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2007 ORDINARY LIFE OVERHEAD EXPENSE STUDY

MILLIMAN INC.

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Because the articles and commentary prepared by the professionals of our firm are often general in nature, we recommend that our readers seek the advice of an actuary or an attorney before taking action.



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1. Executive Summary

EXPENSE MANAGEMENT IS A KEY INGREDIENT IN A LIFE INSURANCE COMPANY'S ABILITY TO OFFER COMPETITIVE PRODUCTS AND GENERATE AN ADEQUATE RETURN TO INVESTORS. FOR THE PAST SEVERAL YEARS, MILLIMAN HAS PRODUCED AN ANNUAL STUDY OF LIFE INSURANCE INDUSTRY EXPENSES. THE OBJECT OF THESE STUDIES IS TO ESTIMATE OVERHEAD EXPENSE FOR THE ORDINARY LIFE LINE OF BUSINESS.

Expense management is a key ingredient in a life insurance company's ability to offer competitive products and generate an adequate return to investors. For the past several years, Milliman has produced an annual study of life insurance industry expenses. The object of these studies is to estimate overhead expense for the ordinary life line of business.

Using information available from statutory annual statements (insurance issued and in force) as well as unit expense factors developed for these studies, variable expense for policy issue and maintenance was imputed for each company. Overhead expense was defined as the excess of general insurance expense over the imputed variable expense. Commission and agency-related expenses were excluded from the studies, while marketing and developmental expenses incurred in the home office were included.

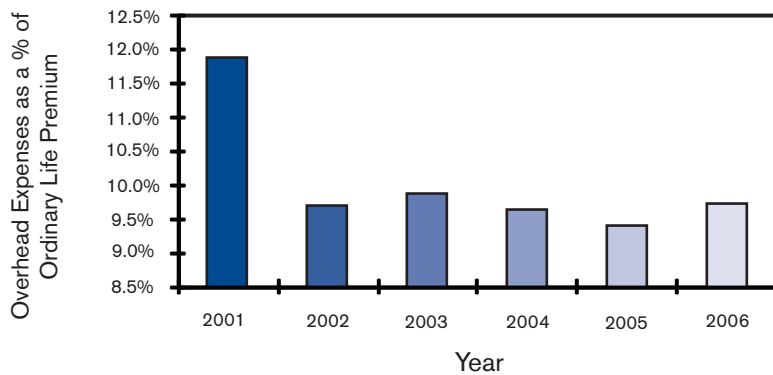
Originally, the study was completed by using the published annual statements for a small group of the larger life insurance companies in the United States. For the years 1990 through 1992, the study was based on a survey of a larger cross-section of the life insurance industry. Beginning with the 1994 study, a database containing annual statement information as filed with the National Association of Insurance Commissioners has been utilized. The data shown in the 2007 study reflects experience during calendar years 2001 through 2006. Because the study has evolved over the years and will continue to evolve as we seek greater insight into the dynamics associated with operating a life insurance company, the results are not directly comparable with our previous studies. While the 2001 through 2005 results reported in this year's study use the same data as last year's study for the 230 companies still included, some of these companies may have moved among size or organizational type categories. Also, there are five companies included for 2007 that were not in the 2006 study.

For the purpose of the 2007 study, the ordinary life insurance industry in the United States was composed of 235 companies. Ordinary life companies were defined as those whose primary line of business is ordinary life (i.e., direct ordinary life premium exceeds direct premium for each of the other lines of

business shown in the analysis of operations). Additionally, companies whose primary line of business was not ordinary life but had at least \$25 million of ordinary life premium were included in the study. Very small companies (i.e., those with direct ordinary life premium of less than \$2.5 million) and reinsurers (i.e., companies with more assumed premium than direct premium) were excluded from the study. The companies selected for the study accounted for \$1.33 trillion of the \$1.81 trillion ordinary life face amount issued in the United States in 2006—approximately 73% of the total.¹ Expense results were calculated for the industry as a whole (represented by the 235 companies) as well as for various segments of the industry (i.e., mutual/stock companies, large/medium/small companies, career agency/brokerage companies). Only companies with data available for each of the years shown in this study (i.e., 2001 through 2006) were included.

