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# Universal Life and Indexed Universal Life Issues



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## BACKGROUND

Universal life (UL) and indexed universal life (IUL) continue to be key areas of interest in the life insurance market today. In 2012, Milliman, Inc. conducted its sixth annual comprehensive survey aimed at addressing UL and IUL issues. Survey topics and questions were determined based on input from Milliman consultants, as well as participants in the prior year's survey. The survey is updated annually to include current topics of interest.

The survey was sent via e-mail to UL/IUL insurance companies on October 10, 2012; 28 companies submitted responses. The continued high level of participation is indicative of the great interest in this topic. The 28 companies that participated in the study are:

- Allianz
- Americo
- Ameriprise
- Ameritas
- Aviva
- AXA
- Bankers Life and Casualty
- Columbus Life
- Genworth
- ING
- John Hancock
- Kansas City Life
- Lincoln Financial
- Met Life
- Midland/NACOLAH
- Mutual of Omaha
- National Life Companies
- Nationwide
- New York Life
- Pan American
- Ohio National
- Penn Mutual
- Principal Financial
- Protective
- Prudential
- Securian
- Thrivent Financial
- Washington National

The questions asked of survey participants can be found in the Appendix.

Nothing included in this document may be used in any filings with any public body, such as, but not limited to, the Securities and Exchange Commission (SEC) or state insurance departments without prior consent from Milliman. Milliman relied upon the data provided by the survey participants and did not perform independent audits of the data, although we did review the data for general reasonableness and consistency. Any observations made may not necessarily be indicative or construed as representative of the entire UL/IUL market.

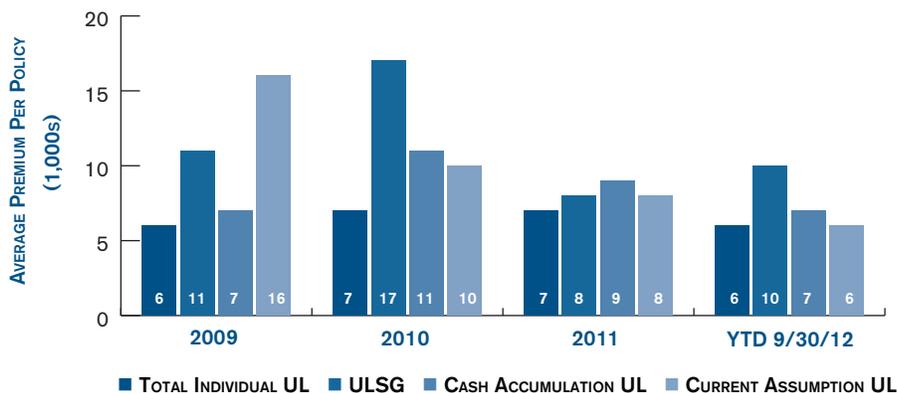
## EXECUTIVE SUMMARY

### SALES

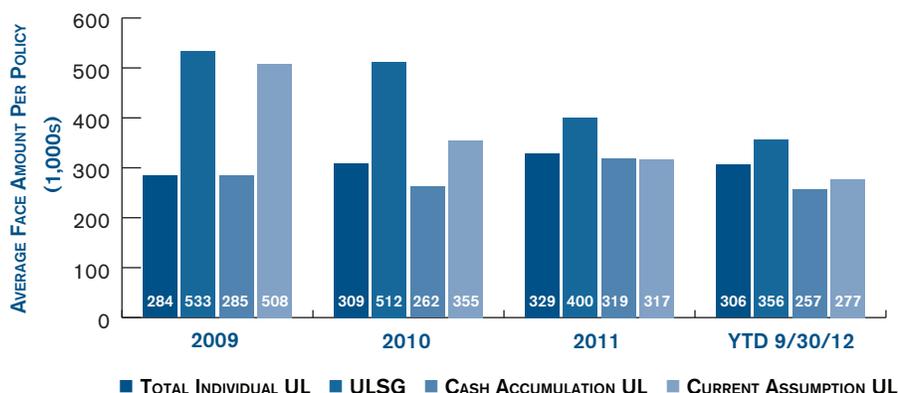
Survey participants reported total individual UL sales (excluding IUL sales), measured by the sum of recurring premiums plus 10% of single premiums, of \$1.65 billion and \$1.01 billion, respectively, for calendar year 2011 and 2012 as of September 30, 2012 (YTD 9/30/12). There has been a decreasing trend of UL sales for survey participants since 2010. Since 2009, UL with secondary guarantee (ULSG) and current assumption UL (CAUL) market shares fluctuated slightly up and down, as the cash accumulation UL (AccumUL) share gradually decreased. Individual company results were varied, but 11 participants reported at least a 10% shift from or to any one UL product when looking at the YTD 9/30/12 product mix compared to that of 2009. Fourteen of the 28 participants reported movement to ULSG products, nearly equally at the expense of both AccumUL and CAUL products. **Four participants discontinued sales of ULSG products and two discontinued CAUL products.**

Average premiums per policy reported by survey participants for ULSG peaked in 2010, followed by a significant decline in 2011 and an increase during YTD 9/30/12. Cash accumulation UL average premiums also peaked in 2011 and have since gradually declined. Since their peak in 2009, CAUL average premiums per policy have declined steadily. On a face amount basis, average amounts per policy have decreased since 2009 for ULSG and current assumption UL, but have alternated between slight increases and slight decreases within a fairly narrow range for cash accumulation UL. The highest average premium per policy among the UL product types was reported for CAUL in 2009, for ULSG in 2010 and YTD 9/30/12, and for AccumUL in 2011. The highest average face amount per policy for all periods was reported for ULSG. Averages are shown in Figures 1 and 2 below. Note that one participant reported its averages by product type, but did not report its total individual UL average premium per policy or total individual UL average face amount per policy. Its averages were high relative to those reported by other participants.

FIGURE 1: AVERAGE PREMIUMS PER POLICY BY PRODUCT TYPE



**FIGURE 2: AVERAGE FACE AMOUNT PER POLICY BY PRODUCT TYPE**



Expectations regarding the mix of UL/IUL business in the future vary widely by company. Overall survey statistics suggest that companies appear to have plans to focus more on current assumption UL and cash accumulation IUL products.

The brokerage, career agent, and personal-producing general-agent (PPGA) channels were the most popular channels through which all UL product types were sold. Market share changes by distribution channel from 2011 to YTD 9/30/12 varied by UL product. The biggest change was seen in the brokerage channel for cash accumulation UL. The brokerage channel lost market share from 2011 to YTD 9/30/12 to the career agent, worksite, and direct response channels. For current assumption UL products, the brokerage channel gained market share primarily at the expense of the PPGA channel. The distribution of sales for ULSG shows a loss of market share for the PPGA channel with the brokerage channel showing a gain when sales were measured on a premium basis. When ULSG sales were measured on a face amount basis, the brokerage and stockbroker channels captured market share from the PPGA channel.

A weighted average issue age was determined for sales of survey participants by distribution channel based on the midpoint of the specified issue age ranges. For all distribution channels combined, average ages stayed the same for all UL products from 2011 to YTD 9/30/12 in all cases, except for AccumUL when sales are measured by face amount. During 2011 and YTD 9/30/12 the lowest average age was reported in the worksite channel and the highest average was reported in the financial institutions channel. The table in Figure 3 summarizes the average ages calculated based on sales reported by issue age range for all distribution channels combined for 2011 and YTD 9/30/12.

**FIGURE 3: AVERAGE AGES, ALL DISTRIBUTION CHANNELS COMBINED**

BASIS OF SALES	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>BASED ON 2011 SALES</b>			
PREMIUM	60	57	62
FACE AMOUNT	52	46	54
<b>BASED ON YTD 9/30/12 SALES</b>			
PREMIUM	60	57	62
FACE AMOUNT	52	45	54

A weighted average issue age was also determined for sales of survey participants by gender based on the midpoint of the specified issue age ranges. With the exception of cash accumulation UL sales measured by face amount for females, the change in average issue ages was no more than one year for any UL products. For AccumUL females, the average issue age increased by three years from 2011 to YTD 9/30/12 when measured on a face amount basis. The table in Figure 4 summarizes the average ages calculated based on sales reported by issue age range and gender for 2011 and YTD 9/30/12.

**FIGURE 4: AVERAGE AGES BY GENDER**

GENDER	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>BASED ON 2011 SALES, PREMIUM</b>			
MALE	59	56	61
FEMALE	61	58	63
<b>BASED ON 2011 SALES, FACE AMOUNT</b>			
MALE	51	46	54
FEMALE	53	45	54
<b>BASED ON YTD 9/30/12 SALES, PREMIUM</b>			
MALE	60	57	61
FEMALE	61	57	62
<b>BASED ON YTD 9/30/12 SALES, FACE AMOUNT</b>			
MALE	51	46	54
FEMALE	52	48	53

Overall, there were no significant shifts in sales distribution from 2011 to YTD 9/30/12 between nonsmoker/nontobacco (NS/NT) underwriting classes and smoker/tobacco (S/T) classes. For all UL products, sales during YTD 9/30/12 shifted more toward the best NS/NT class relative to 2011. Overall, 24.1% of 2011 sales (based on premiums) by survey participants were reported in the best NS/NT class. This rate increased to 28.3% for YTD 9/30/12. Similarly, 31.5% of 2011 sales (based on face amount) were reported in the best NS/NT class. For YTD 9/30/12, this rate increased to 36.4%. There was little change in the number of underwriting classes by survey participants from 2011 to YTD 9/30/12.

## IUL SALES

Survey participants reported total IUL sales, also measured by the sum of recurring premiums plus 10% of single premiums, of \$729.9 million and \$622.1 million, respectively, for calendar year 2011 and 2012 as of September 30, 2012 (YTD 9/30/12). The level of IUL sales has steadily increased during the survey period. The IUL market has continued to draw considerable interest with more companies entering the market or considering the possibility. **Total IUL sales as a percent of total UL and IUL sales combined has increased from 18% in 2009 to 40% during YTD 9/30/12.** Also, the IUL sales percent has increased for each of the individual IUL product categories from 2009 to YTD 9/30/12, with cash accumulation IUL (AccumIUL) increasing significantly from 64% to 85% of total cash accumulation UL/IUL sales. The most significant change in the mix of total individual IUL sales was seen from 2010 to 2011. AccumIUL sales as a percent of total individual IUL sales increased about 7% for survey participants during this period. Indexed UL with secondary guarantees (IULSG) sales decreased 5% and current assumption IUL (CAIUL) decreased 1% during this period. Cash accumulation IUL products dominate the IUL market with a share of 87% reported during YTD 9/30/12. IULSG and current assumption IUL (CAIUL) sales have declined since 2009. This summary will focus primarily on characteristics of cash accumulation IUL products because they are such a significant part of the IUL market.

From 2011 to YTD 09/30/12, the average premium per policy for AccumIUL decreased from \$14,576 to \$11,423. Similarly, the average face amount per policy decreased from \$535,851 to \$460,302 for AccumIUL.

The brokerage, PPGA, and career agent channels continue to be the most popular channels through which AccumIUL products are sold. The career agent channel gained market share from 2011 to YTD 9/30/12, at the expense of both the brokerage and PPGA channels.

A weighted average issue age was determined for IUL sales of survey participants by distribution channel based on the midpoint of the specified issue age ranges. For all distribution channels combined, there was a decrease in the average issue age for AccumIUL when measuring sales on both a premium basis and no change when measured on a face amount basis. During 2011, the lowest average age for AccumIUL was reported in the financial institutions channel on a premium basis and both the financial institutions and stockbroker channels on a face amount basis. The highest average was reported in the brokerage channel. Similarly, during YTD 9/30/12, the lowest average was reported in the financial institutions channel on a premium basis and the PPGA channel on a face amount basis. The highest average was again reported in the brokerage channel. The table in Figure 5 summarizes the average ages calculated based on sales reported by issue age range for all distribution channels combined, for all IUL products, and for 2011 and YTD 9/30/12.

