segment. Segment pre-tax operating earnings increased 23.6% to \$129.2 million for 2007 with a \$58.6 million contribution from the Chase block. Additionally, 2007 pre-tax earnings for Life Marketing were \$189.2 million, an increase of 8.6% over the prior year. In the Annuities segment, operating earnings declined \$1.6 million to \$23.1 million in 2007 primarily due to unfavorable mortality results and a tightening of spreads in the immediate annuity line. Protective's Stable Value Products segment exhibited solid performance increasing operating earnings by \$3.2 million, or 6.7%, for 2007. The increase was attributable to an increase in net spread offset by a decline in account balances as business was allowed to run-off in the prior year in order to redeploy capital towards the Chase acquisition.

The Asset Protection segment reported record pre-tax operating income in 2007 of \$41.6 million, an increase of 323.6% over the prior year. The results for 2006 included the impact of bad debt charges of \$27.1 million in the Lender's Indemnity product line. The core product lines -- service contracts and credit insurance -- increased \$7.5 million and \$4.0 million, respectively. A.M. Best believes this business, although it has limited strategic fit with Protective's other lines, will continue to provide additional diversity to the group's operating profile.

#### Items Of Note:

Beginning in 2003, Protective ceased reporting GIC deposits as premiums as it had done in previous years, instead determining that these contracts should be reported as deposit-type contracts in the financial statements. As such, there is a substantial decrease in year-over-year direct premiums from 2002 to 2003. However, the favorable trend of premium growth can more appropriately be observed from net premiums and deposits, which have increased by an aggregate of more than 15% over the past two years.

During 2002, the company discovered that it had overpaid reinsurance premiums on certain life insurance policies over the prior ten years. The company has collected substantially all of the overpayments, with cash recoveries totaling approximately \$86 million. These recoveries were recorded through premiums during 2002 and 2003.

### PROFITABILITY TESTS

<u>Year</u>	<u>Ben Paid to NPW &amp; Dep</u>	<u>Comm &amp; Exp to NPW &amp; Dep</u>	<u>NOG to Tot Assets</u>	<u>NOG to Tot Rev</u>	<u>Operating Return on Equity</u>	<u>Net Yield</u>	<u>Total Return</u>
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2003	23.8	7.0	1.4	4.2	19.6	5.93	5.46
2004	47.7	10.5	1.2	8.6	16.3	5.71	5.73
2005	51.1	11.1	0.3	1.9	3.9	5.73	6.01
2006	66.2	5.6	1.4	8.4	21.1	6.63	8.30
2007	70.3	3.4	1.4	12.1	22.0	5.77	3.17
03/2007	108.7	12.2	0.2	7.3	3.7	1.35	1.30
03/2008	64.3	7.3	-0.1	-2.7	-1.4	1.32	1.42

### PROFITABILITY ANALYSIS

<u>Net Operating Gain</u> <u>(000)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Ordinary life	301,491	43,628	-93,536	152,790	199,881
Group life	-161	7,522	7,417	3,075	2,115
Credit life	1,268	2,324	2,457	2,575	20,802
Supplementary contracts	5,527	-525	715	805	-3,371
Individual annuities	7,494	34,380	34,153	56,960	30,507
Group annuities	25,730	-31,500	45,963	55,503	8,193
Individual A&H	-966	-3,679	-5,918	-672	3,444
Credit A&H	-1,807	854	3,837	4,717	10,115
Group A&H	441	1,146	2,117	1,556	-3,101
Other	11,470	292,472	74,727	...	...
Total	350,486	346,622	71,931	277,310	268,587

### ACCIDENT & HEALTH STATISTICS

<u>Year</u>	<u>Net Premiums</u> <u>Written</u>	<u>Net Premiums</u> <u>Earned</u>	<u>Loss</u> <u>Ratio</u>	<u>Exp.</u> <u>Ratio</u>	<u>Under-</u> <u>writing</u> <u>Results</u>
2003	66,099	66,638	67.1	57.2	-15,834
2004	52,878	53,325	71.2	48.2	-12,791
2005	46,211	48,365	90.3	36.9	-15,601
2006	31,815	33,050	73.7	38.0	-7,314
2007	37,255	28,908	89.4	29.2	-10,667
<b>Current Year</b> <b>Experience:</b>					
Group	2,021	1,284	65.5	-5.5	555
Credit	7,287	-495	-99.9	27.3	-6,965
Non-can	2	3	-20.9	999.9	-181
Guaranteed renew	27,926	28,095	83.3	31.6	-4,097
Non-renew, S.R.	20	21	-3.7	...	22

