



# Term Update

Presented by

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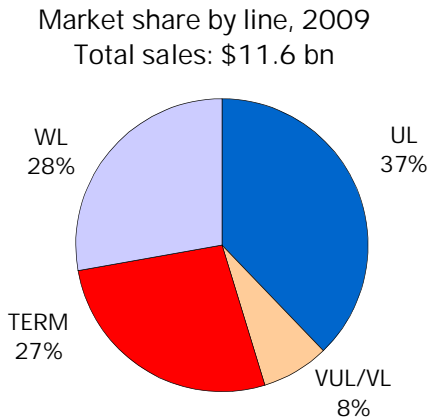
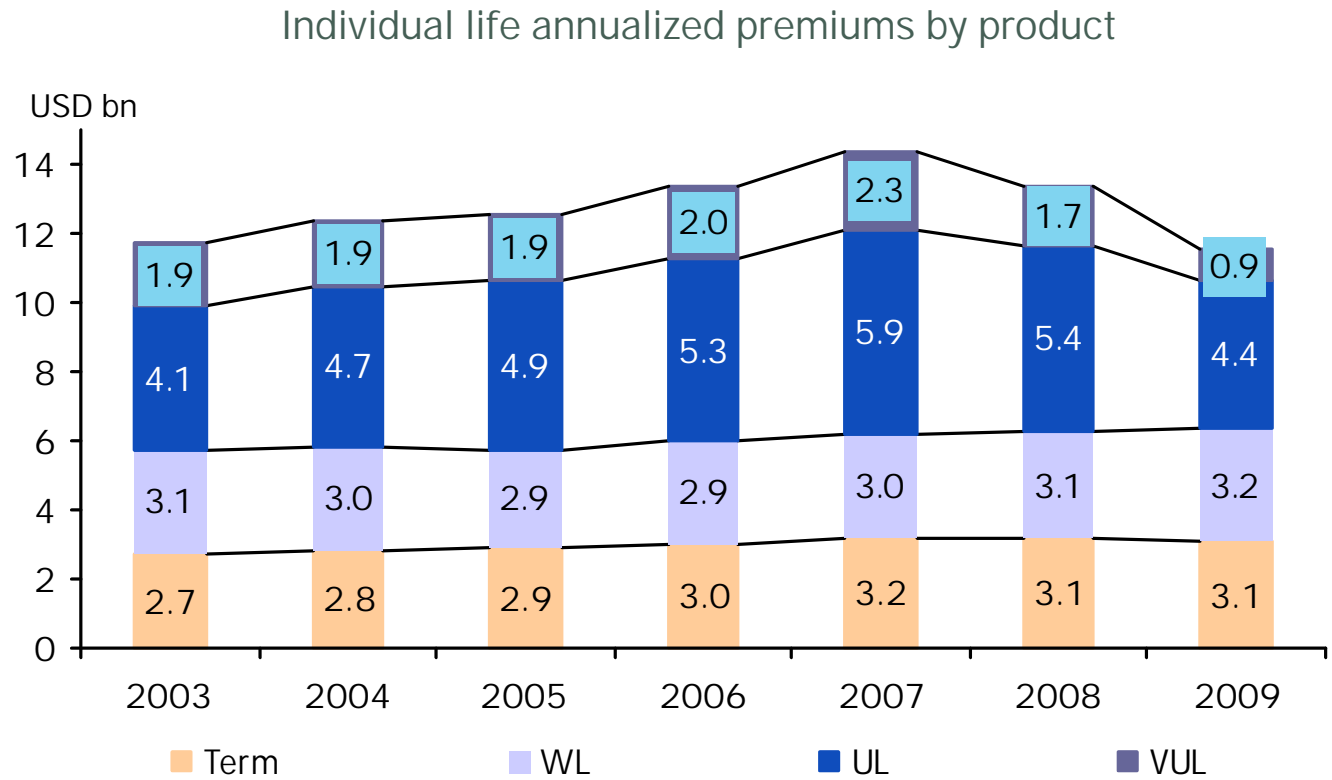
## Developments in the L&H industry