**FIGURE 5: AVERAGE AGES, ALL DISTRIBUTION CHANNELS COMBINED**

BASIS OF SALES	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>BASED ON 2011 SALES</b>			
<b>PREMIUM</b>	<b>59</b>	<b>55</b>	<b>45</b>
<b>FACE AMOUNT</b>	<b>52</b>	<b>46</b>	<b>35</b>
<b>BASED ON YTD 9/30/12 SALES</b>			
<b>PREMIUM</b>	<b>58</b>	<b>54</b>	<b>47</b>
<b>FACE AMOUNT</b>	<b>51</b>	<b>46</b>	<b>35</b>

A weighted average issue age was also determined for IUL sales of survey participants by gender based on the midpoint of the specified issue age ranges. Average issue ages for AccumIUL remained the same from 2011 to YTD 9/30/12 for males and declined for females. The table in Figure 6 summarizes the average ages calculated for all IUL products based on sales reported by issue age range and gender for 2011 and YTD 9/30/12.

**FIGURE 6: AVERAGE AGES BY GENDER**

GENDER	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>BASED ON 2011 SALES, PREMIUM</b>			
MALE	58	55	45
FEMALE	59	55	44
<b>BASED ON 2011 SALES, FACE AMOUNT</b>			
MALE	52	47	35
FEMALE	51	45	35
<b>BASED ON YTD 9/30/12 SALES, PREMIUM</b>			
MALE	57	55	49
FEMALE	58	53	44
<b>BASED ON YTD 9/30/12 SALES, FACE AMOUNT</b>			
MALE	51	47	36
FEMALE	50	44	35

For AccumIUL the YTD 9/30/12 sales distribution by underwriting class shifted to the second and third best nonsmoker/nontobacco classes relative to that for 2011. There were few changes in the number of underwriting classes reported by survey participants from 2011 to YTD 9/30/12.

#### CHRONIC ILLNESS RIDER SALES

Sales data is becoming more available on UL/IUL products with chronic illness riders as more companies begin to offer and track such products. Five participants reported total UL sales with chronic illness riders of \$181.25 million of premium for 2011 and \$139.97 million during YTD 9/30/12. The total face amount issued for UL policies with chronic illness riders was reported as \$8.5 billion and \$7.3 billion, respectively, for 2011 and YTD 9/30/12. Four participants reported total indexed UL sales with chronic illness riders of \$133.31 million for 2011 and five reported total sales of \$80.44 million for YTD 9/30/12. For 2011 and YTD 9/30/12, the total face amount issued for IUL policies with chronic illness riders was \$8.6 billion and \$7.9 billion, respectively.

The table in Figure 7 summarizes sales of chronic illness riders relative to total sales reported by survey participants. Sales of chronic illness riders as a percent of total sales are shown in Figure 8. **During YTD 9/30/12, sales of chronic illness riders as a percent of total sales were 14% for UL products and 13% for IUL products.**

**FIGURE 7: CHRONIC ILLNESS RIDER SALES (\$ MILLIONS)**

CALENDAR YEAR	TOTAL INDIVIDUAL UL	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>UL SALES</b>				
2011	\$1,649.1	\$1,134.9	\$155.1	\$360.1
YTD 9/30/12	\$1,013.8	\$685.0	\$109.7	\$218.2
<b>UL SALES WITH CHRONIC ILLNESS RIDERS</b>				
2011	\$181.3	\$124.1	\$40.3	\$16.8
YTD 9/30/12	\$140.0	\$117.8	\$15.1	\$7.0
CALENDAR YEAR	TOTAL INDIVIDUAL IUL	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>IUL SALES</b>				
2011	\$729.9	\$67.6	\$641.1	\$21.2
YTD 9/30/12	\$622.1	\$63.5	\$544.2	\$14.9
<b>IUL SALES WITH CHRONIC ILLNESS RIDERS</b>				
2011	\$133.3	\$1.5	\$130.2	\$1.5
YTD 9/30/12	\$80.4	\$4.6	\$75.2	\$1.6

**FIGURE 8: CHRONIC ILLNESS RIDER SALES AS A PERCENT OF TOTAL SALES**

CALENDAR YEAR	TOTAL INDIVIDUAL UL	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>UL SALES WITH CHRONIC ILLNESS RIDERS AS A PERCENT OF TOTAL UL SALES</b>				
2011	11%	11%	26%	5%
YTD 9/30/12	14%	18%	14%	3%
CALENDAR YEAR	TOTAL INDIVIDUAL IUL	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>IUL SALES WITH CHRONIC ILLNESS RIDERS AS A PERCENT OF TOTAL IUL SALES</b>				
2011	18%	2%	20%	7%
YTD 9/30/12	13%	7%	14%	11%

Cash accumulation IUL products with chronic illness riders had the highest average sales measured by premiums relative to other UL/IUL product types for 2011 and ULSG products had the highest during YTD 9/30/12. On a face amount basis, AccumIUL had the highest averages sales for both time periods. Average premiums per policy were the highest for cash accumulation IUL products with chronic illness riders (based on premiums) for 2011 and for cash accumulation UL products during YTD 9/30/12. The most popular distribution channels through which UL/IUL products with chronic illness riders are sold are the brokerage, PPGA, and career agent channels. For males, the average issue age for UL/IUL products with chronic illness riders equaled 58 in 2011 and 59 during YTD 9/30/12 on a premium basis. When measured on a face amount basis, the average issue age for males equaled 50 in both time periods. For females, the averages equaled 60 in 2011 and 62 during YTD 9/30/12 on a premium basis. When measured on a face amount basis, the average issue age for females equaled 49 in both time periods. The high election rate is due to the automatic inclusion of these riders on certain UL/IUL policies. It is most likely that the chronic illness riders reported by survey participants are no cost riders that provide a discounted death benefit as an accelerated benefit.

## LTC RIDER SALES

Sales data is also more available on UL/IUL products with long-term care (LTC) riders as more companies begin to offer and track such products. Seven survey participants reported total UL sales with LTC riders of \$249.9 million and \$160.1 million premium, respectively, for 2011 and YTD 9/30/12. The total face amount issued for such policies was reported as \$3.9 billion and \$2.6 billion, respectively, for 2011 and YTD 9/30/12. Five participants reported total IUL sales with LTC riders of \$4.9 million for 2011 and six reported sales of \$26.0 million for YTD 9/30/12. For 2011 and YTD 9/30/12, the total face amount issued for IUL policies with LTC riders was \$263.4 million and \$1.3 billion, respectively. Note that this business is heavily skewed to single premium sales, so the 10% weighting is significant for this block.

The table in Figure 9 summarizes sales of LTC riders relative to total sales reported by survey participants. Sales of LTC riders as a percent of total sales are shown in Figure 10. **During YTD 9/30/12, sales of LTC riders as a percent of total sales were 16% for UL products and 4% for IUL products.**

**FIGURE 9: LTC RIDER SALES (\$ MILLIONS)**

CALENDAR YEAR	TOTAL INDIVIDUAL UL	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>UL SALES</b>				
2011	\$1,649.1	\$1,134.9	\$155.1	\$360.1
YTD 9/30/12	\$1,013.8	\$685.0	\$109.7	\$218.2
<b>UL SALES WITH LTC RIDERS</b>				
2011	\$249.9	\$227.7	\$2.1	\$20.0
YTD 9/30/12	\$160.1	\$138.0	\$1.6	\$20.5
CALENDAR YEAR	TOTAL INDIVIDUAL IUL	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>IUL SALES</b>				
2011	\$729.9	\$67.6	641.1	\$21.2
YTD 9/30/12	\$622.1	\$63.5	544.2	\$14.9
<b>IUL SALES WITH LTC RIDERS</b>				
2011	\$4.9	\$1.1	\$3.7	\$0.1
YTD 9/30/12	\$26.0	\$5.3	\$20.7	<\$0.1

**FIGURE 10: LTC RIDER SALES AS A PERCENT OF TOTAL SALES**

CALENDAR YEAR	TOTAL INDIVIDUAL UL	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL
<b>UL SALES WITH LTC RIDERS AS A PERCENT OF TOTAL UL SALES</b>				
2011	15%	20%	1%	6%
YTD 9/30/12	16%	20%	1%	9%
CALENDAR YEAR	TOTAL INDIVIDUAL IUL	IULSG	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>IUL SALES WITH LTC RIDERS AS A PERCENT OF TOTAL IUL SALES</b>				
2011	1%	2%	1%	<1%
YTD 9/30/12	4%	8%	4%	<1%

The distribution of sales by LTC rider type elected was similar between 2011 and YTD 9/30/12. Rider type refers to the election of an LTC accelerated benefit rider (ABR) only, an ABR and an extension of benefits (EOB) rider, or an ABR, an EOB rider, and an inflation protection rider (IPR). ULSG products with LTC riders had the highest average sales based on premium and face amount relative to other UL/IUL product types for 2011 and on a premium basis for YTD 9/30/12. Cash accumulation IUL products had the highest average sales on a face amount basis for YTD 9/30/12. Average premiums per policy were the highest for ULSG products with LTC riders (based on premiums) and for AccumIUL products with LTC riders (based on face amount). The brokerage channel was by far the most popular channel through which these products were sold. Average issue ages ranged from 54 to 63, with female averages about one to two years older than male averages. Few participants reported election rates for LTC riders, but those that were reported ranged from 1% to 33% (for UL policies) and from 1% to 51% (for IUL policies) over the survey period.

### PROFIT MEASURES

The predominant profit measure reported by survey participants continues to be an after-tax, after-capital statutory return on investment/internal rate of return (ROI/IRR). The median ROI/IRR reported continues to be 12% for all UL/IUL products, with the exception of CAUL where the median is 11.5%. A few participants lowered their profit goals because of the recent low interest rate environment and others made changes due to guidance from foreign parents.

Survey participants reported their actual results relative to profit goals for 2011 and with the exception of ULSG, the majority of participants were at least meeting their profit goals on the other UL/IUL products. Only eight out of 18 ULSG participants were at least meeting their profit goals in 2011. For YTD 9/30/12, the majority of participants were at least meeting their profit goals for AccumUL, IULSG, and AccumIUL, but not for ULSG, CAUL, and CAIUL products. Seven out of 19 ULSG participants were at least meeting their profit goals, nine out of 18 for CAUL, and two out of five for CAIUL. **The primary reason given for not meeting profit goals in 2011 and YTD 9/30/12 was low interest earnings.**

### TARGET SURPLUS

The majority of survey participants continue to set target surplus pricing assumptions as a percent of the National Association of Insurance Commissioners (NAIC) company action level. The overall NAIC risk-based capital percent of company action level ranged from 200% to 400% for ULSG, cash accumulation UL, and current assumption IUL markets. The range was from 250% to 400% for current assumption UL and cash accumulation IUL markets and from 300% to 400% for the IULSG market. The average overall NAIC risk-based capital was 338% for IULSG, 325% for CAUL and CAIUL, 316% for AccumIUL, 313% for ULSG, and 303% for AccumUL.

### RESERVES

Responses were varied by survey participants regarding what approach participants will use for pricing of new UL products in a principle-based reserves (PBR) environment. Where stochastic reserves will be required, a significant number of participants (10 of 23) currently do not know what approach will be used in pricing in a PBR environment. Some participants reported they will reflect stochastic reserves in pricing and others will use approaches that estimate the stochastic reserves. Where deterministic reserves are required, nine of 20 participants currently have not yet determined what approach will be used in pricing in a PBR environment. Some participants reported they will reflect deterministic reserves in pricing, some will use estimates of deterministic reserves, and others will use the same or similar approaches that have been used in the past.

**Concern was expressed by 11 of 22 participants about the net premium reserve floor that is included in the valuation manual. The reasons for concern included: the net premium reserve is too high, there is a significant amount of work in implementing the new regulations with little reserve relief, and potential tax inefficiencies.**

### RISK MANAGEMENT

Survey participants reported an average cost of financing assumed in pricing ULSG products of 174 basis points (bps), with a median of 150 bps. Four participants assume the same costs that were assumed a year ago, and three assume lower costs.