## CAPITALIZATION

PLIC and its insurance affiliates have traditionally been soundly capitalized. Protective's strong focus on expense management and operating fundamentals have consistently produced favorable operating results, which have been more than adequate to support its insurance and investment risks. In addition to its strong operating profitability, surplus accumulation has also been favorably influenced by the excellent performance of its investment portfolio over the last several years. Continued profitability has enabled PLIC to consistently increase capital and surplus funds while, at the same time, providing financial flexibility for acquisitions.

The mix of debt and equity in Protective's capital structure is consistent with the diverse profile of its operations. Protective's financial leverage is expected to remain at the higher end of the 25-30% range, although the company's July 2006 acquisition of five insurance companies and certain other related operations of JPMorgan Chase & Co. is likely to push it to the high end of the range over the near to medium term. Nevertheless, A.M. Best believes that its leverage is well-supported by steady cash flows and sustainable earnings provide strong fixed charge coverage, which is within expectations for its current rating.

A.M. Best expects Protective to allow the bulk of the earnings from its operating subsidiaries to remain in those companies to support future growth. The holding company has frequently utilized external financing to fund acquisitions and other growth opportunities, enhancing its overall financial flexibility. In December 2007, Protective issued \$150 million of 6.40% fixed rate senior notes to clear its bank lines and for general corporate purposes. In connection with the Chase Insurance Group acquisition, Protective issued \$200 million of 7.25% Capital Securities in July 2006. In January 2004, Protective issued \$100 million in 6.125% trust preferred securities to pay down outstanding bank debt -- approximately \$60 million of which was issued to redeem the company's outstanding 7.50% 15-year senior notes on January 1, 2004. In May 2003, Protective issued \$250 million in ten-year senior notes to repay bank borrowings and refinance higher coupon debt. In September 2002, Protective issued \$100 million in 7.25% trust preferred securities to redeem higher rate trust preferreds and repay bank indebtedness. Collectively, these transactions assist the group in maintaining a cost efficient capital structure while, at the same time, supporting the continued growth in each of its business units. In addition, Protective maintains a \$200 million revolving line of credit arrangement with several banks and may borrow on an unsecured basis at an interest rate of LIBOR + 0.30%, and has increased the line to \$500 million during 2008. There was not an outstanding balance under this arrangement for year-end 2007.

WCL and PL&A continue to maintain adequate levels of statutory capital and surplus funds relative to insurance and investment risk. PLIC and WCL have entered into a surplus maintenance agreement that requires PLIC to maintain a strong level of risk-adjusted capitalization at WCL. PLIC paid dividends to its parent in 2006 to finance the Chase acquisition, however prior dividends had not been paid since 1998. In addition, over \$400 million has been contributed to PLIC by the holding company over the last

five years. As a result of these capital infusions and strong retained earnings, PLIC continues to maintain a solid risk-adjusted capital position.

### LEVERAGE TESTS

<u>Year</u>	<u>C&amp;S to Liabilities</u>	<u>Surplus Relief</u>	<u>Reins Leverage</u>	<u>NPW &amp; Dep to Capital</u>	<u>Change in NPW &amp; Dep</u>	<u>Change in Capital</u>
2003	10.9	24.3	194.1	3.8	125.3	30.6
2004	12.0	20.7	194.7	1.8	-44.1	15.4
2005	11.4	20.8	214.3	1.9	7.5	2.2
2006	8.4	40.1	337.8	2.0	-23.5	-24.7
2007	11.4	26.6	316.4	1.3	-14.6	31.6
03/2007	9.0	6.8	XX	0.3	-44.4	4.0
03/2008	11.1	4.3	XX	0.4	78.5	0.2