- The L&H industry has improved but not yet fully recovered
- Balance sheets stabilized in 2009 due to the rebound in capital markets and de-risking of assets and liabilities
- Much of the capital lost during the crisis has been restored from higher retained earnings, capital markets infusions, and regulatory changes
- L&H profitability has rebounded but a return to pre-crisis profitability will be challenging
- Investment results remain a problem – losses are moderating but investment yield is historically low
- New business has fallen precipitously – sales are expected to rebound later in 2010 and 2011
- M&A activity has been minimal but will accelerate as financial markets and the industry continue to improve

# Impact on products: stable demand for mortality, steep decline of UL/VUL



% change	CAGR 2003-2007	2008	2009
UL	9%	-8%	-20%
VUL	5%	-25%	-49%
Term	4%	-1%	-1%
WL	0%	2%	4%
Total	5%	-7%	-16%

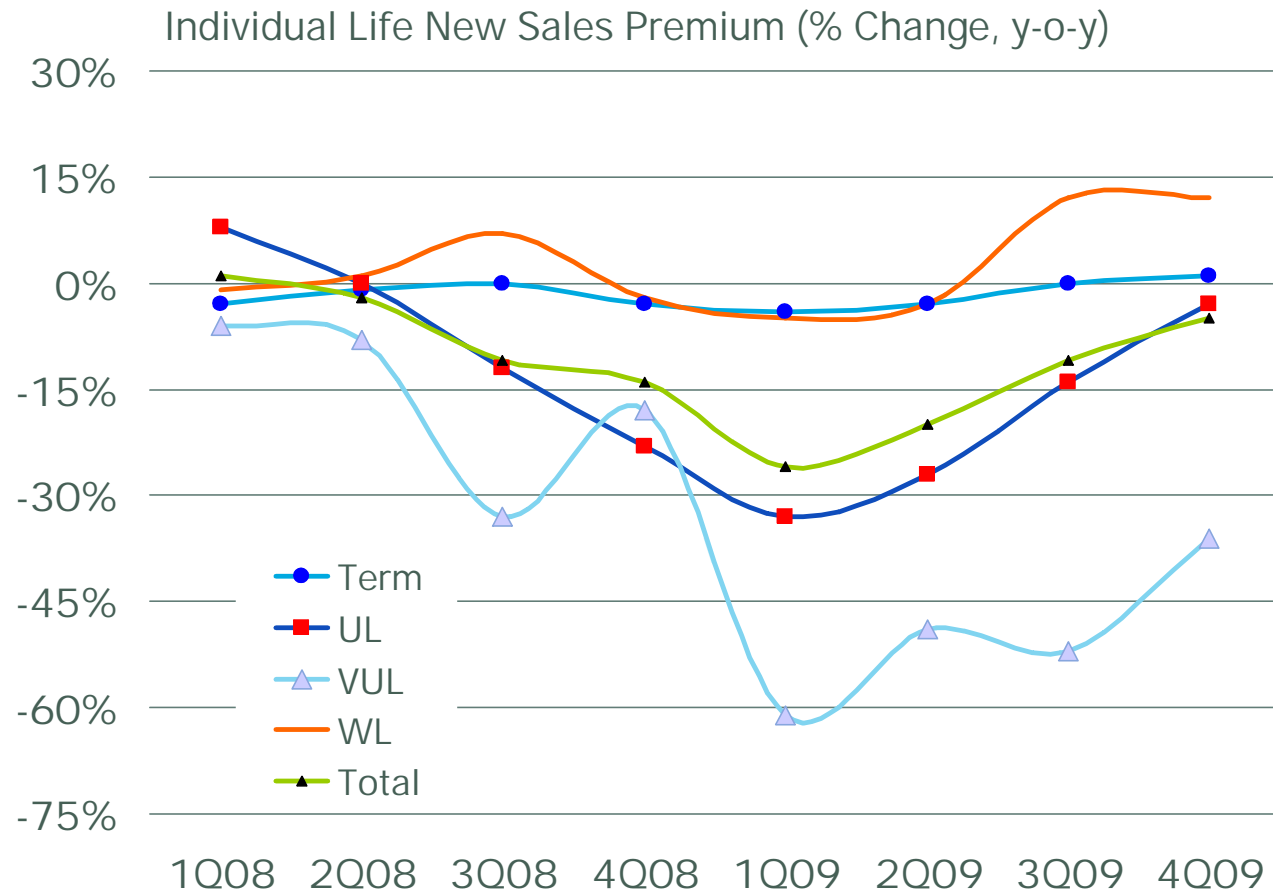


Source: LIMRA, Swiss Re Economic Research & Consulting



# Sales are expected to pick up slowly in 2010 and be back on track in 2011

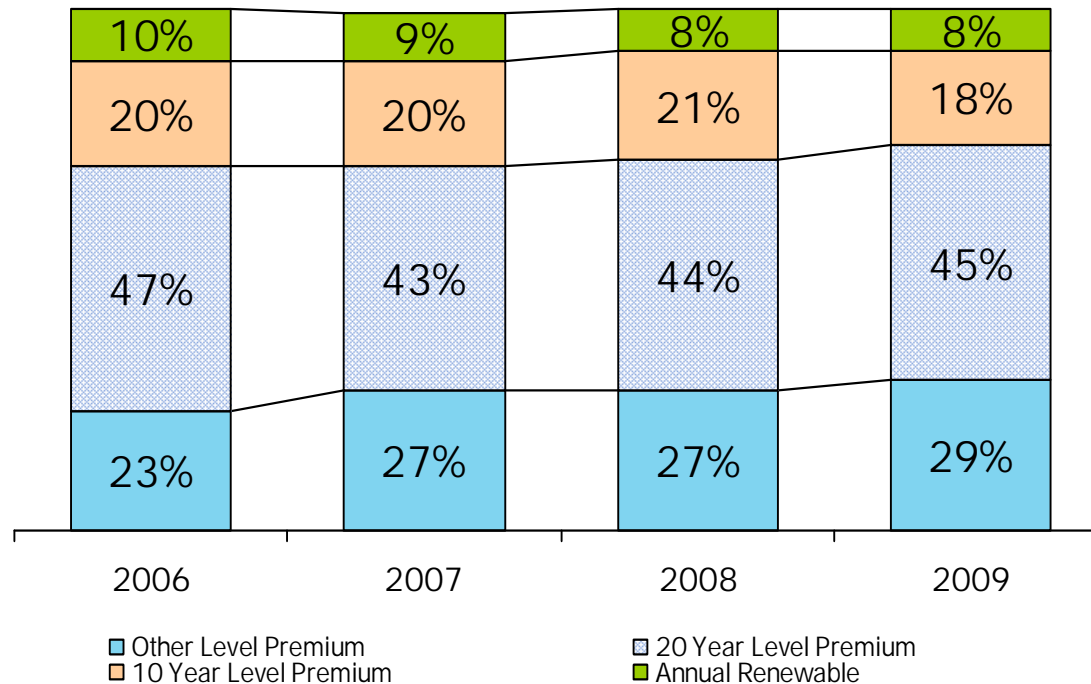
The worst of the decline in new business appears to be over