Seventeen of the 28 participants are reacting to the current market by repricing, and eight are riding it out. Generally, responses are identical to those reported in last year's survey. The implications of the recent financial crisis on capital solutions are varied among survey participants. About 46% of them reported very little or no implications. Others reported implications that relate to limited external funding solution availability and/or costs. With few exceptions, the implications reported are consistent with those reported in last year's survey.

Retention limits range from \$250,000 to \$40 million for survey participants.

Few participants hedge the investment risk in ULSG products, but all 18 IUL participants reported that they hedge the index included in their IUL products.

## UNDERWRITING

Table-shaving programs are offered by nine of the 28 participants; seven participants will continue their programs, one will discontinue its program, and the final participant did not indicate its plans. Fourteen of the 28 participants use a credit program or other type of program that improves ratings for favorable risk factors. Modifications have been made to such programs in the last two years by four of the 14. Some of the modifications were more restrictive and others were less restrictive.

The most popular of five specific underwriting tools used by survey participants for fully underwritten business are prescription drug database searches (24 participants), cognitive impairment testing (21), tele-underwriting/telephonic screening (19), activities of daily living (ADL) measures (19), and additional questions on applications (16).

Twelve survey participants reported offering simplified issue (SI) underwritten UL/IUL products. The individual middle/upper income and corporate-owned life insurance (COLI) /bank-owned life insurance (BOLI) markets were the top two markets among survey participants where such products are offered. The most popular channel where SI UL products are offered is the brokerage channel with 10 of the 12 offering products in this channel. The most common underwriting tools used in this market are MIB reports (12 participants), prescription drug database searches (10), and a motor vehicle report (7). Four participants add "actively-at-work" questions to their simplified issue UL/IUL application that are not found in their fully underwritten UL/IUL application.

The majority of survey participants have created at least one preferred risk parameter that differs at the older ages relative to those used at the younger ages.

## PRODUCT DESIGN

Secondary guarantee designs of ULSG products were split between the following structures: shadow account with a single fund (9), shadow account with multiple funds (5), minimum scheduled premium design (5), and hybrid (3).

**Thirteen of the 28 participants repriced their ULSG design in the last 12 months, and the majority reported that premium rates on the new basis versus the old basis increased. Ten of these 13, plus three additional participants intend to modify their secondary guarantee products in the next 12 months.**

The low interest rate environment has affected survey participants' outlook for the various UL product types in similar ways. The outlook, in general, is negative, with lower profits, lower crediting and guaranteed rates, reduced caps and participation rates, and increased premiums expected. Strategies used in light of the recent low interest rates include intentionally reducing or limiting UL sales (15), riding it out (12), or launching new designs with reduced guarantees (6).

A total of eight survey participants currently offer a long-term care (LTC) accelerated benefit rider on either a UL or IUL product. Five of the eight expect to develop an enhanced LTC combination product in the next 12 to 24 months.

The popularity of chronic illness benefits has been growing recently and 10 of the 28 participants reported they currently offer a chronic illness accelerated benefit rider on either a UL or IUL chassis, although only six of the 10 reported sales of UL/IUL products with such riders. Five additional companies expect to develop such a rider in the next 12 to 24 months. This implies that nearly 79% of survey respondents expect to market either an LTC or chronic illness rider within 12 to 24 months.

Twenty-four survey participants currently offer living benefits other than chronic illness and LTC or expect to offer such benefits in the next 12 months. In nearly all cases, participants are providing an accelerated death benefit, primarily for terminal illness.

Survey participants were given a list of seven benefits and asked which of the items companies found most valuable. The list included chronic illness, terminal illness, critical illness, longevity benefits, disability income, return of premium, and unemployment benefits. Chronic illness benefits were ranked the most valuable, while longevity and unemployment benefits ranked the least valuable of the seven.

Simplified issue, single premium UL products are currently offered by seven of the 28 participants, and another four are considering offering such a policy in the next 12 months.

### COMPENSATION

Compensation structures are quite varied among survey participants. It is more common among participants to vary than to not vary commissions and marketing allowables by product type. Median commission percentages varied between all UL and IUL products, with a higher median reported for IUL products relative to the median reported for UL products.

Few survey participants offer asset based compensation on UL/IUL products, but its use is highest for cash accumulation UL/IUL. The same is true for levelized compensation on cash value enhancement (CVE) riders.

In general, it appears that rolling target premiums are becoming more common in the UL/IUL market. A rolling target means that higher percentage commissions up to the target are paid based on cumulative paid premium, even if the target premium is not met in the first year. Rolling target premiums are the most common in cash accumulation IUL compensation programs, with 88% of AccumIUL respondents rolling target premiums. Target premiums are commonly rolled for two years.

### PRICING

A portfolio crediting strategy is assumed in pricing secondary guarantee products by the majority of survey participants (58% for UL and 88% for IUL). **Earned rates assumed in pricing ULSG products ranged from 3.90% to 6.70%. Earned rates assumed in pricing IULSG products ranged from 4.50% to 6.05%. The average portfolio earned rate assumed in pricing is 5.54% for ULSG products and 5.65% for IULSG products. The new money earned rate is 4.78%, on average, for ULSG products and is 4.50% for the single IULSG participant using this approach.** Fifteen of the 18 participants that reported changes in earned rates reported a decrease relative to those assumed in pricing one year ago.

Nearly all survey participants perform sensitivity tests with respect to the net investment rate, lapse rates, mortality rates, and expenses on all UL products. A significant number of participants also test lapse rates in the tail on all UL products.

Fourteen of the 28 participants reported their mortality assumptions are strictly based on company experience. Two participants reported their mortality assumptions are strictly based on consultants' recommendations, and one reported they are strictly based on the 2008 Valuation Basic Table (VBT). All other participants use various combinations of company experience, industry tables, guidance from reinsurers, and consultants' recommendations in developing mortality assumptions. Thirteen survey participants reported that the slopes of their mortality assumptions are more similar to the 2001 Valuation Basic Table (VBT) than the 1975-1980 Select & Ultimate Table or the 2008 VBT; another nine reported they are more similar to the 2008 VBT than the 2001 VBT or the 1975-1980 Select & Ultimate Table. Most participants vary their preferred to standard ratio by issue age and/or by duration. Over 70% of the

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companies assume that preferred to standard ratios eventually converge. Nineteen of the 28 participants assume mortality improvement in pricing UL/IUL products.

There is a wide range of expense structures among survey participants.

## ADMINISTRATION

Participants reported the time it takes on an internal administrative system versus an external administrative system to implement a repricing of an existing UL/IUL product, redesign an existing product, and develop a new UL/IUL product. It takes from one to nine months to implement a repricing of an existing UL/IUL product on an internal system, from two months to 12 months for the redesign of an existing product, and from four months to 18 months for the development of a new UL/IUL product. On an external administrative system, it takes survey participants from three months to six months to reprice, from three months to nine months to redesign, and from five to 15 months to develop a new product.

A wide range of responses was received regarding the information that is included on the annual policy statement regarding the policy's funding status. In many cases, nothing beyond what is required in the NAIC UL regulation is included in the policyholder statement. This regulation requires that notification must be included in the annual policy statement if, based on guaranteed interest, mortality, and expense loads, the cash surrender value would not support the policy until the end of the next reporting period. For flexible premium UL policies, no future premiums are reflected in the projection; however, for fixed premium UL policies, continued scheduled premiums are to be reflected in the projection. The majority of participants include the projected lapse date, and some include projections with additional premium payments, even if not required. Projections based on current values are also provided in some cases.

Participants were asked to rate the effectiveness of their administrative systems on monitoring guideline premium limits and seven-pay premiums when there were changes to the contract coverage. Ratings were from one to five, with a rating of one being excellent, and a rating of five meaning needs improvement. In general, survey participants rated their systems as fairly good in doing such monitoring, with an average rating of 2.1.

Eight survey participants had recently reviewed their administrative system and found compliance issues. The majority reported the issue was fixed by reporting it to the IRS.

## ILLUSTRATIONS

The credited rate used in IUL illustrations ranges from 4.00% to 8.78%. The majority of IUL participants have decreased this rate relative to the illustrated rate of one year ago. The percentage decrease in credited rates was reported as 2.6% (median) and 3.8% (average) by survey participants. An estimated illustrated rate of one year ago was determined for those participants that reported the change in credited rates. The median illustrated rate one year ago is 7.45%, with an average of 7.36%. This compares to the current median illustrated rate of 7.44% and current average of 7.27%.

Eighteen of the 28 survey participants reported that they find illustration actuary requirements create constraints in UL/IUL pricing. The majority of those participants also believe the constraints are more severe for certain product types, especially ULSG. Various solutions were reported to overcome illustration actuary challenges. Also, a variety of practices are employed regarding illustrating in-force policies if the lapse support test fails. More than half of the responses indicated a negative effect of the low interest rate environment on the ability to support illustration testing of in-force business and illustration testing of new business.

## APPENDIX

### THE SURVEY

#### MILLIMAN, INC.

#### 2012 UNIVERSAL LIFE AND INDEXED UNIVERSAL LIFE SURVEY

This survey covers individual U.S. universal life insurance and indexed universal life insurance plans. Survivorship life and variable universal life plans are NOT included.

Throughout the survey various terms are used to describe UL product type/markets. Following are the definitions of these terms:

#### **UNIVERSAL Life (UL)**

A flexible premium permanent contract that credits cash value with current interest rates and deducts mortality and expense charges from the cash value. A UL policy can fall into any of the three product types listed below. Single premium sales and juvenile sales should be reported in the appropriate category listed below.

**UL with secondary guarantees (ULSG):** A UL product designed specifically for the death benefit guarantee market that features long-term (guaranteed to last until at least age 90) no-lapse guarantees either through a rider or as part of the base policy.

**Cash accumulation UL (AccumUL):** A UL product designed specifically for the accumulation-oriented market where cash accumulation and efficient distribution are the primary concerns of the buyer. Within this category are products that allow for high early cash value accumulation, typically through the election of an accelerated cash value rider.

**Current assumption UL (CAUL):** A UL product designed to offer the lowest cost death benefit coverage without death benefit guarantees. Within this category are products sometimes referred to as *dollar-solve* or *term-alternative* products.

**Total individual UL:** Individual UL products that include ULSG, cash accumulation UL, and current assumption UL, but do not include any indexed UL products.

#### **INDEXED UNIVERSAL Life (IUL)**

A UL product with the cash value linked to an equity index, such as the S&P 500 or Dow Jones. An IUL product can fall into any of the three product types listed above under Universal Life. Single premium sales and juvenile sales should be reported in the appropriate category listed below.

#### **IUL with secondary guarantees (IULSG)**

#### **Cash accumulation IUL (AccumIUL)**

#### **Current assumption IUL (CAIUL)**

**Total indexed UL:** Indexed UL products that include IUL with secondary guarantees, cash accumulation IUL and current assumption IUL.

#### **LONG-TERM CARE (LTC)**

Long-term care refers to plans that qualify under Section 7702b of the tax code.

#### **CHRONIC ILLNESS (CI)**

Chronic illness refers to plans that qualify under Section 101(g) of the tax code.

Unless noted otherwise, *sales* refers to the sum of recurring premiums plus 10% of single premiums. Exceptions include the single premium sales under item F. (Sales tab and IUL Sales Details tab) and item D. (LTC and Chronic Illness Sales tab).

## SALES

A1. Please provide historical UL sales (in \$millions) broken down by market. IUL sales are reported in the tab *IUL Sales Details*.

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
2009				
2010				
2011				
YTD 9/30/12				

A2. What percent of sales (based on policy count) elected a cash value enhancement rider?

CALENDAR YEAR	TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
2011				
YTD 9/30/12				

A3. What percent of sales (based on policy count) use premium financing?

