

Presentation to:

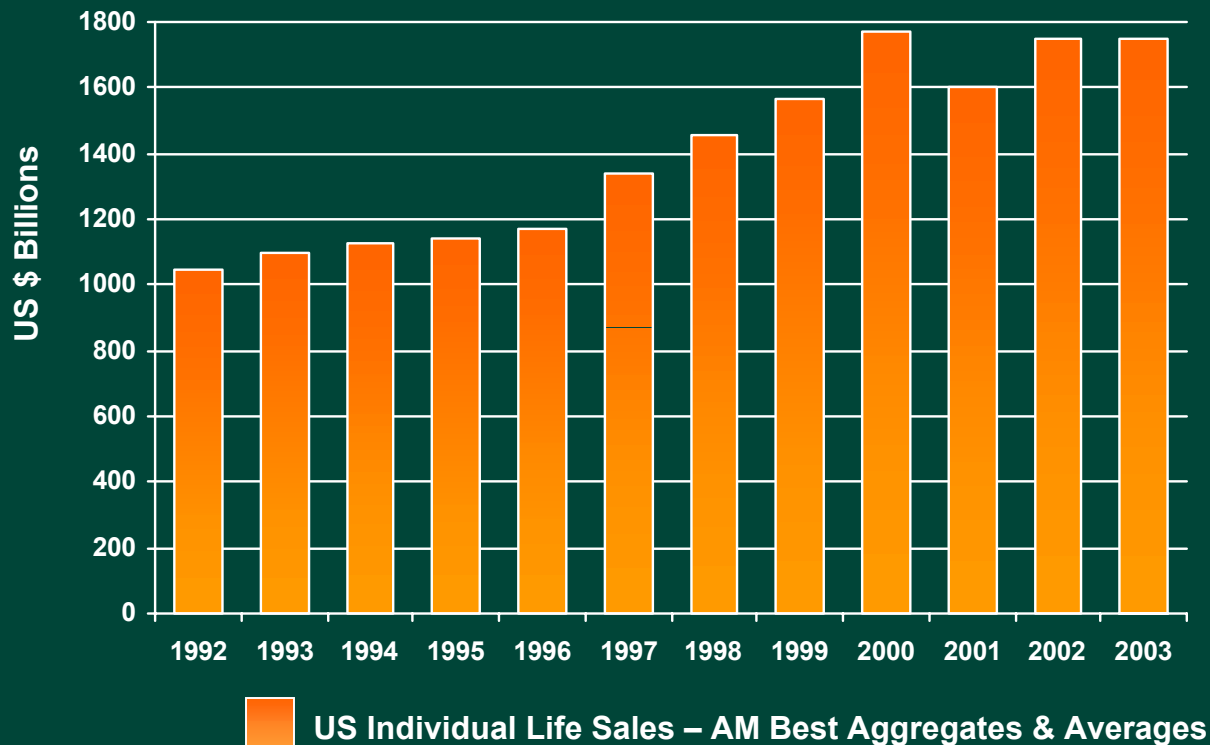
The Actuaries Club of the Southwest

Market Impact of LOCs and Capital Market Alternatives

November 11, 2004

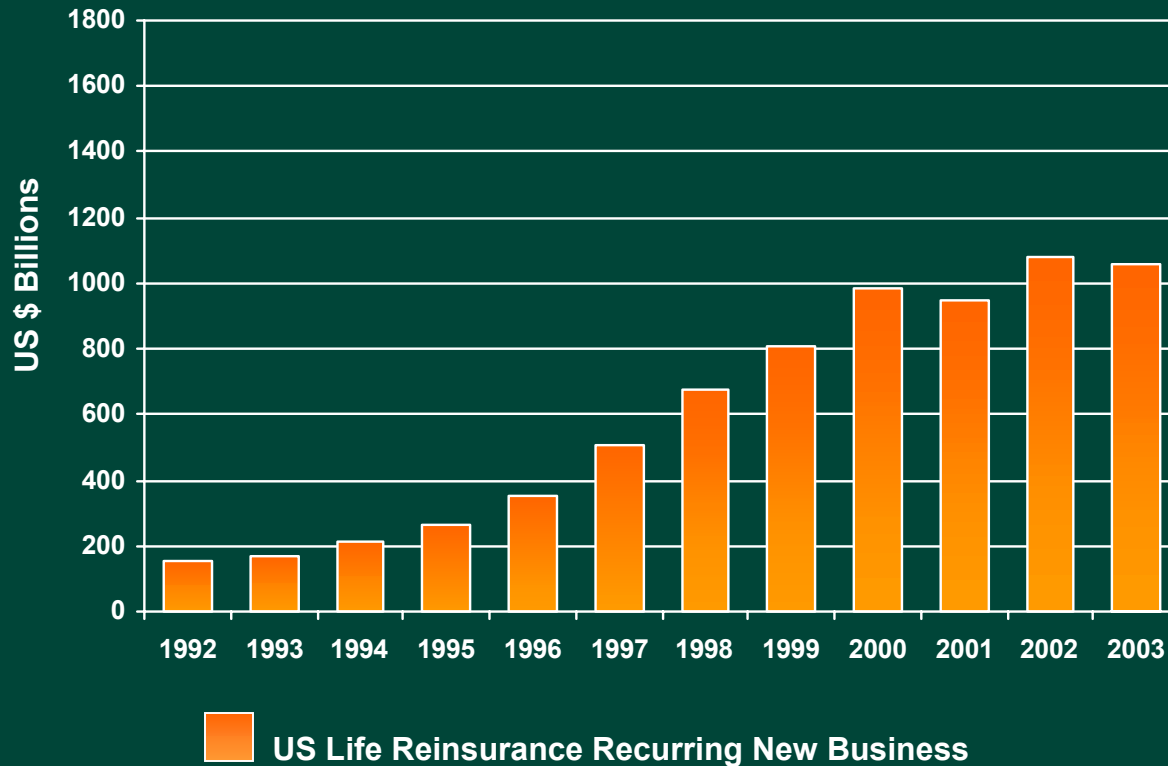