2006 BCAR: 164

### SOURCES OF CAPITAL GROWTH (\$000)

<u>Year</u>	<u>Net Gain</u>	<u>Realized Capital Gains</u>	<u>Unrealized Capital Gains</u>	<u>Change AVR</u>	<u>Other Changes</u>	<u>Change in C&amp;S</u>
2003	268,587	-19,087	-68,365	22,322	225,095	428,552
2004	277,310	-1,062	-35,280	-36,867	30,996	235,097
2005	71,931	-9,214	37,783	35,036	-55,551	79,986
2006	346,622	-23,640	321,493	-6,462	-1,149,266	-511,254
2007	350,486	431	-513,901	-78,517	650,021	408,519
03/2007	52,439	1,214	-13,836	XX	XX	XX
03/2008	-24,963	31	26,701	XX	XX	XX

### CAPITAL TRENDS (\$000)

<u>Year</u>	<u>Year end C&amp;S</u>	<u>Surplus Notes</u>	<u>Stock-holder Divs</u>	<u>Policy-holder Divs</u>	<u>Asset Valuation Reserve</u>	<u>Interest Maintenance Reserve</u>
2003	1,584,596	...	54,424	30,195	149,606	134,928
2004	1,819,693	...	...	32,973	180,885	120,531
2005	1,899,679	...	...	31,279	145,849	106,081
2006	1,388,425	...	290,216	31,930	152,311	68,208
2007	1,796,945	...	...	30,590	230,828	58,323
03/2007	1,424,406	XX	...	7,585	178,332	67,795
03/2008	1,771,638	XX	...	6,927	259,760	59,140

## INVESTMENTS AND LIQUIDITY

The investment policy of PLIC and its subsidiaries focuses on the acquisition of high-quality investments that are closely matched to the duration of its liabilities. About three-quarters of Protective's investment portfolio is comprised of U.S. government, corporate and mortgage-backed securities. The remainder of its invested assets is in mortgage loans, policy loans, short-term investments and common and preferred stock. The company's primary objective is to preserve principal, while delivering attractive returns and maintaining a high level of liquidity.

Protective's fixed income portfolio is largely comprised of publicly traded bonds and has a high average credit quality. Historically, Protective has had modest exposure to below investment grade (BIG) securities and currently less than 4% of invested assets and 40% of statutory capital & surplus. Mortgage-backed securities (MBS) account for roughly 30% of invested assets. The majority of these holdings are in tranches which have less cash flow volatility than other types of MBS and limited principal risk. In addition, the inherent negative convexity risk is partially hedged through the use of puts and calls to reduce the impact of large interest rate movements. The MBS/ABS portfolio contains less than \$100 million of exposure to subprime collateral, of which 98% is rated 'AAA'. Exposure to Alt-A collateral totals less than \$300 million of which 40% is rated 'AAA' and 60% is 'AA' rated. A.M. Best expects Protective to continue to adjust its MBS holdings relative to corporates as spreads change over time.

For some time, Protective has demonstrated substantial expertise in originating commercial real estate loans. The company has not experienced a significant loss of principal over the last twenty years and, at the same time, has consistently achieved mortgage loan portfolio yields among the best in the industry. Protective's commercial mortgages are primarily located in the south and southeastern regions of the United States, with an emphasis on strip shopping centers located in smaller towns and anchored by one or more strong regional or national retail stores as well as garden-style apartment complexes. The company generally does not lend on properties under construction and has intentionally eschewed financing more speculative properties such as undeveloped land, multi-tenant office buildings, hotels and resorts. Nonperforming loans continue to be low relative to the size of the portfolio and its surplus position, accounting for less than 1% of its total portfolio as of year-end 2007. A.M. Best expects Protective to maintain its percentage of assets invested in commercial mortgages within the range of 10-20%, including the securitized tranches.

In addition to the externally generated funds at the holding company level, PLIC continues to generate significant free cash flow from operations, which supports Protective's strong liquidity position and enhances its financial flexibility. Protective also maintains a \$200 million revolving line of credit arrangement with several banks (increased to \$500 million during 2008) and has established repurchase agreement programs for certain insurance subsidiaries to provide liquidity when needed. Lastly, Protective has the ability to securitize a portion of its commercial mortgage loan portfolio to increase liquidity.