CALENDAR YEAR	TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
2011				
YTD 9/30/12				

B. Please provide historical UL average sizes (\$) broken down by market.

CALENDAR YEAR	TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>AVERAGE PREMIUM PER POLICY</b>				
2009				
2010				
2011				
YTD 9/30/12				
<b>AVERAGE FACE AMOUNT PER POLICY</b>				
2009				
2010				
2011				
YTD 9/30/12				

C. What are your expectations regarding the mix of UL/IUL business in the future?

	TOTAL	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
TODAY	100%						
2 YEARS FROM NOW	100%						
5 YEARS FROM NOW	100%						

If your expectations have changed in the last year please explain the reason for the change.

D1. Within each market, please provide 2011 UL sales (in \$millions) by distribution channel.

DISTRIBUTION CHANNEL	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL (SHOULD AGREE WITH QUESTION A1)				
<b>2011 UL SALES (FACE AMOUNT)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

D2. Within each market, please provide YTD 9/30/12 UL sales (in \$millions) by distribution channel.

<b>DISTRIBUTION CHANNEL</b>	<b>(A)+(B)+(C) TOTAL INDIVIDUAL UL</b>	<b>(A) UL WITH SECONDARY GUARANTEES</b>	<b>(B) CASH ACCUMULATION UL</b>	<b>(C) CURRENT ASSUMPTION UL</b>
<b>YTD 9/30/12 UL SALES (PREMIUM)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL (SHOULD AGREE WITH QUESTION A1)				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

If there has been a change in the distribution of sales by channel in recent years, please describe the change and explain the reason for the shift.

E1. Within each market, please provide 2012 UL sales (in \$millions) by distribution channel and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM) ALL DISTRIBUTION CHANNELS COMBINED</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) ALL DISTRIBUTION CHANNELS COMBINED</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (PREMIUM) PPGA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) PPGA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM) BROKERAGE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) BROKERAGE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (PREMIUM) MLEA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) MLEA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM) CAREER AGENT</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) CAREER AGENT</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (PREMIUM) STOCKBROKER</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) STOCKBROKER</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM) FINANCIAL INSTITUTIONS</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) FINANCIAL INSTITUTIONS</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (PREMIUM) WORKSITE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) WORKSITE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM) HOME SERVICES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) HOME SERVICES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (PREMIUM) DIRECT RESPONSE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) DIRECT RESPONSE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

E2. Within each market, please provide YTD 9/30/12 UL sales (in \$millions) by distribution channel and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/12 UL SALES (PREMIUM) ALL DISTRIBUTION CHANNELS COMBINED</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) ALL DISTRIBUTION CHANNELS COMBINED</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (PREMIUM) PPGA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) PPGA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/12 UL SALES (PREMIUM) BROKERAGE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) BROKERAGE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (PREMIUM) MLEA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) MLEA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/12 UL SALES (PREMIUM) CAREER AGENT</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) CAREER AGENT</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (PREMIUM) STOCKBROKER</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) STOCKBROKER</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/12 UL SALES (PREMIUM) FINANCIAL INSTITUTIONS</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) FINANCIAL INSTITUTIONS</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (PREMIUM) WORKSITE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) WORKSITE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/12 UL SALES (PREMIUM) HOME SERVICES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) HOME SERVICES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (PREMIUM) DIRECT RESPONSE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) DIRECT RESPONSE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

F. Within each market, please provide UL sales (in \$millions) by premium type; Single Premium Sales should be reported at 100% rather than 10%.

PREMIUM TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM)</b>				
<b>SINGLE PREMIUM</b>				
<b>PERIODIC PREMIUM</b>				
<b>LIMITED PAY</b>				
<b>TOTAL = 10% OF SP + PP + LP</b>				
<b>(SHOULD AGREE WITH QUESTION A1)</b>				
<b>YTD 9/30/12 UL SALES (PREMIUM)</b>				
<b>SINGLE PREMIUM</b>				
<b>PERIODIC PREMIUM</b>				
<b>LIMITED PAY</b>				
<b>TOTAL = 10% OF SP + PP + LP</b>				
<b>(SHOULD AGREE WITH QUESTION A1)</b>				

If there has been a change in the distribution of sales by premium type in recent years, please describe the change and explain the reason for the shift.

G. Within each market, please provide 2011 UL sales (in \$millions) by gender and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM) - MALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>2011 UL SALES (PREMIUM) - FEMALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT) - MALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>2011 UL SALES (FACE AMOUNT) - FEMALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D1)</b>				

Within each market, please provide YTD 9/30/12 UL sales (in \$millions) by issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/12 UL SALES (PREMIUM) - MALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>YTD 9/30/12 UL SALES (PREMIUM) - FEMALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) - MALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) - FEMALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D2)</b>				

If there has been a change in the distribution of sales by issue age and/or gender in recent years, please describe the change and explain the reason for the shift.

H. Within each market, please provide 2011 UL sales (in \$millions) by underwriting class.

UNDERWRITING CLASS	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM)</b>				
<b>BEST NS/NT CLASS</b>				
<b>NEXT BEST NS/NT CLASS</b>				
<b>SECOND NEXT BEST NS/NT CLASS</b>				
<b>THIRD NEXT BEST NS/NT CLASS</b>				
<b>FOURTH NEXT BEST NS/NT CLASS AND LOWER</b>				
<b>BEST S/T CLASS</b>				
<b>NEXT BEST S/T CLASS</b>				
<b>SECOND NEXT BEST S/T CLASS AND LOWER</b>				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 UL SALES (FACE AMOUNT)</b>				
<b>BEST NS/NT CLASS</b>				
<b>NEXT BEST NS/NT CLASS</b>				
<b>SECOND NEXT BEST NS/NT CLASS</b>				
<b>THIRD NEXT BEST NS/NT CLASS</b>				
<b>FOURTH NEXT BEST NS/NT CLASS AND LOWER</b>				
<b>BEST S/T CLASS</b>				
<b>NEXT BEST S/T CLASS</b>				
<b>SECOND NEXT BEST S/T CLASS AND LOWER</b>				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

Within each market, please provide YTD 9/30/12 UL sales (in \$millions) by underwriting class.

<b>UNDERWRITING CLASS</b>	<b>(A)+(B)+(C) TOTAL INDIVIDUAL UL</b>	<b>(A) UL WITH SECONDARY GUARANTEES</b>	<b>(B) CASH ACCUMULATION UL</b>	<b>(C) CURRENT ASSUMPTION UL</b>
<b>YTD 9/30/12 UL SALES (PREMIUM)</b>				
<b>BEST NS/NT CLASS</b>				
<b>NEXT BEST NS/NT CLASS</b>				
<b>SECOND NEXT BEST NS/NT CLASS</b>				
<b>THIRD NEXT BEST NS/NT CLASS</b>				
<b>FOURTH NEXT BEST NS/NT CLASS AND LOWER</b>				
<b>BEST S/T CLASS</b>				
<b>NEXT BEST S/T CLASS</b>				
<b>SECOND NEXT BEST S/T CLASS AND LOWER</b>				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT)</b>				
<b>BEST NS/NT CLASS</b>				
<b>NEXT BEST NS/NT CLASS</b>				
<b>SECOND NEXT BEST NS/NT CLASS</b>				
<b>THIRD NEXT BEST NS/NT CLASS</b>				
<b>FOURTH NEXT BEST NS/NT CLASS AND LOWER</b>				
<b>BEST S/T CLASS</b>				
<b>NEXT BEST S/T CLASS</b>				
<b>SECOND NEXT BEST S/T CLASS AND LOWER</b>				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

If there has been a change in the distribution of sales by underwriting class in recent years, please describe the change and explain the reason for the shift.

## IUL SALES DETAIL

A1. Please provide historical IUL sales (in \$millions) broken down by market. UL sales are reported in the tab *Sales*.

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
2009				
2010				
2011				
YTD 9/30/12				

A2. What percent of sales (based on policy count) elected a cash value enhancement rider?

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
2011				
YTD 9/30/12				

A3. What percent of sales (based on policy count) use premium financing?

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
2011				
YTD 9/30/12				

B. Please provide historical IUL average sizes (\$) broken down by market.

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>AVERAGE PREMIUM PER POLICY</b>				
2009				
2010				
2011				
YTD 9/30/12				
<b>AVERAGE FACE AMOUNT PER POLICY</b>				
2009				
2010				
2011				
YTD 9/30/12				

C. Expectations regarding the mix of UL/IUL business in the future? (Please refer to section C in the UL sales section)

D1. Within each market, please provide 2011 IUL sales (in \$millions) by distribution channel.

<b>DISTRIBUTION CHANNEL</b>	<b>(A)+(B)+(C) TOTAL INDIVIDUAL IUL</b>	<b>(A) IUL WITH SECONDARY GUARANTEES</b>	<b>(B) CASH ACCUMULATION IUL</b>	<b>(C) CURRENT ASSUMPTION IUL</b>
<b>2011 IUL SALES (PREMIUM)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL (SHOULD AGREE WITH QUESTION A1)				
<b>2011 IUL SALES (FACE AMOUNT)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

D2. Within each market, please provide YTD 9/30/12 IUL sales (in \$millions) by distribution channel.

<b>DISTRIBUTION CHANNEL</b>	<b>(A)+(B)+(C) TOTAL INDIVIDUAL IUL</b>	<b>(A) IUL WITH SECONDARY GUARANTEES</b>	<b>(B) CASH ACCUMULATION IUL</b>	<b>(C) CURRENT ASSUMPTION IUL</b>
<b>YTD 9/30/12 IUL SALES (PREMIUM)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL (SHOULD AGREE WITH QUESTION A1)				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT)</b>				
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

If there has been a change in the distribution of sales by channel in recent years, please describe the change and explain the reason for the shift.

E1. Within each market, please provide 2011 IUL sales (in \$millions) by distribution channel and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2011 IUL SALES (PREMIUM) ALL DISTRIBUTION CHANNELS COMBINED</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) ALL DISTRIBUTION CHANNELS COMBINED</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (PREMIUM) PPGA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) PPGA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2011 IUL SALES (PREMIUM) BROKERAGE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) BROKERAGE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (PREMIUM) MLEA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) MLEA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2011 IUL SALES (PREMIUM) CAREER AGENT</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) CAREER AGENT</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (PREMIUM) STOCKBROKER</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) STOCKBROKER</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2011 IUL SALES (PREMIUM) FINANCIAL INSTITUTIONS</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) FINANCIAL INSTITUTIONS</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (PREMIUM) WORKSITE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) WORKSITE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2011 IUL SALES (PREMIUM) HOME SERVICES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) HOME SERVICES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (PREMIUM) DIRECT RESPONSE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) DIRECT RESPONSE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

E2. Within each market, please provide YTD 9/30/12 IUL sales (in \$millions) by distribution channel and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/12 IUL SALES (PREMIUM) ALL DISTRIBUTION CHANNELS COMBINED</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) ALL DISTRIBUTION CHANNELS COMBINED</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (PREMIUM) PPGA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) PPGA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/12 IUL SALES (PREMIUM) BROKERAGE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) BROKERAGE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (PREMIUM) MLEA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) MLEA</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/12 IUL SALES (PREMIUM) CAREER AGENT</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) CAREER AGENT</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (PREMIUM) STOCKBROKER</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) STOCKBROKER</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/12 IUL SALES (PREMIUM) FINANCIAL INSTITUTIONS</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) FINANCIAL INSTITUTIONS</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (PREMIUM) WORKSITE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) WORKSITE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/12 IUL SALES (PREMIUM) HOME SERVICES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) HOME SERVICES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (PREMIUM) DIRECT RESPONSE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) DIRECT RESPONSE</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

If there has been a change in the distribution of sales by channel and issue age in recent years, please describe the change and explain the reason for the shift.

F. Within each market, please provide IUL sales (in \$millions) by premium type; Single Premium Sales should be reported at 100% rather than 10%.