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U.S. Life Insurance Sales by Face



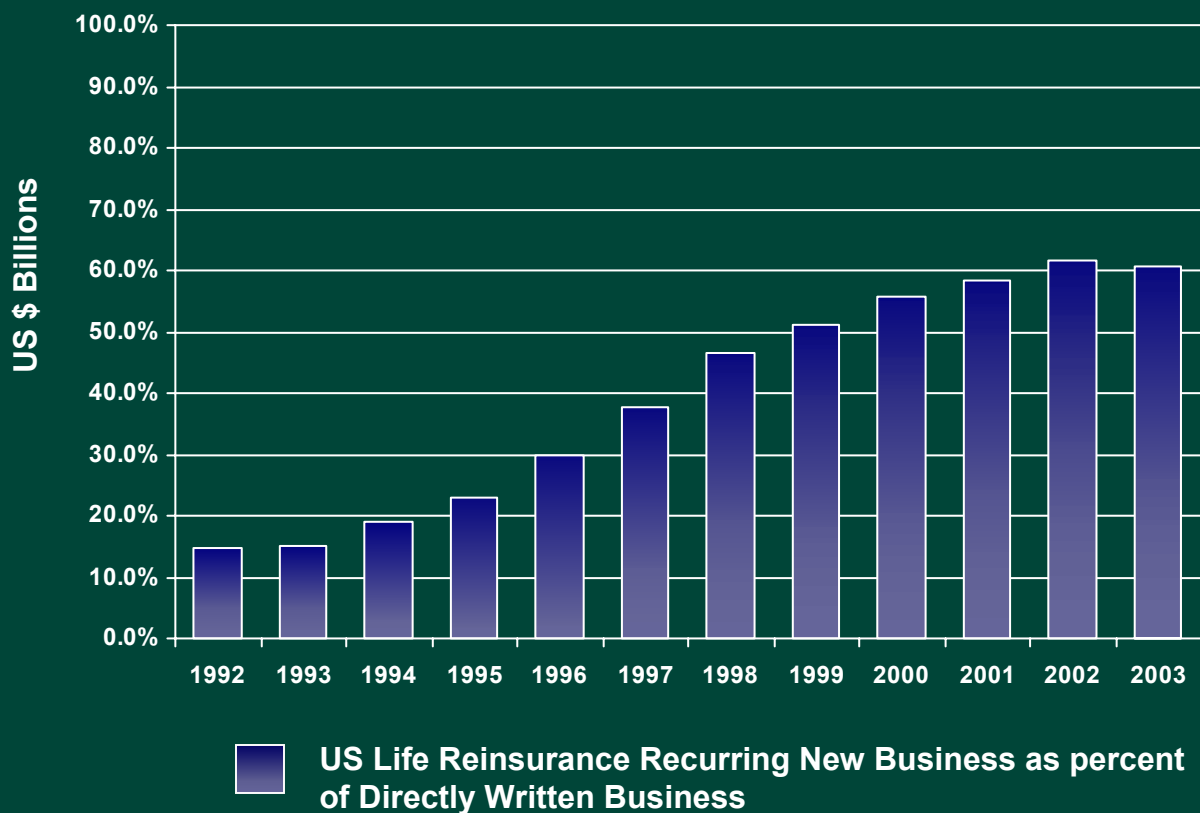
- ◆ Slight gains year-over-year until 2001
- ◆ 2003: Sales flat