Source: LIMRA, Swiss Re Economic Research & Consulting

# Term production: longer-duration level products dominate sales

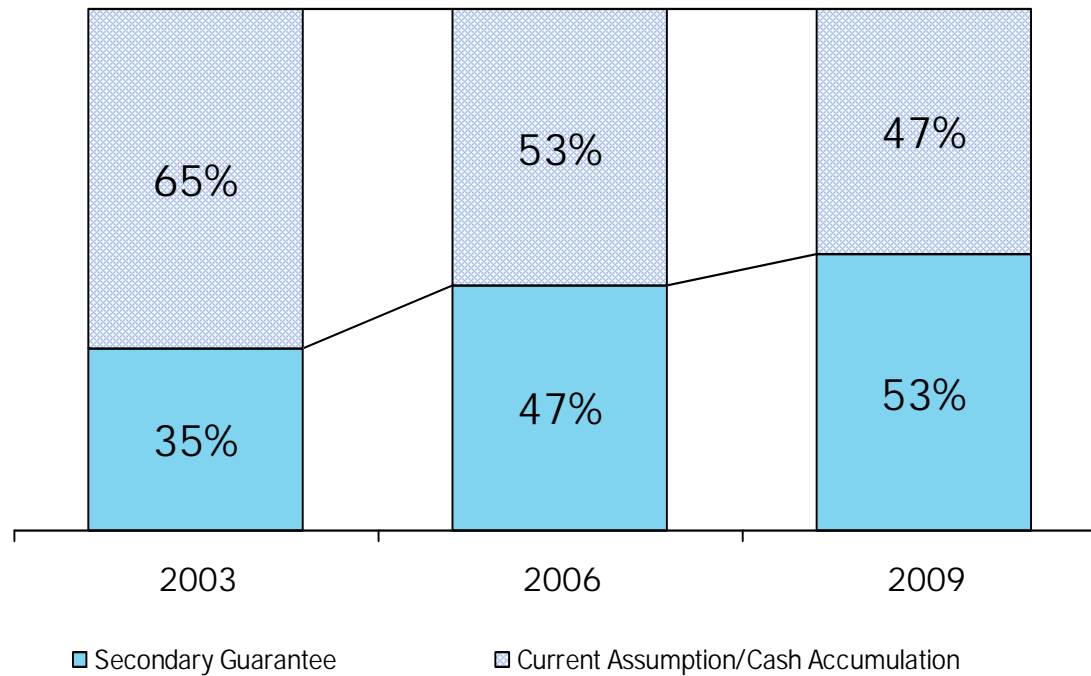
Term sales by product type, % face amount