PREMIUM TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2011 IUL SALES (PREMIUM)</b>				
<b>SINGLE PREMIUM</b>				
<b>PERIODIC PREMIUM</b>				
<b>LIMITED PAY</b>				
<b>TOTAL = 10% OF SP + PP + LP</b>				
<b>(SHOULD AGREE WITH QUESTION A1)</b>				
<b>YTD 9/30/12 IUL SALES (PREMIUM)</b>				
<b>SINGLE PREMIUM</b>				
<b>PERIODIC PREMIUM</b>				
<b>LIMITED PAY</b>				
<b>TOTAL = 10% OF SP + PP + LP</b>				
<b>(SHOULD AGREE WITH QUESTION A1)</b>				

If there has been a change in the distribution of sales by premium type in recent years, please describe the change and explain the reason for the shift.

G. Within each market, please provide 2011 IUL sales (in \$millions) by gender and issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2011 IUL SALES (PREMIUM) - MALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>2011 IUL SALES (PREMIUM) - FEMALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT) - MALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>2011 IUL SALES (FACE AMOUNT) - FEMALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D1)</b>				

Within each market, please provide YTD 9/30/12 IUL sales (in \$millions) by issue age group.

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/12 IUL SALES (PREMIUM) - MALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>YTD 9/30/12 IUL SALES (PREMIUM) - FEMALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) - MALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) - FEMALES</b>				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
<b>TOTAL MALE/FEMALE (SHOULD AGREE WITH QUESTION D2)</b>				

If there has been a change in the distribution of sales by issue age and/or gender in recent years, please describe the change and explain the reason for the shift.

H. Within each market, please provide 2011 IUL sales (in \$millions) by underwriting class.

UNDERWRITING CLASS	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2011 IUL SALES (PREMIUM)</b>				
<b>BEST NS/NT CLASS</b>				
<b>NEXT BEST NS/NT CLASS</b>				
<b>SECOND NEXT BEST NS/NT CLASS</b>				
<b>THIRD NEXT BEST NS/NT CLASS</b>				
<b>FOURTH NEXT BEST NS/NT CLASS AND LOWER</b>				
<b>BEST S/T CLASS NEXT BEST S/T CLASS</b>				
<b>SECOND NEXT BEST S/T CLASS AND LOWER</b>				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				
<b>2011 IUL SALES (FACE AMOUNT)</b>				
<b>BEST NS/NT CLASS</b>				
<b>NEXT BEST NS/NT CLASS</b>				
<b>SECOND NEXT BEST NS/NT CLASS</b>				
<b>THIRD NEXT BEST NS/NT CLASS</b>				
<b>FOURTH NEXT BEST NS/NT CLASS AND LOWER</b>				
<b>BEST S/T CLASS NEXT BEST S/T CLASS</b>				
<b>SECOND NEXT BEST S/T CLASS AND LOWER</b>				
<b>TOTAL (SHOULD AGREE WITH QUESTION D1)</b>				

Within each market, please provide YTD 9/30/12 IUL sales (in \$millions) by underwriting class.

<b>UNDERWRITING CLASS</b>	<b>(A)+(B)+(C) TOTAL INDIVIDUAL IUL</b>	<b>(A) IUL WITH SECONDARY GUARANTEES</b>	<b>(B) CASH ACCUMULATION IUL</b>	<b>(C) CURRENT ASSUMPTION IUL</b>
<b>YTD 9/30/12 IUL SALES (PREMIUM)</b>				
<b>BEST NS/NT CLASS</b>				
<b>NEXT BEST NS/NT CLASS</b>				
<b>SECOND NEXT BEST NS/NT CLASS</b>				
<b>THIRD NEXT BEST NS/NT CLASS</b>				
<b>FOURTH NEXT BEST NS/NT CLASS AND LOWER</b>				
<b>BEST S/T CLASS</b>				
<b>NEXT BEST S/T CLASS</b>				
<b>SECOND NEXT BEST S/T CLASS AND LOWER</b>				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT)</b>				
<b>BEST NS/NT CLASS</b>				
<b>NEXT BEST NS/NT CLASS</b>				
<b>SECOND NEXT BEST NS/NT CLASS</b>				
<b>THIRD NEXT BEST NS/NT CLASS</b>				
<b>FOURTH NEXT BEST NS/NT CLASS AND LOWER</b>				
<b>BEST S/T CLASS</b>				
<b>NEXT BEST S/T CLASS</b>				
<b>SECOND NEXT BEST S/T CLASS AND LOWER</b>				
<b>TOTAL (SHOULD AGREE WITH QUESTION D2)</b>				

If there has been a change in the distribution of sales by underwriting class in recent years, please describe the change and explain the reason for the shift.

**CHRONIC ILLNESS RIDER SALES**

A1. Please provide UL sales for 2011 and YTD 9/30/12 sales (in \$millions) on all business with Chronic Illness Riders.

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
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**UL SALES (PREMIUM) WITH CHRONIC ILLNESS ACCELERATED BENEFIT RIDERS**

2011

9/30/12

**UL SALES (FACE AMOUNT) WITH CHRONIC ILLNESS ACCELERATED BENEFIT RIDERS**

2011

9/30/12

A2. Please provide IUL sales for 2011 and YTD 9/30/12 sales (in \$millions) on all business with Chronic Illness Riders.

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
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**IUL SALES (PREMIUM) WITH CHRONIC ILLNESS ACCELERATED BENEFIT RIDERS**

2011

9/30/12

**IUL SALES (FACE AMOUNT) WITH CHRONIC ILLNESS ACCELERATED BENEFIT RIDERS**

2011

9/30/12

B. Please provide average sizes (\$) on all business with Chronic Illness Riders.

**AVERAGE SIZES (\$) ON UL BUSINESS WITH CHRONIC ILLNESS RIDERS**

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
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**UL SALES WITH CHRONIC ILLNESS RIDERS AVERAGE PREMIUM PER POLICY**

2011

YTD AS OF 9/30/12

**UL SALES WITH CHRONIC ILLNESS RIDERS AVERAGE FACE AMOUNT PER POLICY**

2011

YTD AS OF 9/30/12

**AVERAGE SIZES (\$) ON IUL BUSINESS WITH CHRONIC ILLNESS RIDERS**

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
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**IUL SALES WITH CHRONIC ILLNESS RIDERS AVERAGE PREMIUM PER POLICY**

2011

YTD AS OF 9/30/12

**IUL SALES WITH CHRONIC ILLNESS RIDERS AVERAGE FACE AMOUNT PER POLICY**

2011

YTD AS OF 9/30/12

C. Please provide UL/IUL sales of all business **with Chronic Illness Riders** that is single premium business (at 100%, not at 10% and in dollars, not percentages).

**UL SALES OF ALL BUSINESS WITH CHRONIC ILLNESS RIDERS THAT IS SINGLE PREMIUM BUSINESS**

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
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**UL SINGLE PREMIUM SALES WITH CHRONIC ILLNESS RIDERS (BASED ON PREMIUM)**

2011

YTD AS OF 9/30/12

**UL SINGLE PREMIUM SALES WITH CHRONIC ILLNESS RIDERS (BASED ON FACE AMOUNT)**

2011

YTD AS OF 9/30/12

**IUL SALES OF ALL BUSINESS WITH CHRONIC ILLNESS RIDERS THAT IS SINGLE PREMIUM BUSINESS**

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
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**IUL SINGLE PREMIUM SALES WITH CHRONIC ILLNESS RIDERS (BASED ON PREMIUM)**

2011

YTD AS OF 9/30/12

**IUL SINGLE PREMIUM SALES WITH CHRONIC ILLNESS RIDERS (BASED ON FACE AMOUNT)**

2011

YTD AS OF 9/30/12

D. Please provide UL/IUL sales of all business **with Chronic Illness Riders** by distribution channel.

DISTRIBUTION CHANNEL	SALES (PREMIUM)		SALES (FACE AMOUNT)	
	2011	YTD AS OF 9/30/12	2011	YTD AS OF 9/30/12
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

E. Please provide UL/IUL sales of all business **with Chronic Illness Riders** by issue age group and gender.

MALES	SALES (PREMIUM)		SALES (FACE AMOUNT)	
	2011	YTD AS OF 9/30/12	2011	YTD AS OF 9/30/12
ISSUE AGE GROUP				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
FEMALES	SALES (PREMIUM)		SALES (FACE AMOUNT)	
ISSUE AGE GROUP	2011	YTD AS OF 9/30/12	2011	YTD AS OF 9/30/12
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
TOTAL MALE/FEMALE				

F1. What was the election rate of UL Chronic Illness riders at the time of sale for the following time periods? (e.g., X% of UL policies issued in calendar year YYYY elected a Chronic Illness ABR)

YEAR	2009	2010	2011	YTD AS OF 9/30/12
<b>CHRONIC ILLNESS ABR ELECTION RATE</b>				

F2. What was the election rate of IUL Chronic Illness riders at the time of sale for the following time periods? (e.g., X% of IUL policies issued in calendar year YYYY elected a Chronic Illness ABR)

YEAR	2009	2010	2011	YTD AS OF 9/30/12
<b>CHRONIC ILLNESS ABR ELECTION RATE</b>				

G. How much Chronic Illness Rider revenue was received during the following time periods (UL and IUL business combined)? [That is, what rider premium was received (excluding the base policy premium)?]

YEAR	2009	2010	2011	YTD AS OF 9/30/12
<b>CHRONIC ILLNESS ABR REVENUE</b>				

H. Have you seen incremental UL/IUL sales due to the addition of the Chronic Illness Rider? (i.e., sales you would not have had before the introduction of this rider)

If yes, can this amount be quantified?

If so, what percent of sales during YTD 9/30/12 were incremental due to the addition of the Chronic Illness Rider?

**LTC RIDER SALES**

A1. Please provide 2011 UL sales (in \$millions) on all business with LTC Riders

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>2011 UL SALES (PREMIUM) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
<b>2011 UL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

Please provide YTD 9/30/12 UL sales (in \$millions) on all business with LTC Riders

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
<b>YTD 9/30/12 UL SALES (PREMIUMS) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
<b>YTD 9/30/12 UL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

A2. Please provide 2011 IUL sales (in \$millions) on all business with LTC Riders

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>2011 IUL SALES (PREMIUM) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
<b>2011 IUL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

Please provide YTD 9/30/12 IUL sales (in \$millions) on all business with LTC Riders

LTC RIDER TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
<b>YTD 9/30/12 IUL SALES (PREMIUMS) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				
<b>YTD 9/30/12 IUL SALES (FACE AMOUNT) WITH LTC RIDERS</b>				
WITH LTC ACCELERATED BENEFIT RIDER ONLY				
WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER				
WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER				

B. Please provide average sizes (\$) on all business with LTC Riders.

**AVERAGE SIZES (\$) ON UL BUSINESS WITH LTC RIDERS**

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
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**UL SALES WITH LTC RIDERS AVERAGE PREMIUM PER POLICY**

2011

YTD AS OF 9/30/12

**UL SALES WITH LTC RIDERS AVERAGE FACE AMOUNT PER POLICY**

2011

YTD AS OF 9/30/12

**AVERAGE SIZES (\$) ON IUL BUSINESS WITH LTC RIDERS**

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
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**IUL SALES WITH LTC RIDERS AVERAGE PREMIUM PER POLICY**

2011

YTD AS OF 9/30/12

**IUL SALES WITH LTC RIDERS AVERAGE FACE AMOUNT PER POLICY**

2011

YTD AS OF 9/30/12

C. Please provide UL/IUL sales of all business **with LTC Riders** that is single premium business (at 100%, not at 10% and in dollars, not percentages).