## LIQUIDITY TESTS

<u>Year</u>	<u>Operating Cash Flow (\$000)</u>	<u>Quick Liquidity</u>	<u>Current Liquidity</u>	<u>Non-Inv Bonds to Capital</u>	<u>Delnq &amp; Foreclsd Mtg to Capital</u>	<u>Mtg &amp; Cred Ten Lns &amp; RE to Cap</u>	<u>Affil Invest to Capital</u>
2003	4,458,869	56.3	65.7	54.3	0.4	104.3	44.8
2004	1,020,591	58.5	68.7	44.2	0.4	95.5	41.3
2005	1,428,625	55.8	65.8	51.9	0.4	110.7	48.6
2006	149,847	56.2	66.7	11.0	0.7	178.5	55.1
2007	283,514	53.1	67.7	29.3	0.3	79.9	52.4
03/2007	-159,374	XX	XX	13.1	...	175.9	XX
03/2008	347,613	XX	XX	43.2	...	78.7	XX

## INVESTMENT YIELDS

<u>Year</u>	<u>Net Yield</u>	<u>Bonds</u>	<u>Stocks</u>	<u>Mort-gages</u>	<u>Cash &amp; Short Term</u>	<u>Real Estate Gross</u>	<u>Real Estate Net</u>	<u>Invest. Exp. Ratio</u>
2003	5.93	5.47	11.85	7.97	2.93	33.28	10.59	7.53
2004	5.71	5.62	7.02	8.61	1.27	34.43	13.72	6.95
2005	5.73	5.76	6.73	8.32	1.91	21.66	-3.46	7.50
2006	6.63	5.66	18.70	7.63	9.55	28.43	11.93	6.22
2007	5.77	5.56	6.33	9.61	5.49	41.12	18.29	8.17

## INVESTMENT DATA

Current Year Distribution of Bonds By Maturity

	-----Years-----					<u>Yrs-Avg Maturity</u>
	<u>0-1</u>	<u>1-5</u>	<u>5-10</u>	<u>10-20</u>	<u>20-</u>	
Government	1.0	0.8	0.3	0.3	0.3	7
Gov't Agencies & Muni	1.2	1.9	7.7	1.8	0.4	8
Public Utilities	0.3	2.0	2.0	0.3	2.4	12
Industrial & Misc	7.2	24.1	25.1	11.3	9.6	9
Affiliated	...	0.0	...	...	...	3
<b>Total</b>	<b>9.7</b>	<b>28.8</b>	<b>35.2</b>	<b>13.7</b>	<b>12.6</b>	<b>9</b>

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Bonds (000)</u>	14,478,177	13,730,251	14,710,916	13,522,033	12,783,748
US Government	1.8	7.5	3.6	0.7	1.0
Foreign Government	0.1	0.2	0.7	0.1	0.1
Foreign - All Other	8.5	9.5	8.1	7.4	6.1

State/Special Revenue - US	13.0	14.5	17.3	20.5	17.4
Public Utilities - US	6.8	7.4	7.4	7.6	7.1
Industrial & Misc - US	69.9	61.0	62.9	63.8	68.4
Affiliated	0.0	0.0	0.0	0.0	0.0
Private Issues	16.4	8.0	10.0	9.5	9.4
Public Issues	83.6	92.0	90.0	90.5	90.6
<u>Bond Quality (%)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Class 1	72.5	75.4	67.6	68.5	65.1
Class 2	23.5	23.4	25.3	25.2	27.6
Class 3	3.2	0.8	4.6	4.3	4.5
Class 4	0.6	0.3	2.0	1.8	2.2
Class 5	0.2	0.0	0.1	0.3	0.6
Class 6	0.0	0.0	0.4	0.0	0.0
<u>Mortgages (000)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Commercial	1,590,835	2,716,149	2,234,276	1,879,529	1,777,521
	100.0	100.0	100.0	100.0	100.0
<u>Mortgage Quality (%)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
90 Days Delinquent	...	...	0.2	0.1	...
Total Delinquencies	...	...	0.2	0.1	...
<u>Real Estate (000)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Property Occupied by Co	29,794	34,200	30,791	30,236	31,189
Property Held for Inc	76.5	67.5	77.4	73.3	71.6
Property Held for Sale	1.3	1.1	11.4	7.8	6.8
	22.2	31.4	11.3	18.9	21.6
<u>Stocks (000)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Unaffiliated Common	1,864,828	1,214,835	1,097,098	881,609	828,205
Affiliated Common	0.1	0.0	0.0	-2.0	-2.5
Unaffiliated Preferred	55.4	67.8	86.6	90.9	90.7
	44.5	32.2	13.4	11.1	11.8
<u>Other Inv Assets (000)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash	1,138,499	1,278,175	1,012,750	1,424,388	1,309,320
Short-Term	-0.9	-0.7	-0.3	5.5	20.3
Schedule BA Assets	32.2	27.4	20.9	30.0	7.3
All Other	2.3	1.7	2.7	1.4	3.8
	66.4	71.6	76.7	63.1	68.6