Growth in Recurring Life Reinsurance Market



- ◆ 2003 volume almost seven times 1992 volume
- ◆ 17% CAGR, 1992-2003
- ◆ 2.4% CAGR, 2000-2003

Growth in the Life Reinsurance Market



- ◆ Percent reinsured continued to grow through 2002, declining slightly in 2003
- ◆ Growth rate slowed after 1998

Factors Impacting Direct Company-Reinsurer Decisions

- ◆ Lack of Mortality Experience
- ◆ “Shortage” of Capital
- ◆ Inadequate Infrastructure
- ◆ Corporate Mindset
- ◆ Perceived Pricing Leverage
- ◆ Lack of Economies of Scale
- ◆ Alternative Product Line Emphasis

Munich Re Survey Ranking – Assumed Business

Source: Munich Re Survey

| | Company | 2003 | | | | 2002 | | | | Market Share | | |
|----------------------|--------------------|------------------|----------------|---------------|------------------|---------------|------|------------------|----------------|---------------|------------------|---------------|
| | | Recur. | Port. | Retro. | Total | Market Share | Rank | Recur. | Port. | | Retro. | Total |
| 1 | Swiss Re | 234,308 | 6,382 | 0 | 240,690 | 18.7% | 1 | 265,491 | 9,225 | 0 | 274,716 | 21.0% |
| 2 | Scottish Re (US) | 63,366 | 151,666 | 0 | 215,032 | 16.7% | 10 | 34,339 | 2,962 | 0 | 37,301 | 2.9% |
| 3 | RGA* | 176,547 | 20,861 | 0 | 197,408 | 15.3% | 4 | 116,491 | 21,852 | 0 | 138,343 | 10.6% |
| 4 | ING Re | 154,199 | 12,746 | 45 | 166,990 | 12.9% | 3 | 129,340 | 14,858 | 7 | 144,205 | 11.0% |
| 5 | Transamerica Re | 120,900 | 0 | 0 | 120,900 | 9.4% | 5 | 110,219 | 0 | 0 | 110,219 | 8.4% |
| 6 | Munich American Re | 110,069 | 8,331 | 88 | 118,488 | 9.2% | 6 | 80,076 | 10,398 | 176 | 90,650 | 6.9% |
| 7 | Generali (BMA) | 58,778 | 0 | 0 | 58,778 | 4.6% | 7 | 74,255 | 0 | 0 | 74,255 | 5.7% |
| 8 | SCOR Life Re | 37,510 | 0 | 0 | 37,510 | 2.9% | 13 | 21,888 | 292 | 0 | 22,180 | 1.7% |
| 9 | Employers/ERC | 34,157 | 2 | 0 | 34,159 | 2.6% | 2 | 58,483 | 141,568 | 0 | 200,051 | 15.3% |
| 10 | Canada Life | 31,014 | 0 | 0 | 31,014 | 2.4% | 11 | 29,360 | 0 | 0 | 29,360 | 2.3% |
| TOP 10 TOTALS | | 1,020,848 | 199,988 | 133 | 1,220,969 | 94.7% | | 919,942 | 201,155 | 183 | 1,121,280 | 85.8% |
| MARKET TOTALS | | 1,057,449 | 200,708 | 31,550 | 1,289,707 | 100.0% | | 1,078,262 | 204,495 | 23,989 | 1,306,746 | 100.0% |