**UL SALES OF ALL BUSINESS WITH LTC RIDERS THAT IS SINGLE PREMIUM BUSINESS**

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL
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**UL SINGLE PREMIUM SALES WITH LTC RIDERS (BASED ON PREMIUM)**

2011

YTD AS OF 9/30/12

**UL SINGLE PREMIUM SALES WITH LTC RIDERS (BASED ON FACE AMOUNT)**

2011

YTD AS OF 9/30/12

**IUL SALES OF ALL BUSINESS WITH LTC RIDERS THAT IS SINGLE PREMIUM BUSINESS**

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL IUL	(A) IUL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION IUL	(C) CURRENT ASSUMPTION IUL
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**IUL SINGLE PREMIUM SALES WITH LTC RIDERS (BASED ON PREMIUM)**

2011

YTD AS OF 9/30/12

**IUL SINGLE PREMIUM SALES WITH LTC RIDERS (BASED ON FACE AMOUNT)**

2011

YTD AS OF 9/30/12

D. Please provide UL/IUL sales of all business **with LTC Riders** by distribution channel.

DISTRIBUTION CHANNEL	SALES (PREMIUM)		SALES (FACE AMOUNT)	
	2011	YTD AS OF 9/30/12	2011	YTD AS OF 9/30/12
PPGA				
BROKERAGE				
MLEA				
CAREER AGENT				
STOCKBROKERS				
FINANCIAL INSTITUTIONS				
WORKSITE				
HOME SERVICE				
DIRECT RESPONSE				
TOTAL				

E. Please provide UL/IUL sales of all business **with LTC Riders** by issue age group and gender.

MALES	SALES (PREMIUM)		SALES (FACE AMOUNT)	
	2011	YTD AS OF 9/30/12	2011	YTD AS OF 9/30/12
ISSUE AGE GROUP				
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
FEMALES	SALES (PREMIUM)		SALES (FACE AMOUNT)	
ISSUE AGE GROUP	2011	YTD AS OF 9/30/12	2011	YTD AS OF 9/30/12
< 25				
25 - 34				
35 - 44				
45 - 54				
55 - 64				
65 - 74				
75+				
TOTAL MALE/FEMALE				

F1. What was the election rate of UL LTC riders at the time of sale for the following time periods?  
(e.g., X% of UL policies issued in calendar year YYYY elected an LTC ABR Only)

YEAR	2009	2010	2011	YTD AS OF 9/30/12
<b>WITH LTC ACCELERATED BENEFIT RIDER ONLY</b>				
<b>WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER</b>				
<b>WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER</b>				
<b>ALL LTC RIDERS</b>				

F2. What was the election rate of IUL LTC riders at the time of sale for the following time periods?  
(e.g., X% of IUL policies issued in calendar year YYYY elected an LTC ABR Only)

YEAR	2009	2010	2011	YTD AS OF 9/30/12
<b>WITH LTC ACCELERATED BENEFIT RIDER ONLY</b>				
<b>WITH LTC ACCELERATED BENEFIT RIDER AND EXTENSION OF BENEFITS RIDER</b>				
<b>WITH LTC ACCELERATED BENEFIT RIDER, EXTENSION OF BENEFITS RIDER, AND INFLATION PROTECTION RIDER</b>				
<b>ALL LTC RIDERS</b>				

G. How much LTC Rider revenue was received during the following time periods (UL and IUL business combined)? [That is, what rider premium was received (excluding the base policy premium)?]

YEAR	2009	2010	2011	YTD AS OF 9/30/12
<b>LTC RIDER REVENUE</b>				

H. Have you seen incremental UL/IUL sales due to the addition of LTC Riders? (i.e., sales you would not have had before the introduction of these riders)

If yes, can this amount be quantified?

If so, what percent of sales during YTD 9/30/12 were incremental due to the addition of LTC Riders?

**PROFIT MEASURES**

A. Please provide responses relevant to the pricing of new sales issued today.

<b>PROFIT MEASURES AND GOALS</b>	<b>UL WITH SECONDARY GUARANTEES</b>	<b>CASH ACCUMULATION UL</b>	<b>CURRENT ASSUMPTION UL</b>	<b>IUL WITH SECONDARY GUARANTEES</b>	<b>CASH ACCUMULATION IUL</b>	<b>CURRENT ASSUMPTION IUL</b>
<b>STATUTORY</b>						
<b>STATUTORY ROI/IRR (%)</b>						
<b>AFTER-TAX? (Y/N)</b>						
<b>AFTER-CAPITAL? (Y/N)</b>						
<b>PRIMARY OR SECONDARY MEASURE?</b>						
<b>STATUTORY ROA (BPS)</b>						
<b>AFTER-TAX? (Y/N)</b>						
<b>AFTER-CAPITAL? (Y/N)</b>						
<b>PRIMARY OR SECONDARY MEASURE?</b>						
<b>PROFIT MARGIN (% OF PREMIUM)</b>						
<b>AFTER-TAX? (Y/N)</b>						
<b>AFTER-CAPITAL? (Y/N)</b>						
<b>PRIMARY OR SECONDARY MEASURE?</b>						
<b>DISCOUNT RATE USED TO CALCULATE PROFIT MARGIN IN PRICING OF NEW SALES ISSUED TODAY</b>						
<b>BASIS OF THE DISCOUNT RATE THAT IS USED TO CALCULATE THE PROFIT MARGIN</b>						
<b>IS THE DISCOUNT RATE ON A PRE-TAX OR AFTER-TAX BASIS?</b>						
<b>OTHER PROFIT MEASURE (DESCRIBE)</b>						
<b>OTHER PROFIT MEASURE GOAL</b>						
<b>AFTER-TAX? (Y/N)</b>						
<b>AFTER-CAPITAL (Y/N)</b>						
<b>PRIMARY OR SECONDARY MEASURE?</b>						
<b>DISCOUNT RATE, IF APPLICABLE</b>						
<b>BASIS OF THE DISCOUNT RATE THAT IS USED TO CALCULATE THE OTHER MEASURE</b>						

PROFIT MEASURES AND GOALS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>GAAP</b>						
GAAP ROE (%)						
AFTER-TAX? (Y/N)						
AFTER-CAPITAL? (Y/N)						
PRIMARY OR SECONDARY MEASURE?						
HOW IS ROE MEASURED OVER THE LIFE OF THE BUSINESS?						
AVERAGE PROFITS/AVERAGE CAPITAL? (Y/N)						
DISCOUNTED PROFITS / DISCOUNTED CAPITAL? (Y/N)						
IF DISCOUNTED, WHAT DISCOUNT RATE IS USED?						
OTHER METHOD OF MEASURING ROE (PLEASE DESCRIBE)						
GAAP ROA (BPS)						
AFTER-TAX? (Y/N)						
AFTER-CAPITAL? (Y/N)						
PRIMARY OR SECONDARY MEASURE?						
OTHER PROFIT MEASURE (DESCRIBE)						
OTHER PROFIT MEASURE GOAL						
AFTER-TAX? (Y/N)						
AFTER-CAPITAL (Y/N)						
PRIMARY OR SECONDARY MEASURE?						
DISCOUNT RATE, IF APPLICABLE						
BASIS OF THE DISCOUNT RATE THAT IS USED TO CALCULATE THE OTHER MEASURE						

B. If your profit goals changed in the last two years, please describe the change in basis (e.g., statutory IRR to statutory profit margin) and/or the change in target (e.g., increased from 10% to 12%) and the rationale for the change.

C. Do you measure profits on your in-force business based on the measure(s) reported above for new business?

If not, describe the measure(s) used for in-force business.

If not, why are different measures used for new business and in-force business?

D. Are tax-preferred structures reflected in pricing? (Y/N)

If yes, how are the tax benefits reflected?

E1. Indicate with an X your actual results for 2011 relative to profit goals:

ACTUAL RESULTS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
EXCEED PROFIT GOALS						
MEETING OR CLOSE TO PROFIT GOALS						
SHORT OF PROFIT GOALS						

E2. If short of profit goals, which of the following factors were primary contributors to the shortfall?  
(indicate with an X)

FACTOR	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
INTEREST EARNINGS?						
MORTALITY?						
EXPENSES?						
OTHER? (PLEASE DESCRIBE)						

F1. Indicate with an X your actual results for YTD 9/30/12 relative to profit goals:

ACTUAL RESULTS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
EXCEED PROFIT GOALS						
MEETING OR CLOSE TO PROFIT GOALS						
SHORT OF PROFIT GOALS						

F2. If short of profit goals, which of the following factors were primary contributors to the shortfall?  
(indicate with an X)

FACTOR	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
INTEREST EARNINGS?						
MORTALITY?						
EXPENSES?						
OTHER? (PLEASE DESCRIBE)						

## TARGET SURPLUS

A. Please provide responses relevant to the pricing of new sales issued today.

TARGET SURPLUS BASIS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>OVERALL NAIC RBC</b>						
(% OF COMPANY ACTION LEVEL)						
% OF NET AMOUNT AT RISK						
% OF RESERVES						
% OF PREMIUM						
<b>S&amp;P (RATING CAPITAL LEVEL - AAA, AA, A, BBB)</b>						
<b>A.M. BEST (% BCAR)</b>						
% MCSR						
<b>INTERNAL FORMULA</b>						
(EXPRESS AS A % OF NAIC CAL)						
<b>OTHER (PLEASE DESCRIBE AND EXPRESS AS A % OF NAIC CAL)</b>						

B. If there has been a change in target surplus in recent years, please describe the change and the rationale for the change.

C. How well are you prepared for the changes to the C-3 component of risk-based capital?

For your inforce block, if the company performed the stochastic analysis for C-3 today (CTE90), would the C-3 requirement be zero? That is, would all capital be resident in the reserves?

## RESERVES

A. What is your outlook on the effect of Principle-based Reserves (PBR) relative to your UL/IUL business with secondary guarantees?

What is your outlook on the effect of Principle-based Reserves (PBR) relative to your non-secondary guarantee UL/IUL business?

Realistically, when do you think that PBR will be in place?

Do you anticipate your company will implement PBR immediately or over the three-year phase-in period allowed?

B. Has your company analyzed the Stochastic Exclusion Test for the product(s) expected to be sold once the Valuation Manual becomes operative? If so, was the outcome what you expected?

C. How do you expect the company will approach the pricing of new UL products in a PBR environment for products that require:

- a. Stochastic reserves?
- b. Deterministic reserves?

D. Do you have any concerns about the Net Premium Reserve floor? If so, please explain.

E. Have you/your company examined the Underwriting Criteria Scoring system or any other actuarially sound method for establishing a valuation mortality basis?

F. Understanding that not all cells (policy year/age/risk class combination) will have credibility, generally how credible (e.g., 30%, 50%, etc.) would you say the business is that has similar underwriting processes as the company's Total Individual UL business?

G. PBR modeling and new designs

	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
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HAVE YOU MODELED PBR-TYPE RESERVES  
ON EXISTING PRODUCTS?

HAVE YOU DEVELOPED NEW DESIGNS  
FOR CONSIDERATION UNDER PBR?

H. Preferred structure 2001 CSO and lapses

PLEASE INDICATE WITH AN X WHICH OF THE FOLLOWING APPROACHES YOU ARE USING OR ARE MOVING TOWARD.	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
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A. PREFERRED MORTALITY SPLITS  
AND LAPSES IN RESERVES

B. PREFERRED MORTALITY SPLITS ONLY

C. LAPSES ONLY

D. NO PREFERRED MORTALITY  
SPLITS AND NO LAPSES

If item d. above was selected, please explain why the preferred structure 2001 CSO Mortality table and/or lapses are not being taken advantage of.

If items a. or b. were selected, are you using the Preferred Structure 2001 CSO Mortality Table for valuing policies issued prior to January 1, 2007?