FIGURE 1

ORDINARY LIFE OVERHEAD EXPENSE



As Figure 1 shows, ordinary life overhead expense as a percentage of premiums for the industry exhibited a dramatic decrease in the percentage from 2001 to 2002. Results since have been maintained at this lower level.

¹ BESTWEEK (AUGUST 13, 2007)

While the total improvement to the results shown in Figure 1 for 2002 had more than one contributing factor, the reduction in overall general insurance expense for ordinary life was the primary factor. The results since then validate the 2002 improvement.

It appears that the reduction in the additional expense associated with demutualization along with the transformation from a mutual company structure to a stock company structure for demutualized companies has resulted in a substantial expense reduction industry-wide.

FIGURE 2

EXPENSE STUDY RESULTS - BY COMPANY SIZE

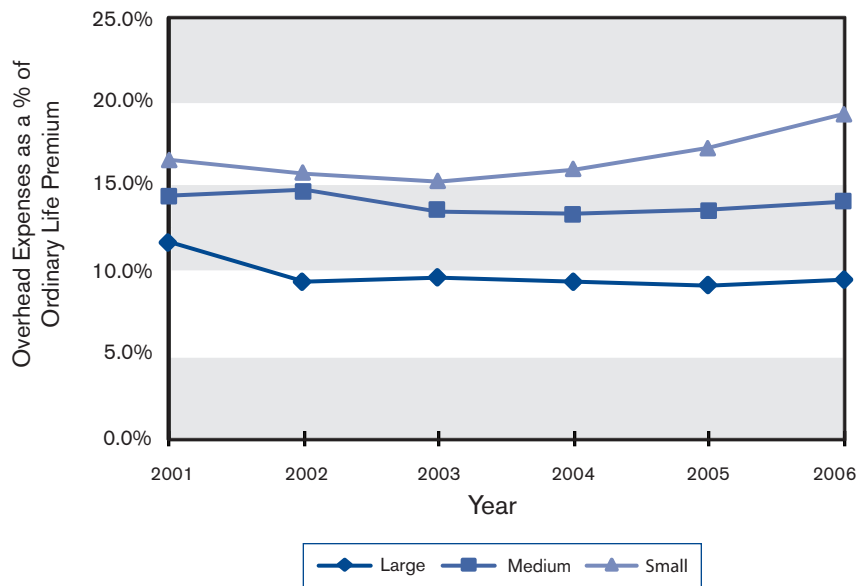
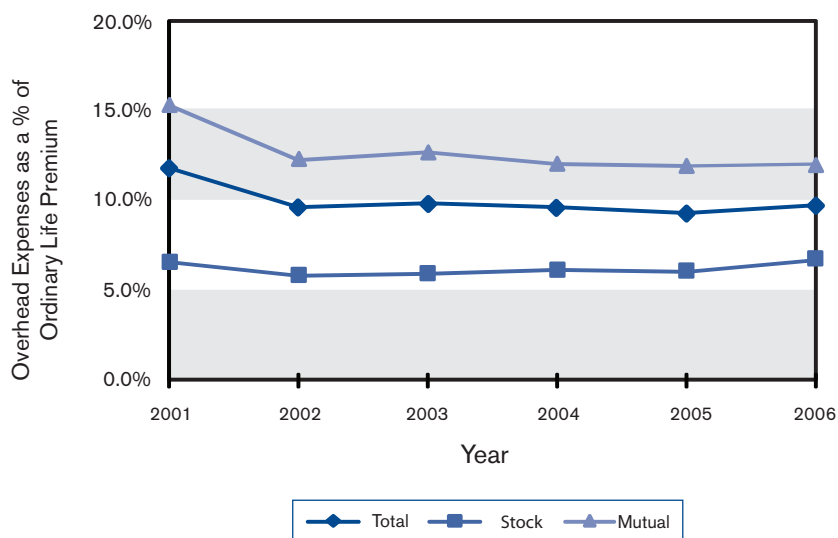


Figure 2 shows the results from 2001 through 2006 for company groups based on size: large, medium, and small. Large companies are defined as companies with more than \$100 million in ordinary life premium, medium companies as those with between \$25 and \$100 million in ordinary life premium, and small companies as those with less than \$25 million in premium. As in past studies, the overhead expense ratio is inversely related to the size of the company (i.e., the smaller the company, the larger the overhead percent). Large companies

have shown the most improvement in reducing ordinary life overhead expense as a percentage of ordinary life premium over the study period, though percentages for the last five years have been relatively flat. Percentages for small companies have increased materially.