*RGA's 2003 Recurring Assumed figure includes \$71,025 million of Allianz production

Munich Re Survey Ranking – In Force Business

Source: Munich Re Survey

| | Company | 2003 | | | | | Market Share | Rank | 2002 | | | | | Market Share |
|----------------------|---------------------|------------------|----------------|----------------|------------------|---------------|--------------|------------------|----------------|----------------|------------------|---------------|--|--------------|
| | | Recur. | Port. | Retro. | Total | | | | Recur. | Port. | Retro. | Total | | |
| 1 | Swiss Re | 1,450,229 | 122,434 | 0 | 1,572,663 | 27.8% | 1 | 1,366,655 | 127,367 | 0 | 1,494,022 | 28.8% | | |
| 2 | RGA* | 791,188 | 104,386 | 0 | 895,574 | 15.8% | 2 | 458,018 | 102,709 | 0 | 560,727 | 10.8% | | |
| 3 | ING Re | 521,349 | 39,257 | 924 | 561,530 | 9.9% | 5 | 412,490 | 37,140 | 875 | 450,505 | 8.7% | | |
| 4 | Transamerica Re | 525,986 | 0 | 0 | 525,986 | 9.3% | 4 | 473,072 | 0 | 0 | 473,072 | 9.1% | | |
| 5 | Munich American Re | 452,776 | 47,561 | 15,288 | 515,625 | 9.1% | 6 | 380,566 | 40,944 | 16,922 | 438,432 | 8.4% | | |
| 6 | Employers/ERC | 353,367 | 51,423 | 338 | 405,128 | 7.2% | 3 | 339,030 | 212,720 | 3,235 | 554,985 | 10.7% | | |
| 7 | Scottish Re | 271,314 | 868 | 0 | 272,182 | 4.8% | 14 | 57,897 | 2,902 | 5,463 | 66,262 | 1.3% | | |
| 8 | Generali (BMA) | 228,254 | 1,177 | 0 | 229,431 | 4.1% | 8 | 190,456 | 862 | 0 | 191,318 | 3.7% | | |
| 9 | Revios Re (Gerling) | 116,182 | 18,255 | 1,208 | 135,645 | 2.4% | 9 | 110,549 | 19,218 | 1,385 | 131,152 | 2.5% | | |
| 10 | General Re Life | 116,788 | 9,606 | 0 | 126,394 | 2.2% | 10 | 110,943 | 10,849 | 0 | 121,792 | 2.3% | | |
| TOP 10 TOTALS | | 4,827,433 | 394,967 | 17,758 | 5,240,158 | 92.7% | | 3,899,676 | 554,711 | 27,880 | 4,482,267 | 86.3% | | |
| MARKET TOTALS | | 5,008,710 | 405,950 | 238,211 | 5,652,871 | 100.0% | | 4,356,737 | 591,027 | 244,374 | 5,192,138 | 100.0% | | |

*RGA's 2003 Recurring In Force figure includes \$277,951 million of Allianz in force

Expected Growth in Term Sales

Average Annual Rate over Next 5 yrs

| | No. of Companies | |
|-----------------------|------------------|--------------------|
| | <u>Industry</u> | <u>Own Company</u> |
| < 5% | 19% | 16% |
| 5 – 10% | 69 | 41 |
| 11 – 15% | 12 | 37 |
| >15% | <u>0</u> | <u>6</u> |
| | 100% | 100% |
| Avg Ann Growth | 8% | 10% |