PLEASE INDICATE WITH AN X	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>USING PREFERRED STRUCTURE 2001 CSO MORTALITY TABLE FOR VALUING POLICIES ISSUED PRIOR TO JANUARY 1, 2007?</b>						

## RISK MANAGEMENT

A. Please indicate your use of the following risk management measures regarding your UL/IUL business:

RISK MANAGEMENT MEASURE	CURRENTLY	ONE YEAR AGO
<b>EXTERNAL REINSURANCE (YES/NO)</b>		
<b>IF YES, WHAT FORM OF REINSURANCE IS USED (YRT, COINSURANCE)?</b>		
<b>IF YES, IS ONSHORE OR OFFSHORE REINSURANCE USED?</b>		
<b>INTERNAL REINSURANCE (YES/NO)</b>		
<b>IF YES, IS ONSHORE OR OFFSHORE REINSURANCE USED?</b>		
<b>IF ONSHORE REINSURANCE IS USED, IS ONSHORE WITH LOC OR OTHER 3RD PARTY FUNDING USED?</b>		
<b>IF ONSHORE REINSURANCE IS USED, IS ONSHORE WITH PARENTAL GUARANTEE (IOWA SOLUTION) USED?</b>		
<b>ARE THE CAPITAL MARKETS ACCESSED FOR SUPPORT?</b>		
<b>IF YES, ARE PUBLIC OR PRIVATE SECURITATIONS ACCESSED?</b>		

B. Capital solutions

CAPITAL SOLUTIONS	CURRENTLY	ONE YEAR AGO
<b>HAVE YOU STRUCTURED CAPITAL SOLUTIONS SO YOU ARE ALLOWED TO HOLD AXXX-TYPE RESERVES AS TAX RESERVES?</b>		

C. Cost of financing assumed in pricing

COST OF FINANCING	CURRENTLY	ONE YEAR AGO
<b>WHAT COST OF FINANCING DO YOU ASSUME IN PRICING YOUR UL/IG PRODUCTS?</b>		
<b>IF CHANGES WERE MADE TO YOUR ASSUMPTION IN THE LAST YEAR, WHEN WERE THEY MADE?</b>		

D. With respect to risk management issues, how are you reacting to the current marketplace? (please indicate with an X)

HOW ARE YOU REACTING TO THE CURRENT MARKETPLACE?
<b>REPRICING</b>
<b>RIDING IT OUT</b>
<b>OTHER (PLEASE DESCRIBE)</b>

E. What implications has the recent economic environment had on your capital solutions?

F. What are your retention limits?

G. Do you hedge the investment rate risk in your UL with secondary guarantee business?

H. Do you hedge the index included in your IUL with derivative instruments or accept the risk?

If you hedge, please describe the hedging strategy you use to fund the index credits for IUL.

If you hedge, what is the threshold of volume (account value) before hedging is economically efficient?

If you hedge, do you hedge your IUL with your indexed annuity business? (yes/no)

## UNDERWRITING

A. Do you have a table-shaving program? (Y/N)

If yes:

Please describe your table-shaving program.

What is the age range offering?

What is the maximum number of tables that may be shaved?

Have you modified your program in the last two years?

If yes, please describe.

Do you expect to continue your table-shaving program?

B. Do you have a *credit program* or other type of program that improves the rating for favorable risk factors

If yes:

Please describe your program.

What is the age range offering?

What is the maximum number of tables that may be reduced?

What risk classes are allowed in this program? Are substandard risks allowed in this program?

Have you modified your program in the last two years?

If yes, please describe.

Do you expect to continue your table-shaving program?

C. Are you using any of the following tools for fully underwritten business? If so, at what ages? At what face amounts?

### UNDERWRITING TOOLS

### TOOL USED? (Y/N)

### AGES WHERE USED

### FACE AMOUNTS WHERE USED

DO YOU USE TELE-UNDERWRITING OR  
TELEPHONIC SCREENING?

DO YOU USE COGNITIVE IMPAIRMENT TESTING?

DO YOU USE ADL MEASURES?

DO YOU USE PRESCRIPTION DRUG DATABASE SEARCHES?

HAVE YOU DEVELOPED ADDITIONAL QUESTIONS ON  
YOUR APPLICATION?

If yes to any of the above, please describe.

Which of these has changed in the last year and how?

D. Do you use any simplified issue (SI) underwriting for any of your UL/IUL products?

If yes:

Please indicate in which markets the SI UL/IUL products are offered.

### MARKETS (INDICATE ALL THAT APPLY WITH AN X)

### SI UL/IUL PRODUCTS OFFERED

INDIVIDUAL MIDDLE/UPPER INCOME

BANK

COLI/BOLI

JUVENILE

LOW/MIDDLE INCOME

MORTGAGE

OTHER, PLEASE DESCRIBE

Please indicate through which distribution channels the SI UL/IUL products are offered.

**DISTRIBUTION CHANNELS (INDICATE ALL THAT APPLY WITH AN X)      SI UL/IUL PRODUCTS OFFERED**

<b>PPGA</b>	
<b>BROKERAGE</b>	
<b>MLEA</b>	
<b>CAREER AGENT</b>	
<b>STOCKBROKER</b>	
<b>FINANCIAL INSTITUTIONS</b>	
<b>WORKSITE</b>	
<b>DIRECT RESPONSE</b>	
<b>OTHER, PLEASE DESCRIBE</b>	

Please indicate which of the following underwriting tools are used with your SI UL/IUL products.

**UNDERWRITING TOOLS (INDICATE ALL THAT APPLY WITH AN X)      TOOL USED? (Y/N)      AGES WHERE USED      FACE AMOUNTS WHERE USED**

<b>ATTENDING PHYSICIAN'S STATEMENT (APS)</b>			
<b>CONSUMER DATABASE SEARCH</b>			
<b>CREDIT SCORE</b>			
<b>COGNITIVE TESTING</b>			
<b>FACE-TO-FACE SALE</b>			
<b>FELONY</b>			
<b>FINANCIAL</b>			
<b>FRAUD CHECK</b>			
<b>FUNCTIONAL TESTING</b>			
<b>LIFESTYLE</b>			
<b>MEDICAL INFORMATION BUREAU (MIB)</b>			
<b>MOTOR VEHICLE REPORT (MVR)</b>			
<b>ORAL FLUID</b>			
<b>PERSONAL HISTORY INTERVIEW</b>			
<b>PRESCRIPTION DRUG DATABASE SEARCH</b>			
<b>TELE-UNDERWRITING WITH DRILL-DOWN QUESTIONS</b>			
<b>TELE-UNDERWRITING WITHOUT DRILL-DOWN QUESTIONS</b>			
<b>OTHER, PLEASE DESCRIBE</b>			

Do you add any underwriting questions to your SI UL/IUL application not found in your fully underwritten application?

If yes, please describe.

E. Do your preferred risk parameters at the older ages for the following items differ from those at the younger ages? (indicate Y/N):

- 1) Family history \_\_\_\_\_
- 2) Cholesterol \_\_\_\_\_
- 3) BMI \_\_\_\_\_
- 4) Blood pressure \_\_\_\_\_
- 5) Other. Please describe. \_\_\_\_\_

**PRODUCT DESIGN**

A. When a Secondary Guarantee UL Product is funded on a guaranteed basis, on average at what duration does the cash value go to zero, if ever?

ULSG	IULSG
------	-------

B. On Secondary Guarantee Products, please indicate with an X which design(s) you offer:

DESIGN	ULSG	IULSG
<b>MINIMUM SCHEDULED PREMIUM DESIGN</b>		
<b>SHADOW ACCOUNT DESIGN WITH A SINGLE FUND</b>		
<b>SHADOW ACCOUNT DESIGN WITH MULTIPLE FUNDS</b>		
<b>HYBRID (PLEASE DESCRIBE)</b>		

If you have a minimum scheduled premium design, how late can the premium be paid to still meet the minimum premium requirement (e.g., 30 days, 60 days)?

ULSG	IULSG
------	-------

C. Did you reprice your UL product in the last 12 months?

If yes, please describe the general level of rates on the new vs. the old basis.

REPRICING	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
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**REPRICE IN LAST 12 MONTHS?**

**GENERAL LEVEL OF RATES ON NEW VS. OLD BASIS**

D. Secondary guarantee modifications

SECONDARY GUARANTEE MODIFICATIONS	ULSG	IULSG
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**DO YOU EXPECT TO MODIFY YOUR SECONDARY GUARANTEES  
IN THE NEXT 12 MONTHS?**

**IF YES, IS THE MODIFICATION AS A RESULT OF RECENT  
CHANGES TO AG 38?**

**IF NO, ARE YOU WAITING FOR PRINCIPLES-BASED RESERVES  
TO BE EFFECTIVE PRIOR TO MAKING ANY CHANGES?**

E. Are you moving toward guarantees (or limited guarantees) on Current Assumption UL business?

F. Effect of the low interest rate environment on outlook for the various UL product types.

**WHAT IS THE EFFECT OF THE LOW INTEREST RATE ENVIRONMENT ON YOUR OUTLOOK FOR THE VARIOUS UL PRODUCT TYPES?**

**ULSG**

**CASH ACCUMULATION UL**

**CURRENT ASSUMPTION UL**

**IUL WITH SECONDARY GUARANTEES**

**CASH ACCUMULATION IUL**

**CURRENT ASSUMPTION IUL**

G. Which strategies have you used in light of the recent low interest rate environment? (indicate with an X all that apply)

**STRATEGY**

**STRATEGY USED**

**INTENTIONALLY REDUCE/LIMIT SALES BY:**

**INCREASING PREMIUM RATES**

**DISCONTINUED SALES OF CERTAIN PRODUCTS**

**RIDING IT OUT/DOING NOTHING**

**LAUNCHING A NEW DESIGN WITH:**

**REDUCED GUARANTEES**

**REMOVING THE NO LAPSE GUARANTEE**

**OTHER (PLEASE DESCRIBE)**

H. Do you currently offer a Long-term Care accelerated benefit rider today?  
Do you expect to develop LTC combination products in the next 12 to 24 months?

I. Do you currently offer a Chronic Illness accelerated benefit rider today?  
Do you expect to develop a Chronic Illness rider in the next 12 to 24 months?

J. Do you currently offer other living benefits (terminal illness, critical illness, etc.) or expect to offer a living benefit in the next 12 months?

Please describe the other living benefits that you currently offer.

K. In your opinion, which of the following riders/product features do you believe companies find valuable? Please assign a ranking of 1 to 5 to each of the following items (1=most valuable and 5 = least valuable)

Chronic illness benefits (plans that qualify under Section 101(g) of the tax code)

Terminal illness (typically, diagnosis of no more than 12 months to live; large % of face amount is available for qualified insureds)

Critical illness benefits (often defined ailments under the rider)

Longevity benefits (if you live to a certain age, you start receiving a payout of the death benefit. May get payout for 8 – 10 years; a small residual death benefit remains for the beneficiary.)

Disability income benefits (more than just waiver of premium; if disabled, receive a portion of the face amount for as long as disabled, differentiated from chronic illness or LTC since may meet the definition of disability, but not 2 of 6 ADLs)

Return of Premium benefits (can either be at death (face + premiums paid) or after a specified number of years get return of premiums)

Unemployment benefits (waiver of premium if you lose your job; usually must qualify for unemployment benefits and company waives premium for up to one year)

- L. Do you currently offer a simplified issue, single premium UL policy? If yes, does it include a LTC rider? If not, are you considering offering such a policy in the next 12 months?
- M. Does your IUL product automatically allocate money to the fixed account so charges are deducted from the fixed account and the indexed accounts are not invaded?
- N. Do you have a Death Benefit Option C (also known as Death Benefit Option 3) which is equal to the stated amount plus the sum of premiums?
- O. Are your UL/IUL products designed to meet the cash value accumulation test (CVAT) or guideline premium test? (Indicate Yes/No)

CVAT OR GUIDELINE PREMIUM TEST	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
ALL CVAT						
ALL GUIDELINE PREMIUM						
MIX OF CVAT AND GUIDELINE PREMIUM						
POLICYHOLDER CHOICE						

- P. Cumulative outstanding loan amount relative to the cash surrender value (%) as of 9/30/2012

CVAT OR GUIDELINE PREMIUM TEST	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
WASH LOANS (CREDITED RATE ON LOANS = LOAN INTEREST)						
OTHER LOANS						

- Q. Does your pricing reflect expected utilization of wash loans? (yes/no)

**COMPENSATION**

Please respond to questions A and B relative to your **non-New York** compensation.

A1. Please provide the following components of your compensation programs by market type: (Report total compensation across all levels of producers, excluding BGA bonuses).