FIGURE 3

EXPENSE STUDY RESULTS - BY COMPANY TYPE



In Figure 3, the results for stock companies are compared with the results for mutual companies. In general, ordinary life overhead expense is a smaller percentage of ordinary life premiums for stock companies than for mutual companies. However, mutual companies have continued to make modest progress toward reducing ordinary life overhead expense.

The overhead expense results calculated in this study provide a benchmark for a company to use in evaluating its own position within the industry or some subset of the industry. A company with expenses consistently higher than average may find it difficult to offer profitable products at a competitive price. A company able to reduce its overhead expense levels should have a competitive edge.



2. Methodology

The information utilized for our calculations was obtained from a database of annual statement information as filed from 2001 through 2006. The following items were utilized:

- Expense data as detailed below
- Direct ordinary life premium income and other fund deposits, as well as direct ordinary life single premium
- Total face amount and count of ordinary life policies in force at the end of the current and prior year, as well as for policies issued during the year
- Total face amount and count of paid-up ordinary life policies in force at the end of the current year

The expenses analyzed in this study were as follows:

Life Insurance General Insurance Expenses
(page six, line 23, column three),

minus *Life Agent-Related Expenses—Life Line of Business*
(Exhibit 2, lines 3.12, 3.22, 3.32, 7.1, 7.2, and 7.3, column one).

The study attempts to estimate purely variable expenses. Based on functional expense studies and the expense of various underwriting techniques, such as MIBs, APSs, paramedical exams, medical exams, blood specimens, urine specimens, EKGs, and inspection reports, we developed unit expense factors that we believe reflect typical variable acquisition and maintenance expenses. A premise of our study is that truly variable expenses do not differ materially from company to company. This underlying premise may become tenuous if the movement toward outsourcing various functions in the policy administration process gains momentum within the life insurance industry.

The unit expense factors utilized in this year's study are consistent with factors used in our previous studies. Overall, in this as well as our previous

A PREMISE OF OUR STUDY IS THAT
TRULY VARIABLE EXPENSES DO NOT
DIFFER MATERIALLY FROM COMPANY
TO COMPANY.

studies, the variable expense assumptions seem to have been validated by the results, since little negative overhead expense resulted. However, the fact that several companies had fixed overhead expense near or below zero implies that the variable expense assumptions used are somewhat overstated, at least for these companies.

The issue and underwriting expense was assumed to be the following:

- \$50 per ordinary life policy issued,*
- plus \$1 per thousand of face amount in excess of \$50,000 but not more than \$150,000,*
- plus \$0.70 per thousand of face amount in excess of \$150,000 but not more than \$500,000,*
- plus \$0.20 per thousand of face amount in excess of \$500,000.*

The face amount used in the above formula is the average policy size issued during the year. Underwriting procedures vary by face amount and issue age from company to company, so this formula is necessarily an estimate. Nevertheless, it reflects typical underwriting expense incurred by companies that issue fully underwritten business and expect a mortality level consistent with those published in annual Society of Actuaries reports. Over time, this formula may change as underwriting procedures change.

Variable maintenance expense was calculated using the following formula:

- \$17 per premium-paying ordinary life policy,*
- plus \$11 per ordinary life paid-up policy.*

These factors were applied to the average of the beginning-of-year and end-of-year policies in force.



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Overhead expense was estimated by subtracting the issue and underwriting expense (i.e., variable home office acquisition expense) and the variable maintenance expense from the company's total expense (net of Exhibit 2 agent-related expenses). Because we are trying to identify the level of overhead expense incurred in the premium-paying ordinary life area, it is necessary to make an assumption about the level of overhead expense allocated to single-premium ordinary life products. We assumed that overhead expense for these products equals one-half of 1% of premium. After subtracting this assumed overhead expense for single-premium ordinary life policies, the remainder is assumed to represent overhead expense allocated to the premium-paying ordinary life line. Additionally, we attempted to remove any artificial impact created in results because of large block reinsurance transactions.