Source: LIMRA International

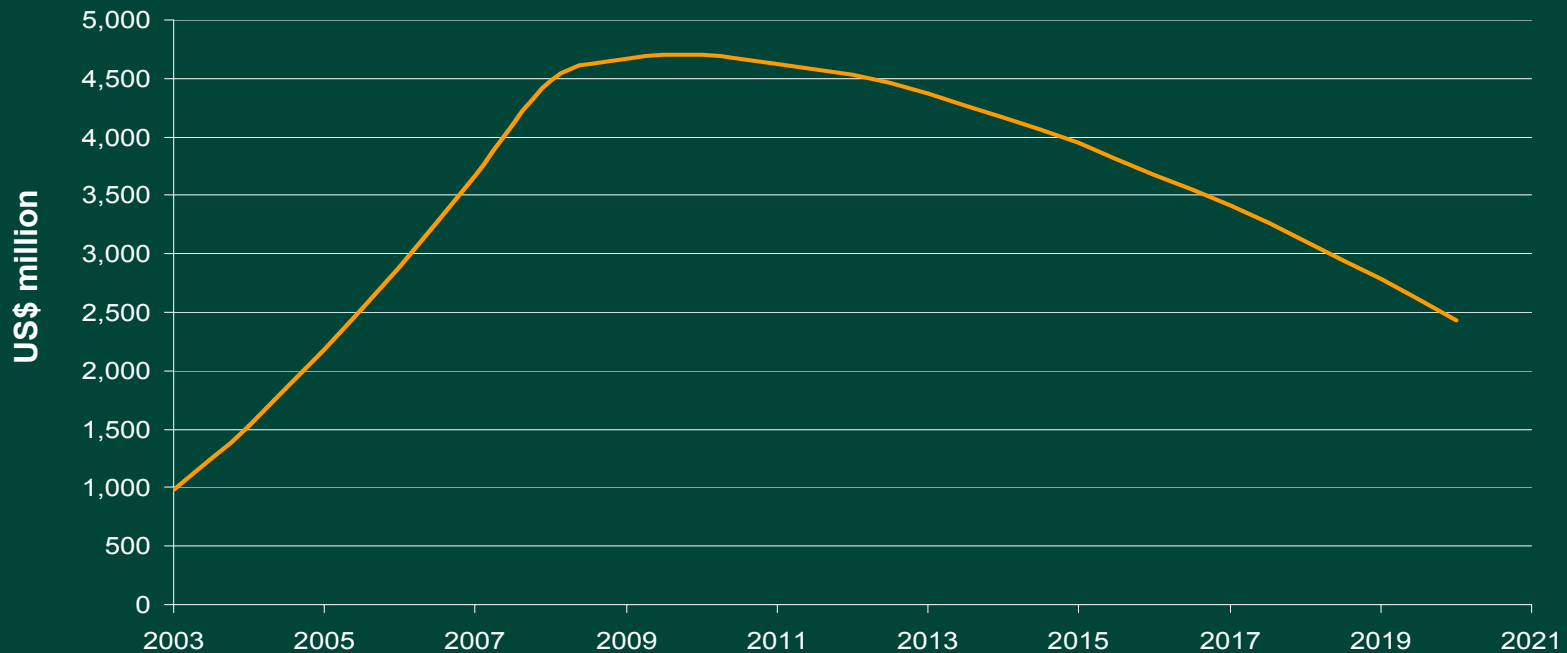
Sales by Premium Period: 2001 Results

| | <u>Policies</u> | <u>Ann. Premium</u> |
|------------------|-----------------|---------------------|
| 5 year | 12% | 8% |
| 10 year | 23 | 28 |
| 15 year | 7 | 10 |
| 20 year | 35 | 37 |
| 30 year | 9 | 8 |
| YRT | 9 | 8 |
| Other (incl ART) | <u>5</u> | <u>1</u> |
| | 100% | 100% |