# HISTORY

**Date Incorporated:** 07/24/1907  
09/01/1907

**Date Commenced:**

**Domicile:** TN

In July 1981, through a share for share exchange of stock, Protective Life became a wholly owned subsidiary of Protective Life Corporation, a Delaware holding company. Originally incorporated in Alabama, the company redomesticated to Tennessee in 1992.

**Mergers:** Alabama National Life Insurance Company, Alabama, 1927; Empire General Life Insurance Company, Alabama, 1985; Columbia National Life Insurance Company, Ohio, 1987; Employers National Life Insurance Company, Texas, 1992; National Deposit Life Insurance Company, Arizona, 1992; Protective Life Insurance Corporation of Alabama, Alabama, 1999; Inter-State Assurance Company, Iowa, 2002; First Variable Life Insurance Company, Arkansas, 2004; Empire General Life Assurance Corporation, Tennessee, 2007; Chase Life & Annuity Company, Delaware, 2007; Chase Insurance Life & Annuity Company, Illinois, 2007; Chase Insurance Life Company, Illinois, 2007.

**Reinsurances:** During 1993, the company coinsured a block of universal life business from UNUM Life Insurance Company of America, Maine. During 1994, the company coinsured blocks of business from Manufacturers Life Insurance Company (U.S.A.), Michigan, and Reliance Standard Life Insurance Company, Illinois. During 1995, the company coinsured a block of business from Allmerica Financial Life Insurance and Annuity Company, Delaware. During 1996, the company coinsured blocks of business from CalFarm Life Insurance Company, California, Franklin Life Insurance Company, Illinois, and Anthem Life Insurance Company of Indiana, Ohio. During 1997, the company coinsured a block of business from Lincoln Benefit Life, Nebraska. During 1999, the company coinsured all in-force business from Wisconsin National Life, Wisconsin. During 2001, the company coinsured blocks of business from Standard Insurance Company, Oregon, and Western Diversified Life, Illinois. During 2002, the company coinsured blocks of business from Lyndon Life Insurance Company, Missouri, and Conseco Variable Insurance Company, Texas.

## OFFICERS

Chairman of the Board, President and Chief Executive Officer, John D. Johns; Vice Chairman of the Board and Chief Financial Officer, Richard J. Bielen; Executive Vice President and Chief Operating Officer, Carolyn MacBurney Johnson; Executive Vice President and Chief Investment Officer, Carl S. Thigpen; Executive Vice President, Secretary and General Counsel, Deborah J. Long; Senior Vice President and Chief Actuary, Wayne E. Stuenkel; Senior Vice President and Product Actuary, Kevin J. Howard, Senior Vice President and Controller, Steven G. Walker; Senior Vice Presidents, Nancy Kane (Finance), John B. Deremo (Distribution), Brent E. Griggs (APD), Carolyn King (Acquisitions), Charles M. Prior (Investments), , Judy Wilson