3. Results

Overhead expenses for 2001 through 2006 are expressed in the following tables on several bases. The primary basis is overhead expense as a percentage of direct ordinary life premium income (excluding single premium), with results expressed in three statistical measures. The weighted average is the ratio of the total ordinary life overhead expense to the ordinary life direct premium income (excluding single premium) for all companies included in table results. The arithmetic mean is the average of the results for all the companies included in table results, with no weight given to company size. The median is the middle value of the ordered results for all companies included in table results.

THE PRIMARY BASIS IS OVERHEAD EXPENSE AS A PERCENTAGE OF DIRECT ORDINARY LIFE PREMIUM INCOME WITH RESULTS EXPRESSED IN THREE STATISTICAL MEASURES.

Expense per policy was calculated as the total ordinary life overhead expense divided by the average number of ordinary life direct premium-paying policies in force during the year.

Expense per thousand in force was calculated as the total ordinary life overhead expense divided by the average number of thousands of ordinary life direct premium-paying insurance in force during the year.

The ratio to variable expense is the ratio of overhead expense to variable expense (i.e., acquisition and maintenance expense).

2006 premium data was used to test the inclusion criteria described in the Executive Summary. Companies were only included if data was available in each of the six years.

COMPANIES WERE ONLY INCLUDED IF DATA WAS AVAILABLE IN EACH OF THE SIX YEARS.

TABLE 1

ALL COMPANIES						
	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	11.9%	9.7%	9.9%	9.6%	9.4%	9.7%
ARITHMETIC MEAN	13.7%	12.8%	12.7%	12.4%	12.5%	12.9%
MEDIAN	12.3%	11.3%	10.9%	11.1%	10.3%	9.9%
EXPENSE PER POLICY IN FORCE	\$70	\$59	\$59	\$61	\$62	\$65
EXPENSE PER THOUSAND IN FORCE	\$0.93	\$0.73	\$0.69	\$0.66	\$0.61	\$0.61
RATIO TO VARIABLE EXPENSE	243%	197%	200%	207%	214%	229%
NUMBER OF COMPANIES	235	235	235	235	235	235



A company with a large amount of assumed business will have an expense percentage higher than appropriate because no overhead expense is being defrayed by policies assumed through reinsurance.

The following tables show the results for stock and mutual companies separately. The classification was determined as of the end of 2001. Hence, if a company demutualized in 2002 or later, it was still considered a mutual company for all years in the study. If the overhead expense of a company that demutualized in 2001 or earlier has not moderated, it was still considered a mutual. For purposes of this classification, stock subsidiaries of mutual companies were considered mutual companies. Also, companies within fraternal and affinity organizations were considered mutual companies.

TABLE 2

STOCK COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	6.6%	5.9%	5.9%	6.2%	6.1%	6.7%
ARITHMETIC MEAN	11.4%	10.9%	10.9%	10.9%	11.2%	11.9%
MEDIAN	9.5%	7.7%	8.5%	9.2%	8.1%	8.0%
EXPENSE PER POLICY IN FORCE	\$28	\$26	\$26	\$30	\$31	\$34
EXPENSE PER THOUSAND IN FORCE	\$0.42	\$0.37	\$0.35	\$0.37	\$0.35	\$0.37
RATIO TO VARIABLE EXPENSE	100%	91%	91%	104%	112%	126%
NUMBER OF COMPANIES	134	134	134	134	134	134

MUTUAL COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	15.3%	12.3%	12.7%	12.1%	12.0%	12.0%
ARITHMETIC MEAN	16.8%	15.4%	15.0%	14.5%	14.2%	14.2%
MEDIAN	14.1%	13.5%	14.2%	13.8%	12.6%	12.4%
EXPENSE PER POLICY IN FORCE	\$119	\$97	\$100	\$100	\$99	\$104
EXPENSE PER THOUSAND IN FORCE	\$1.41	\$1.07	\$1.02	\$0.94	\$0.86	\$0.85
RATIO TO VARIABLE EXPENSE	407%	323%	335%	332%	336%	351%
NUMBER OF COMPANIES	101	101	101	101	101	101

The expenses in 2001 for the mutual companies are considerably higher than those in 2002 through 2006. This may be due to the expenses associated with demutualization/reorganization that some companies pursued. Recent cost-control measures by many companies appear to have provided mixed results.