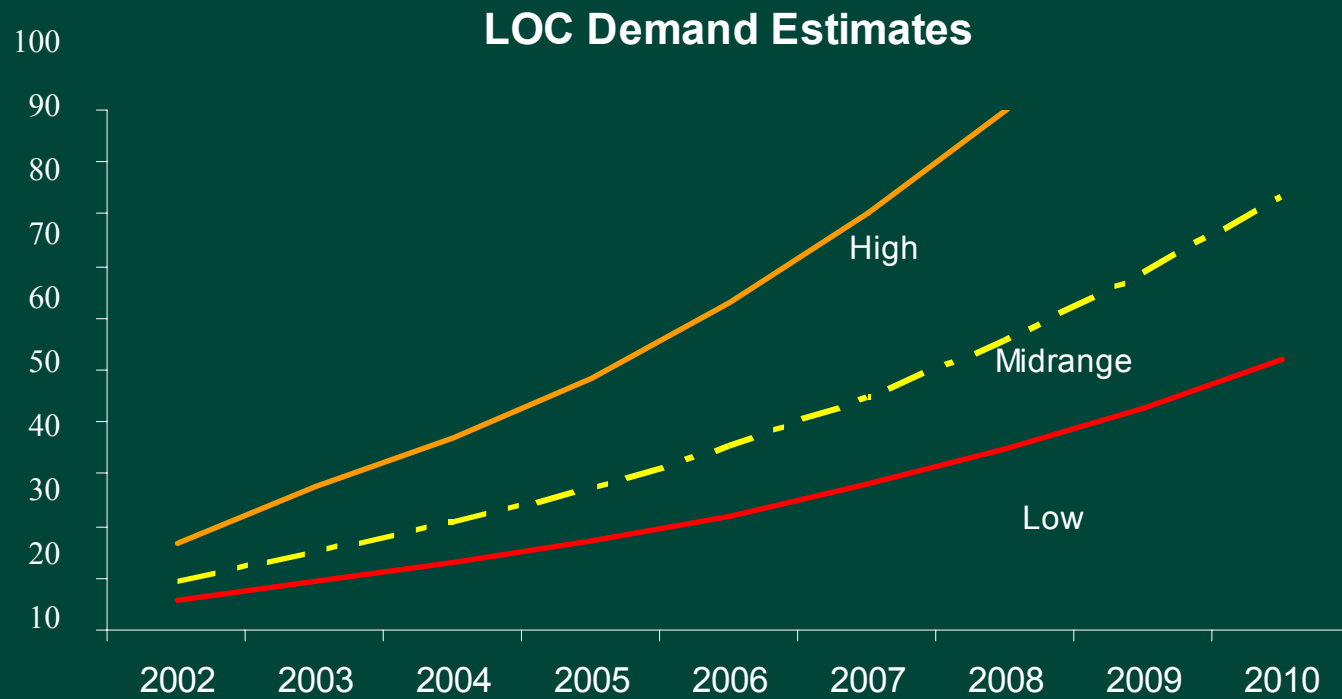
Source: LIMRA International

New Business / Inforce LOC Demand Curve

- ◆ Assume \$350 billion in business written by end of year 2003
- ◆ Assume \$100 billion in new business written by end of year 2004
- ◆ Assume 15% growth in new business 4 years thereafter



Reinsurance LOC Market Demand



Capital Outlet Considerations: Reinsurer

- ◆ **Target Market**
- ◆ **Market Share**
- ◆ **Ratings & Prospects**
- ◆ **Relationships**
- ◆ **Corporate Structure**
- ◆ **Corporate Tools**
- ◆ **Financial Capacity**
- ◆ **Rating Agency Perspective**
- ◆ **Impact on Pricing**
- ◆ **Access to Data / Data Quality**
- ◆ **Financial Partners**

Capital Outlet Considerations: Direct Writer

- ◆ **Market Position**
- ◆ **Financial Capacity**
- ◆ **Ratings & Prospects**
- ◆ **Retention & Reinsurers**
- ◆ **Corporate Infrastructure**
- ◆ **Corporate Tools**
- ◆ **Data & Data Quality**
- ◆ **Ability to Execute**
- ◆ **Cost / Benefit**
- ◆ **Relationships**

Any
Questions?