(Stable Value Products); Vice President and Chief Underwriting Officer, Steve MacDonald; Vice President and Treasurer, Lance P. Black; Vice Presidents and Actuaries, Kevin B. Borie, Ross C. Eriksson, Stephane Goyer, David D. Luczynski, Anil S. Manji, David C. Martin, T. Michael Presley, Mary Simmons, John F. Simon; Vice Presidents, Malcolm L. Bartlett (Accounting), Elizabeth R. Bell (Brand Management), Gary W. Binford (Systems), Kathleen D. Britton (Policyholder Service), Edwin V. Caldwell (Life Operations), Gregg O. Cariolano (APD), Robert A. Dickey (APD), Mark S. Downar (APD), Douglas Drablos (Procurement), Robert Eddy (APD), Charles D. Evers (Accounting), Richard C. Hackett (APD), Wayne Hall (Acquisition Administration), Lori A. Hallissey (APD), Janet Hanson (APD), Stephen Heacock (Accounting), M. Scott Karchunas (Sales), David J. Keeley (Acquisitions), Kevin Kilberry (Life Sales), Michael H. Korthaus (Life Sales), Richard M. LaVista (Sales), Ronald T. Lovik (Sales), Jeffrey B. Marsh (Sales), Quentin D. McClung (APD), Eric P. Miller (Sales), Michael Miyagishima (Stable Value Products), Vita Padalino (Investments), Phillip E. Passafiume (Investments), Thanh T. Pham (Administration), Martin L. Reilly (Information Systems), Eva T. Robertson (Marketing), Marion L. Robinson (Information Systems), John Sawyer (Equity Marketing), Karl W. Snover (Accounting), Paul R. Wells, Mark B. Whiting (APD), Michelle C. Winters (Administration).

## **DIRECTORS**

Richard J. Bielen, John D. Johns, Carolyn Johnson.

## **REINSURANCE**

Protective Life maintains reinsurance agreements with a large number of life insurance companies for the cession of excessive risks above its approved retention limits. Within the Protective Life Corporation group of companies, the maximum net retention is \$2,000,000 on ordinary policies.

## **REGULATORY**

An examination of the financial condition is being made as of December 31, 2004 by the Insurance Departments of Delaware and Tennessee. The 2006 annual independent audit of the company was conducted by PricewaterhouseCoopers, LLP. The annual statement of actuarial opinion is provided by Wayne E. Stuenkel, Senior V.P. and Chief Actuary.

**Territory:** The company is licensed in the District of Columbia, American Samoa, Guam, Puerto Rico, U.S. Virgin Islands, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

**Reserve basis:** (Current ordinary business): 1980 and 2001 CSO 4 1/2%; CRVM valuation.

## FINANCIAL INFORMATION

### BALANCE SHEET (\$000) - December 31, 2007

<b>Assets</b>		<b>Liabilities</b>	
*Total bonds	14,478,177	+Net policy reserves	11,650,357
*Total preferred stocks	829,219	Policy claims	93,757
*Total common stocks	1,035,610	Deposit type contracts	5,771,449
Mortgage loans	1,590,835	Interest maint reserve	58,323
Real estate	29,794	Comm taxes expenses	74,879
Contract loans	736,806	Asset val reserve	230,828
Cash & short-term inv	356,094	Other liabilities	167,497
Premis and consid due	28,622		
Accrued invest income	182,770	Tot liab w/o sep accts	18,047,089
Other assets	576,108	Separate account bus	5,956,846
		Total Liabilities	24,003,935
Tot assets w/o sep accts	19,844,034	Common stock	5,000
Separate account bus	5,956,846	Paid in & contrib surpl	820,376
		Unassigned surplus	971,569
Assets	25,800,880	Total	25,800,880

\*Securities are reported on the bases prescribed by the National Association of Insurance Commissioners. + Analysis of reserves; Life \$6,139,601; annuities \$5,225,215; supplementary contracts with life contingencies \$74,580; accidental death benefits \$1,845; disability active lives \$52,770; disability disabled lives \$50,685; miscellaneous reserves \$50,725; accident & health \$54,936.

### SUMMARY OF OPERATIONS (\$000)

Premiums:		Death benefits	235,969
Ordinary life	-38,873	Matured endowments	2,194
Individual annuities	1,181,183	Annuity benefits	132,268
Credit life	3,323	Disability benefits	4,643
Group life	-11,266	Coup endow/similar ben	173
Group annuities	338,327	Surrender benefits	1,146,031
Acc & health group	2,021	Acc & health benefits	27,544
Acc & health credit	7,287	Int on policy funds	266,701
Acc & health other	27,949	Supplementary contracts	2,981
Total premiums	1,509,952	Incr life reserves	-80,096
Supplementary contracts	1,038	Incr a & h reserves	6,647
Net investment income	1,078,389	Res adj reins assumed	-56