RECENT COST-CONTROL MEASURES BY MANY COMPANIES APPEAR TO HAVE PROVIDED MIXED RESULTS.

The following tables show the results by company size. Large companies are defined as having more than \$100 million in direct ordinary life premium, medium companies between \$25 and \$100 million, and small companies less than \$25 million. The size designation was based on the premium in 2006; thus, if a company has more than \$100 million in premium in 2006, it is a large company for all years regardless of its premium volume in the other years.

TABLE 3

LARGE COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	11.7%	9.4%	9.6%	9.4%	9.1%	9.4%
ARITHMETIC MEAN	10.9%	9.7%	10.1%	9.6%	9.1%	9.3%
MEDIAN	10.6%	9.3%	8.8%	9.2%	8.4%	8.1%
EXPENSE PER POLICY IN FORCE	\$71	\$58	\$59	\$61	\$62	\$66
EXPENSE PER THOUSAND IN FORCE	\$0.91	\$0.70	\$0.67	\$0.64	\$0.59	\$0.59
RATIO TO VARIABLE EXPENSE	246%	196%	200%	208%	215%	229%
NUMBER OF COMPANIES	112	112	112	112	112	112

TABLE 4

MEDIUM COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	14.3%	14.8%	13.4%	13.3%	13.5%	14.1%
ARITHMETIC MEAN	15.1%	15.6%	14.8%	14.2%	14.5%	14.9%
MEDIAN	12.6%	13.1%	11.8%	12.4%	11.4%	11.2%
EXPENSE PER POLICY IN FORCE	\$59	\$62	\$57	\$57	\$59	\$62
EXPENSE PER THOUSAND IN FORCE	\$1.15	\$1.12	\$0.99	\$0.95	\$0.94	\$0.98
RATIO TO VARIABLE EXPENSE	204%	210%	201%	204%	210%	225%
NUMBER OF COMPANIES	81	81	81	81	81	81



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TABLE 5

SMALL COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	16.5%	15.8%	15.2%	15.9%	17.2%	19.2%
ARITHMETIC MEAN	18.5%	15.5%	15.6%	16.5%	17.7%	18.5%
MEDIAN	17.9%	15.2%	15.2%	15.3%	14.9%	16.6%
EXPENSE PER POLICY IN FORCE	\$53	\$51	\$49	\$51	\$54	\$60
EXPENSE PER THOUSAND IN FORCE	\$1.49	\$1.36	\$1.22	\$1.24	\$1.36	\$1.53
RATIO TO VARIABLE EXPENSE	188%	174%	170%	188%	197%	225%
NUMBER OF COMPANIES	42	42	42	42	42	42

The following tables further divide the results by both company size and organizational type.

TABLE 6

LARGE COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE						
STOCK	6.0%	5.2%	5.4%	5.8%	5.6%	6.2%
MUTUAL	15.2%	12.0%	12.5%	11.9%	11.8%	11.8%
ARITHMETIC MEAN						
STOCK	7.7%	6.9%	7.1%	6.9%	6.4%	6.7%
MUTUAL	14.5%	12.8%	13.3%	12.5%	12.0%	12.1%
EXPENSE PER POLICY IN FORCE						
STOCK	\$27	\$24	\$25	\$29	\$30	\$33
MUTUAL	\$121	\$97	\$101	\$101	\$100	\$106
EXPENSE PER THOUSAND IN FORCE						
STOCK	\$0.37	\$0.32	\$0.31	\$0.33	\$0.32	\$0.33
MUTUAL	\$1.42	\$1.07	\$1.03	\$0.94	\$0.86	\$0.84
RATIO TO VARIABLE EXPENSE						
STOCK	94%	83%	85%	99%	106%	120%
MUTUAL	415%	325%	339%	335%	340%	356%
NUMBER OF COMPANIES						
STOCK	58	58	58	58	58	58
MUTUAL	54	54	54	54	54	54