Source: LIMRA

## UL production: secondary guarantees gaining share

UL sales by product type, % annualized premium



Source: LIMRA

# The term marketplace

Swiss Re



## Top 25 Term Life Writers, 2009

Amount of term insurance issued, \$ billion

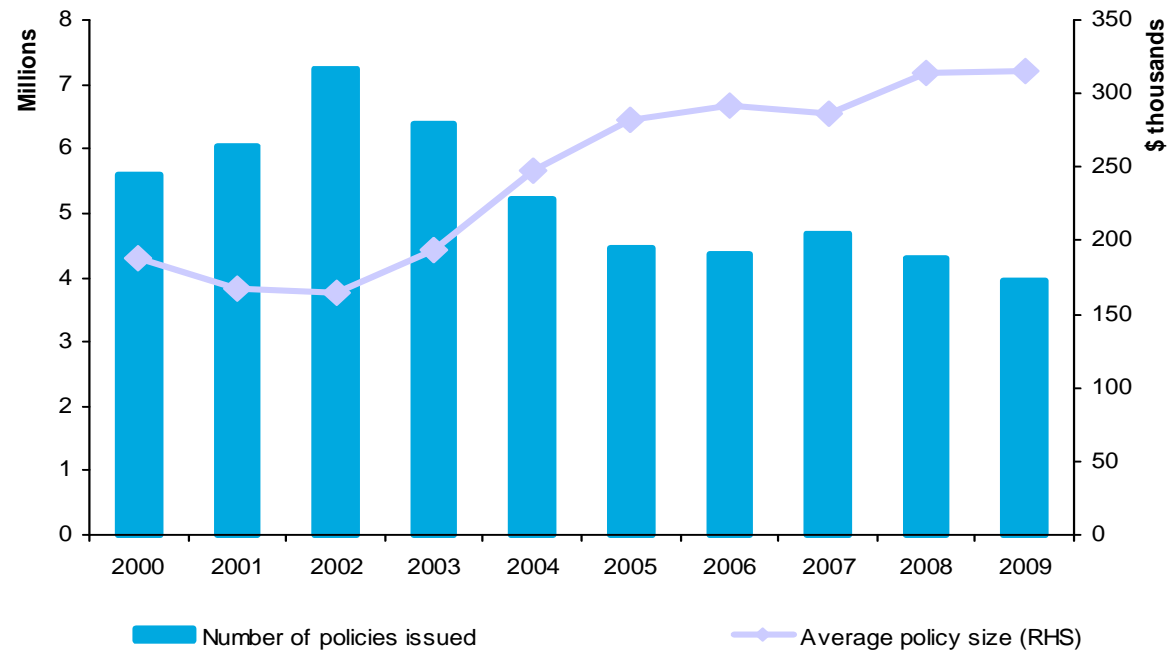
Rank 2007	Rank 2009	Company	2007	Market share	2008	Market share	2009	Market share	% change '08-'09
9	1	ING	53.6	4.0%	97.3	7.2%	97.7	7.8%	0.4%
2	2	Prudential	88.5	6.6%	81.0	6.0%	85.5	6.8%	5.5%
3	3	Northwestern Mutual	78.2	5.8%	77.8	5.8%	82.8	6.6%	6.4%
5	4	State Farm	72.1	5.4%	70.4	5.2%	71.4	5.7%	1.5%
4	5	Citigroup	77.9	5.8%	76.4	5.7%	71.4	5.7%	-6.5%
7	6	MetLife	59.3	4.4%	57.4	4.3%	65.6	5.3%	14.2%
11	7	New York Life	49.5	3.7%	49.9	3.7%	55.7	4.5%	11.6%
14	8	AEGON	31.3	2.3%	31.1	2.3%	47.9	3.8%	54.1%
12	9	Allstate	46.0	3.4%	43.2	3.2%	39.4	3.2%	-8.7%
10	10	Banner Life	52.5	3.9%	52.8	3.9%	39.4	3.2%	-25.4%
17	11	Axa	23.7	1.8%	25.5	1.9%	35.8	2.9%	40.5%
1	12	AIG	120.7	9.0%	123.4	9.2%	35.3	2.8%	-71.4%
8	13	Genworth	53.7	4.0%	38.9	2.9%	34.8	2.8%	-10.5%
13	14	USAA	42.3	3.2%	38.4	2.9%	32.2	2.6%	-16.3%
6	15	Protective Life	64.1	4.8%	36.4	2.7%	30.3	2.4%	-16.9%
18	16	John Hancock	23.0	1.7%	52.3	3.9%	30.1	2.4%	-42.5%
16	17	Lincoln National	24.6	1.8%	21.8	1.6%	28.9	2.3%	32.7%
15	18	Zurich Insurance	25.5	1.9%	22.0	1.6%	22.5	1.8%	2.4%
19	19	Mass Mutual	20.1	1.5%	20.0	1.5%	21.5	1.7%	7.8%
20	20	American Family	18.3	1.4%	20.2	1.5%	18.8	1.5%	-7.0%
21	21	Guardian Life	14.9	1.1%	14.4	1.1%	16.6	1.3%	15.8%
30	22	SBLI of MA	9.3	0.7%	8.6	0.6%	16.1	1.3%	87.9%
22	23	Ohio National	13.2	1.0%	13.9	1.0%	15.6	1.3%	12.7%
25	24	Pacific Life	11.3	0.8%	14.1	1.0%	12.2	1.0%	-13.5%
24	25	Hartford	11.6	0.9%	15.0	1.1%	11.7	0.9%	-22.3%
		Industry	1,343.5	100.0%	1,348.4	100.0%	1,248.4	100.0%	-7.4%