	20,283,908
Separate account bus	5,885,077
Assets	<u>26,168,984</u>
<u>Liabilities</u>	
	<u>03/31/2008</u>
Net policy reserves	11,858,615
Liab for deposit-type contracts	5,967,422
Policy claims	102,690
Interest maint reserve	59,140
Comm taxes expenses	59,068
Asset val reserve	259,760
Other liabilities	205,575
Tot liab w/o sep accts	<u>18,512,270</u>
Separate account bus	5,885,077
Total liabilities	<u>24,397,347</u>
Common stock	5,000
Paid in & contrib surpl	820,376
Unassigned surplus	946,262
Total	<u>26,168,984</u>

### INTERIM SUMMARY OF OPERATIONS (\$000)

	Period Ended <u>3/31/2008</u>	Period Ended <u>3/31/2007</u>	Increase/ <u>(Decrease)</u>
Premis & ann consid	727,819	407,678	320,141
Total premiums	<u>727,819</u>	<u>407,678</u>	<u>320,141</u>
Supplementary contracts	13	565	-552
Net investment income	255,134	255,320	-187
Amort interest main res	-6,637	2,730	-9,367
Net gain from sep acct	-57,436	5,788	-63,224
Comm & exp reins ceded	76,833	97,432	-20,599
Res adj on reins ceded	-89,369	-91,066	1,697
Other income	19,230	35,865	-16,635
Total	<u>925,587</u>	<u>714,313</u>	<u>211,274</u>
Death benefits	69,353	63,182	6,171
Matured endowments	550	467	83

Annuity benefits	39,051	67,743	-28,692
Coup endow/similar ben	43	45	-1
Surrender benefits	280,725	233,546	47,179
Disability and A&H ben	9,730	8,670	1,060
Int on policy funds	68,522	68,059	463
Supplementary contracts	160	1,485	-1,325
Change in reserves	208,261	22,388	185,873
Commissions	62,003	61,450	553
Comm exp reins assumed	3,022	3,155	-133
Insur taxes lic & fees	8,183	14,767	-6,585
General ins expenses	55,285	65,187	-9,902
Net transf to sep acct	146,676	43,646	103,029
Other disbursements	4,839	13,092	-8,253
Total	956,403	666,882	289,521
Gain from operations before FIT & div to policyholders	-30,816	47,431	-78,247
Dividends to policyholders	6,927	7,585	-658
Gain from operations after dividends to policyholders	-37,743	39,846	-77,589
Federal income taxes incurred	-12,780	-12,593	-187
Net gain from operations after FIT and dividends	-24,963	52,439	-77,402

### SEPARATE ACCOUNT DATA

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Sep Acct Assets	5,956,846	5,757,083	5,323,553	5,072,374	4,688,364
% Growth	3.5	8.1	5.0	8.2	14.0
S/A Assets/Adm Assets	23.1	22.5	21.0	21.4	21.0
Sep Acct Reserves	5,761,866	5,309,243	4,886,082	4,756,010	4,286,340
% Ordinary Life	5.0	5.1	4.4	3.9	3.3
% Individual Annuities	64.7	65.9	65.6	65.3	64.4
% Group Annuities	30.2	29.0	29.9	30.8	32.1
% Group Life	0.0	0.0	0.0	0.0	0.1
Deposit Type Liabilities	25	303,632	303,604	303,604	303,667
Other Liabilities	194,954	144,209	133,867	12,760	98,357
S/A Prems & Deposits	383,290	440,502	320,130	403,266	172,693

% Ordinary Life	8.3	6.7	8.7	6.5	14.9
% Individual Annuities	85.7	48.5	70.3	60.5	60.3
% Group Annuities	6.0	44.8	21.1	33.0	24.8
% Group Life	0.0	0.0	0.0	0.0	...
Sep Acct Fees & Charges	55,536	50,808	47,733	44,058	37,503
% Ordinary Life	36.9	37.4	35.1	34.8	36.7
% Individual Annuities	62.9	62.4	64.7	65.0	63.2
% Group Annuities	0.1	0.1	0.2	0.2	0.2
% Group Life	0.1	0.1	0.1	0.1	...
Fees & Chgs to Assets	0.9	0.9	0.9	0.9	0.9
Sep Acct Ben & Wdrwls	712,632	707,452	648,192	499,304	508,531
% Ordinary Life	1.9	1.5	1.6	1.3	0.9
% Individual Annuities	69.4	67.3	69.0	67.9	56.8
% Group Annuities	28.6	31.1	29.3	29.9	42.3
% Group Life	0.0	0.0	...	0.9	0.0
Ben & Wdrwl to Assets	12.2	12.8	12.5	10.2	11.6