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TABLE 7

MEDIUM COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE						
STOCK	11.4%	12.3%	11.3%	11.1%	11.4%	12.4%
MUTUAL	18.0%	17.8%	16.0%	15.9%	16.0%	15.8%
ARITHMETIC MEAN						
STOCK	12.1%	13.9%	13.6%	13.0%	13.5%	14.2%
MUTUAL	18.2%	17.5%	16.0%	15.5%	15.5%	15.6%
EXPENSE PER POLICY IN FORCE						
STOCK	\$41	\$44	\$41	\$41	\$43	\$48
MUTUAL	\$92	\$93	\$84	\$83	\$84	\$84
EXPENSE PER THOUSAND IN FORCE						
STOCK	\$1.11	\$1.15	\$1.02	\$0.98	\$0.97	\$1.07
MUTUAL	\$1.18	\$1.10	\$0.96	\$0.93	\$0.92	\$0.91
RATIO TO VARIABLE EXPENSE						
STOCK	145%	156%	150%	153%	158%	180%
MUTUAL	303%	301%	283%	281%	287%	286%
NUMBER OF COMPANIES						
STOCK	42	42	42	42	42	42
MUTUAL	39	39	39	39	39	39

TABLE 8

SMALL COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE						
STOCK	14.9%	13.8%	14.0%	14.5%	16.0%	18.9%
MUTUAL	21.3%	21.2%	18.8%	20.4%	20.9%	20.3%
ARITHMETIC MEAN						
STOCK	16.8%	13.9%	14.2%	15.1%	16.5%	17.7%
MUTUAL	25.4%	22.0%	21.6%	22.5%	22.7%	21.9%
EXPENSE PER POLICY IN FORCE						
STOCK	\$42	\$39	\$39	\$42	\$45	\$53
MUTUAL	\$117	\$121	\$105	\$101	\$105	\$98
EXPENSE PER THOUSAND IN FORCE						
STOCK	\$1.35	\$1.30	\$1.32	\$1.41	\$1.55	\$1.82
MUTUAL	\$1.93	\$1.51	\$1.05	\$0.98	\$1.06	\$1.05
RATIO TO VARIABLE EXPENSE						
STOCK	158%	145%	145%	158%	166%	202%
MUTUAL	303%	271%	264%	332%	355%	343%
NUMBER OF COMPANIES						
STOCK	34	34	34	34	34	34
MUTUAL	8	8	8	8	8	8

We collected additional data through a survey of life insurance companies. In that survey, we requested that companies identify their primary method of distribution (i.e., career agency or brokerage/PPGA). In addition, we utilized distribution system research compiled by Milliman, information contained in *Best's Insurance Reports*, and LIMRA studies.


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DISTRIBUTION SYSTEM INFORMATION
 WAS OBTAINED FOR **132** OF THE **235**
 COMPANIES IN THE CURRENT STUDY.

Distribution system information was obtained for 132 of the 235 companies in the current study. Sixty-eight companies were categorized as PPGA companies and 64 as career agency companies. The following table shows the combined results for this subset of 132 companies.

TABLE 9
DISTRIBUTION SUBSET

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	12.0%	9.7%	10.1%	9.9%	9.7%	9.8%
ARITHMETIC MEAN	12.3%	11.4%	11.1%	11.2%	11.1%	10.8%
MEDIAN	11.2%	9.9%	9.6%	9.9%	9.4%	9.4%
EXPENSE PER POLICY IN FORCE	\$77	\$64	\$67	\$69	\$69	\$73
EXPENSE PER THOUSAND IN FORCE	\$0.98	\$0.75	\$0.72	\$0.69	\$0.65	\$0.64
RATIO TO VARIABLE EXPENSE	266%	212%	224%	231%	236%	248%
NUMBER OF COMPANIES	132	132	132	132	132	132

The following tables show the results separately by distribution system for these 132 companies.