COMPENSATION COMPONENT	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
TYPICAL FIRST YEAR COMMISSION - UP TO TARGET						
TYPICAL FIRST YEAR COMMISSION - EXCESS						
TYPICAL RENEWAL COMMISSIONS						
MARKETING ALLOWABLE (INCLUDES EXPENSES FOR HOME OFFICE SUPPORT AND/OR ALLOWABLES FOR BGA SUPPORT); ADDITIVE TO COMMISSION						
DO YOU OFFER ASSET-BASED COMPENSATION?						
IF YES, WHAT ARE YOUR ASSET BASED COMPENSATION RATES?						
IF YOU OFFER A CASH VALUE ENHANCEMENT RIDER, DO YOU OFFER LEVELIZED COMPENSATION ON THE RIDER?						
IF YES, WHAT ARE THE RATES?						
IF NO, DESCRIBE THE COMPENSATION PAID.						
DO YOU PAY A PRODUCTION BONUS ON YOUR UL/IUL BUSINESS?						
IF YES, PLEASE DESCRIBE.						
DO YOU HAVE ROLLING TARGET PREMIUMS? (Y/N)						
IF YES, FOR HOW MANY YEARS?						

A2. Which of the following categories are included in the Marketing Allowable figures shown above?  
(indicate with an X all that apply)

CATEGORIES	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
ALLOWABLE FOR BGA SUPPORT						
REGIONAL STAFF EXPENSES						
ALL EXPENSES FOR THE MARKETING DEPARTMENT						
DIRECT PAYMENTS MADE TO DISTRIBUTORS TO SPONSOR MEETINGS OR EVENTS						
WHOLESALE AND DISTRIBUTION SUPPORT STAFF COMPENSATION						
WHOLESALE AND DISTRIBUTION SUPPORT STAFF TRAVEL AND EXPENSE BUDGETS						
RECOGNITION						
OTHER (PLEASE DESCRIBE)						

B. If your compensation has changed in the last year, please describe the components that changed and the % increase or % decrease.

## PRICING

Questions A through D apply to Secondary Guarantee products only.

A. Interest crediting strategy assumed in pricing UL/IUL with secondary guarantee products

INTEREST RATES/CREDITING STRATEGY	UL WITH SECONDARY GUARANTEES	IUL WITH SECONDARY GUARANTEES
<p><b>DO YOU ASSUME A NEW MONEY OR PORTFOLIO CREDITING STRATEGY IN PRICING UL/IUL PRODUCTS WITH SECONDARY GUARANTEES?</b></p> <p><b>WHAT NET EARNED RATE IS ASSUMED (NET OF INVESTMENT EXPENSES AND DEFAULT RISK CHARGES)?</b></p> <p><b>HOW HAS THIS RATE CHANGED RELATIVE TO THE RATE ASSUMED ONE YEAR AGO? (FOR EXAMPLE, IF RATES DROPPED FROM 5% TO 4%, YOUR WOULD REPORT -20%)</b></p>		

B. Stochastic modeling of UL with secondary guarantee products

USE OF STOCHASTIC MODELING	UL WITH SECONDARY GUARANTEES	IUL WITH SECONDARY GUARANTEES
<p><b>USE STOCHASTIC MODELING TO EVALUATE THE INVESTMENT RISK IN YOUR UL/IUL WITH SECONDARY GUARANTEE PRODUCTS?</b></p>		

C. When pricing secondary guarantee UL products, some companies use the practice of subtracting a “haircut” off of the portfolio yield to reflect the embedded policyholder optionality (typically lapsing in high interest rate scenarios with some minor effect of losing money when rates are low and the minimum credited rate is hit.) The *haircut* may be determined based on stochastic analysis and dynamic lapse functions.

USE OF HAIRCUT	UL WITH SECONDARY GUARANTEES	IUL WITH SECONDARY GUARANTEES
<p><b>DO YOU SUBTRACT A “HAIRCUT” WHEN PRICING UL/IUL PRODUCTS?</b></p> <p><b>IF SO, IS THE “HAIRCUT” DETERMINED BASED ON STOCHASTIC ANALYSIS AND DYNAMIC LAPSE FUNCTIONS?</b></p> <p><b>IF NOT, HOW IS THE “HAIRCUT” DETERMINED?</b></p>		

D. Lapse rates in pricing secondary guarantee products

QUESTION	UL WITH SECONDARY GUARANTEES	IUL WITH SECONDARY GUARANTEES
<b>DURATION THAT LAPSE RATES DECREASE TO THE ULTIMATE LAPSE RATE</b>		
<b>WHAT ULTIMATE LAPSE RATE DO YOU ASSUME IN PRICING?</b>		
<b>WHAT ARE THE LAPSE RATES IF THE SECONDARY GUARANTEE IS FULLY PAID UP FOR LIFE, BUT THE CASH SURRENDER VALUE IS POSITIVE?</b>		
<b>WHAT ARE THE LAPSE RATES IF THE GUARANTEE IS <i>IN-THE-MONEY</i> (I.E., THE SECONDARY GUARANTEE IS STILL IN EFFECT BUT THE CURRENT CASH VALUES ARE NOT POSITIVE)?</b>		
<b>WHAT ARE THE LAPSE RATES IF THE GUARANTEE IS NOT <i>IN-THE-MONEY</i>?</b>		
<b>HOW HAVE YOUR LAPSE RATES CHANGED RELATIVE TO THE RATES ASSUMED ONE YEAR AGO? (% INCREASE OR % DECREASE)</b>		

E. Which of the following sensitivities are performed in the pricing process for each product type?

SENSITIVITY	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL WITH SECONDARY GUARANTEES	CASH ACCUMULATION IUL	CURRENT ASSUMPTION IUL
<b>INCREASE/DECREASE IN NET INVESTMENT INCOME</b>						
<b>INCREASE/DECREASE IN LAPSE RATES</b>						
<b>LAPSE RATES IN THE TAIL</b>						
<b>INCREASE/DECREASE IN MORTALITY RATES</b>						
<b>INCREASE/DECREASE IN EXPENSES</b>						
<b>OTHER (PLEASE DESCRIBE)</b>						

F. What are your mortality assumptions based on? (indicate with an X)

Company experience \_\_\_\_\_  
 Industry tables (specify which tables) \_\_\_\_\_  
 Consultant's recommendation \_\_\_\_\_  
 Other (please specify) \_\_\_\_\_

G. Is the slope of your pricing mortality assumption more similar to the 1975-1980 Select & Ultimate Table, the 2001 Valuation Basic Table, or the 2008 Valuation Basic Table?

H. Do you vary the preferred to standard ratio by issue age?

Do you vary the preferred to standard ratio by duration?  
 Do these rates eventually converge?  
 If yes, at what age?  
 If no, what permanent differential in rates exists?

I. Do you use mortality improvement assumptions in your pricing?

Is mortality improvement implicit or explicit?

If mortality improvement is applied for a certain number of years, how many years?

If mortality improvement is applied to a certain age, to what age?

Please provide detail on your mortality improvement assumptions (e.g., by age, gender, risk class, etc.)

J. Have you changed your mortality assumption in pricing in light of 2008 VBT studies or other industry studies (e.g., MIMSA)? (yes/no)

If based on other industry studies, please specify which studies.

K. Is economic capital reflected in pricing? (yes/no)

Is market consistent economic capital reflected in pricing? (yes/no)

L. Are any special provisions reflected in pricing for redundant reserves? (yes/no)

If so, please indicate which provisions are reflected.

Existing funding solutions \_\_\_\_\_

Anticipated long-term funding solutions \_\_\_\_\_

No funding solutions in place, but reduced cost assumed due to reduced risks \_\_\_\_\_

Other (please describe) \_\_\_\_\_

M. Home Office Expense Levels

(Exclude field expenses). Expenses should be reported assuming a \$500,000 policy.

HOME OFFICE EXPENSE LEVELS	PRICING LEVELS	ACTUAL LEVELS (FULLY ALLOCATED)
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**ACQUISITION (EXCLUDING COMMISSIONS)**

**\$ PER POLICY**

**% OF PREMIUM - UP TO TARGET**

**% OF PREMIUM - EXCESS**

**% OF PREMIUM - PREMIUM TAXES**

**PER UNIT**

**OTHER (PLEASE SPECIFY)**

**MAINTENANCE**

**\$ PER POLICY**

**ANNUAL INFLATION %**

**% OF PREMIUM**

**PER UNIT**

**% OF ACCOUNT VALUE**

**OTHER (PLEASE SPECIFY)**

N. Please indicate how the following expenses are categorized for pricing expense purposes. Allocate first to Acquisition vs. Maintenance and within those categories by per policy/% of premium/per unit/% AV/Other.

HOME OFFICE EXPENSE LEVELS	ACQUISITION	MAINTENANCE
<b>DISTRIBUTION (EXCLUDING COMMISSION)</b>		
<b>MARKETING</b>		
<b>AGENT LICENSING</b>		
<b>COMPLIANCE/LEGAL</b>		
<b>NEW BUSINESS</b>		
<b>UNDERWRITING</b>		
<b>POLICY ADMINISTRATION</b>		
<b>RESERVES/TAXES/CAPITAL</b>		
<b>ACCOUNTING/FINANCIAL</b>		
<b>ACTUARIAL</b>		
<b>IT</b>		

If you are unable to categorize any of the above expenses as directed or chose the Other category, please explain any differences.

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## ADMINISTRATION

A. What administration platform are you currently using to administer your UL products?

B. How quickly can you implement the following:

- A reprice?
- A redesign?
- A new product?

C. How diligent are you regarding prompting premiums and warning policyholders if the policy is *off-track*? (i.e., what action do you take in these circumstances?)

D. What information regarding funding status is included on the annual policy statement?

E. To what extent do you think your administrative system is effective on monitoring guideline limits and 7-pay premiums when there are changes to the contract coverage? (Please indicate with an X)

**1=EXCELLENT**

**2**

**3**

**4**

**5=NEEDS IMPROVEMENT**

Have you recently reviewed your administrative system and found any compliance issues regarding guideline limits or 7-pay premiums?

If so, what is the company's approach to fixing the issue? (Please indicate with an X)

**FIX RETROSPECTIVELY AND PROSPECTIVELY**

**FIX PROSPECTIVELY ONLY, DUE TO SYSTEM LIMITATION**

**FIX PROSPECTIVELY AND REPORT TO THE IRS ASKING**

**FOR EXEMPTION ON CERTAIN HISTORICAL CASES**

**OTHER (PLEASE DESCRIBE)**

## ILLUSTRATIONS

A. If applicable, do you treat the cost of letters of credit as an expense in illustration testing? (yes/no)  
If not, do you handle LOC costs in illustration testing in another fashion, or are they ignored?

B. What rate is the illustrated rate for your most popular strategy within your IUL product?

What is that strategy?

How has this rate changed relative to the rate used one year ago? (**For example, if rates dropped from 5% to 4%, you would report -20%**)

What are you doing to keep this rate attractive?

How are you tracking this rate?

How often are you changing this rate?

C. Do you find that Illustration Actuary requirements create a pricing constraint? (yes/no)

If so, is the constraint more severe for certain product types? (yes/no)

Please list the types of products that give rise to Illustration Actuary challenges.

What solutions have been employed during product development and pricing to overcome Illustration Actuary challenges?

What is your practice regarding illustration in-force policies for which the lapse support test has failed? (e.g., do you create a new scale for illustrations that is not equal to the current scale?)

D. What has been the effect of the low interest rate environment on your ability to support illustration testing for:

In-force business?

New business?

Are the higher rate floors on older in-force blocks of business causing issues for illustration testing? (yes/no)

E. What is the Illustration Actuary calendar at your company?

Are assumptions specific to Illustration Actuary certifications revisited during the timeframe specific to the annual cycle for testing and certification?

If so, please respond to the following questions:

Which assumptions are likely to be re-evaluated?

Are self-support and lapse support test re-evaluated in light of emerging information?

Are product or illustration adjustments sometimes necessary prior to the next annual cycle?





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