- Market is concentrated:
  - 198 companies
  - Top 10 market share: 53% (vs 51% in '04)
  - Top 25 market share: 82% (vs 78% in '04)
- Market consolidation is expected to continue

# Term production: the pool of new buyers has plateaued

- Number of policies issued was down 45% in '09 from its peak in '02
- Average face amount has increased substantially, CAGR '02-'09: +9.7%

Number and size of new term policies

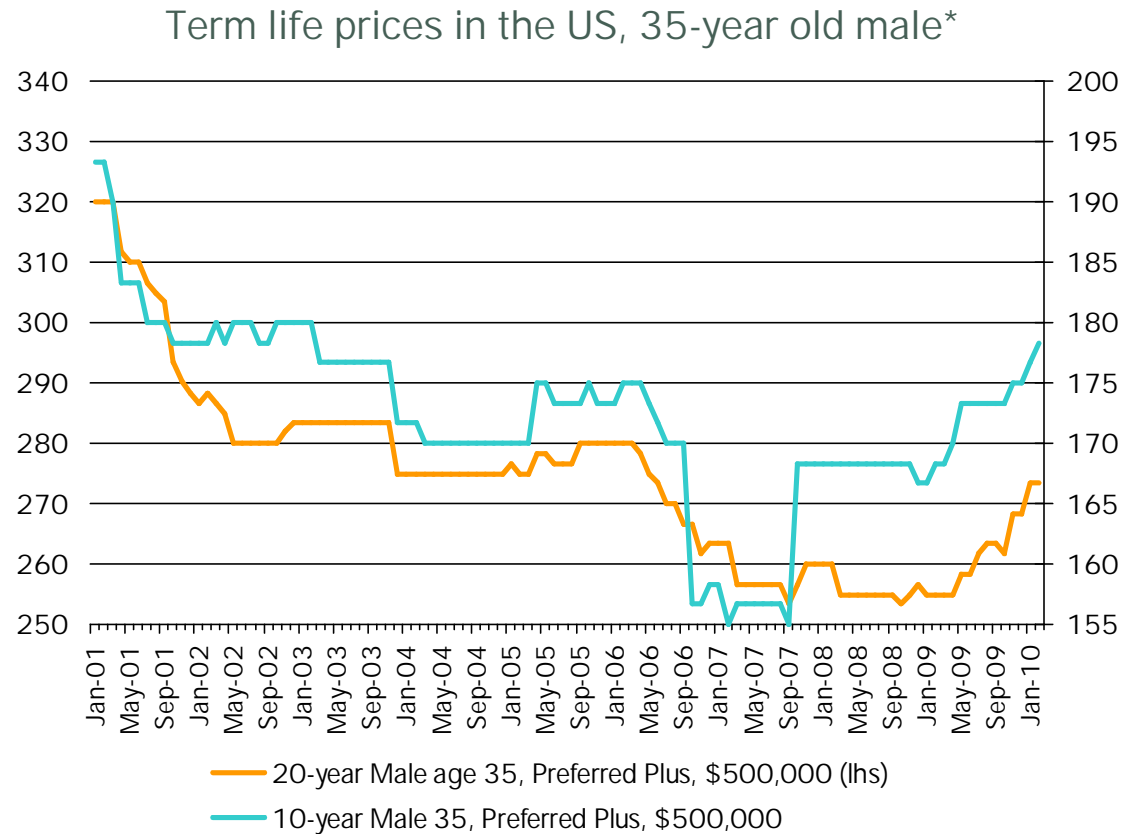


Source: Highline Data, Swiss Re Economic Research & Consulting



# Term prices have increased, contrary to long term trends

- Increases driven by
- higher collateral costs
  - decline in investment yields
  - increased target ROIs



Source: Compulife

\* average of lowest, fifth lowest and tenth lowest provider. 20-year Male 35, Preferred Plus, \$500'000 refers to a 20 year policy duration with a guaranteed rate over the entire policy duration for a man of 35 years with a sum insured of \$500'000

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Thank you