### INDIVIDUAL ANNUITY STATISTICS

Year	NPW & Dep (000)	Res & Dep Liab (000)	Exp to Res & Dep Liab (%)*	Comm & Exp to NPW & Dep (%)	Benefits & Wdrwls to NPW & Dep (%)	Benefits & Wdrwls to Res & Dep Liab (%)*
2003	3,391,592	8,084,894	0.5	3.7	17.3	7.2
2004	786,099	7,840,529	0.6	11.6	101.3	10.0
2005	1,099,744	8,246,545	0.5	8.1	92.5	12.2
2006	1,412,089	9,092,492	0.5	4.7	70.4	10.8
2007	1,291,674	9,297,472	0.4	5.9	68.6	9.5

\* Includes Separate Account reserves.

### GROUP ANNUITY STATISTICS

Year	NPW & Dep (000)	Res & Dep Liab (000)	Exp to Res & Dep Liab (%)*	Comm & Exp to NPW & Dep (%)	Benefits & Wdrwls to NPW & Dep (%)	Benefits & Wdrwls to Res & Dep Liab (%)*
2003	1,806,621	6,172,335	0.2	1.1	22.2	6.5

2004	2,122,877	7,295,460	0.2	1.4	18.0	5.2
2005	1,764,495	7,836,699	0.1	1.0	24.6	5.5
2006	888,972	7,324,801	0.1	1.7	56.5	6.9
2007	1,304,434	7,207,712	0.2	1.7	33.8	6.1

\* Includes Separate Account reserves.

### TOTAL ANNUITY ACTUARIAL RESERVES AND DEPOSIT TYPE LIABILITIES BY WITHDRAWAL CHARACTERISTICS

Year	Total Annuity Res & Dep Liab (000)	Min or No Surrender Charge (%)*	With Surrender Charge 5% or more (%)*	With MVA (%)*	No Surrender Allowed (%)*
2003	15,114,487	35.9	5.0	27.5	31.5
2004	15,744,265	36.0	4.0	24.6	35.4
2005	16,623,482	34.1	5.8	22.2	37.9
2006	16,850,993	37.7	6.5	21.5	34.3
2007	16,852,131	41.0	3.7	21.5	33.8

\* Includes Separate Account reserves.

### NEW LIFE BUSINESS ISSUED (\$000)

Year	Whole Life & Endow	Term	Credit	Group	Indus- trial	Total Non- Insurance Issued	Par (%)	Par (%)
2002	19,609,192	41,979,281	4,415,400	93,852	...	66,097,725	100	...
2003	23,395,976	57,934,893	6,083,628	70,275	...	87,484,772	100	...
2004	19,358,435	38,780,664	23,511,868	205,968	...	81,856,935	100	...
2005	19,769,347	30,366,937	18,808,193	294,464	...	69,238,941	100	...
2006	14,660,959	26,399,207	12,777,941	443,507	...	54,281,614	100	...
2007	16,000,483	500,734	10,135,698	485,236	...	27,122,151	100	0

### LIFE INSURANCE IN FORCE (\$000)

Year	Whole Life Endow & Adds	Term	Credit	Group	Industrial	Total Insurance In Force
2002	135,764,221	221,034,364	10,756,000	5,098,464	...	372,653,049
2003	144,090,459	270,849,143	7,896,295	1,100,419	...	423,936,316
2004	154,434,702	290,899,993	6,562,891	657,242	...	452,554,828
2005	164,683,717	303,266,486	5,488,403	854,175	...	474,292,781
2006	170,485,874	310,751,771	4,266,729	1,273,104	...	486,777,478
2007	185,706,819	282,986,706	3,972,049	1,652,145	...	474,317,719