TABLE 10

PPGA/BROKERAGE COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	8.0%	7.9%	8.0%	8.0%	8.1%	7.5%
ARITHMETIC MEAN	9.9%	9.3%	8.9%	9.4%	9.3%	8.7%
MEDIAN	9.5%	8.5%	8.5%	9.3%	9.0%	8.3%
EXPENSE PER POLICY IN FORCE	\$67	\$66	\$69	\$72	\$74	\$71
EXPENSE PER THOUSAND IN FORCE	\$0.57	\$0.52	\$0.50	\$0.51	\$0.51	\$0.46
RATIO TO VARIABLE EXPENSE	194%	183%	193%	216%	229%	224%
NUMBER OF COMPANIES	68	68	68	68	68	68

CAREER AGENCY COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	13.6%	10.5%	11.1%	10.8%	10.5%	10.9%
ARITHMETIC MEAN	14.7%	13.7%	13.4%	13.1%	12.9%	13.0%
MEDIAN	13.4%	12.6%	12.8%	12.9%	11.3%	11.3%
EXPENSE PER POLICY IN FORCE	\$80	\$63	\$66	\$68	\$68	\$73
EXPENSE PER THOUSAND IN FORCE	\$1.18	\$0.86	\$0.84	\$0.79	\$0.73	\$0.73
RATIO TO VARIABLE EXPENSE	291%	224%	236%	237%	240%	258%
NUMBER OF COMPANIES	64	64	64	64	64	64


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The following tables show the results by both distribution system and organizational type.

TABLE 11
PPGA/BROKERAGE COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE						
STOCK	7.7%	7.2%	7.5%	7.6%	7.5%	7.0%
MUTUAL	8.7%	9.4%	9.0%	8.9%	9.6%	8.7%
ARITHMETIC MEAN						
STOCK	9.6%	8.8%	8.5%	9.2%	8.8%	8.2%
MUTUAL	10.6%	10.5%	10.0%	10.0%	10.4%	10.0%
EXPENSE PER POLICY IN FORCE						
STOCK	\$53	\$51	\$56	\$59	\$61	\$59
MUTUAL	\$137	\$141	\$133	\$136	\$136	\$128
EXPENSE PER THOUSAND IN FORCE						
STOCK	\$0.44	\$0.40	\$0.40	\$0.41	\$0.41	\$0.37
MUTUAL	\$1.16	\$1.13	\$1.04	\$1.05	\$1.02	\$0.93
RATIO TO VARIABLE EXPENSE						
STOCK	153%	140%	153%	175%	187%	186%
MUTUAL	392%	405%	402%	417%	444%	424%
NUMBER OF COMPANIES						
STOCK	47	47	47	47	47	47
MUTUAL	21	21	21	21	21	21

TABLE 12

CAREER AGENCY COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE						
STOCK	5.0%	4.5%	4.6%	5.4%	4.9%	5.9%
MUTUAL	16.1%	12.2%	13.0%	12.4%	12.2%	12.4%
ARITHMETIC MEAN						
STOCK	7.2%	7.9%	7.8%	8.3%	8.9%	9.3%
MUTUAL	19.0%	16.9%	16.6%	15.8%	15.2%	15.1%
EXPENSE PER POLICY IN FORCE						
STOCK	\$18	\$17	\$17	\$21	\$19	\$24
MUTUAL	\$117	\$90	\$95	\$96	\$96	\$102
EXPENSE PER THOUSAND IN FORCE						
STOCK	\$0.41	\$0.36	\$0.34	\$0.39	\$0.35	\$0.41
MUTUAL	\$1.42	\$1.02	\$0.99	\$0.91	\$0.83	\$0.82
RATIO TO VARIABLE EXPENSE						
STOCK	70%	64%	64%	77%	74%	90%
MUTUAL	407%	306%	325%	321%	326%	344%
NUMBER OF COMPANIES						
STOCK	23	23	23	23	23	23
MUTUAL	41	41	41	41	41	41

Three of the larger mutual companies in the study had larger-than-average expense ratios that skewed the overall results. More insight into the level of corporate overhead expense is gained by examining the results without these three companies.



TABLE 13

2006 RESULTS

	WITHOUT THREE LARGE COMPANIES	WITH THREE LARGE COMPANIES
EXPENSE AS A % OF ORDINARY LIFE PREMIUM		
WEIGHTED AVERAGE	8.5%	9.7%
EXPENSE PER POLICY IN FORCE	\$57	\$65
EXPENSE PER THOUSAND IN FORCE	\$0.53	\$0.61
RATIO TO VARIABLE EXPENSE	198%	229%
NUMBER OF COMPANIES	232	235

For comparison with the results presented earlier in this report, the following tables present results without these three large mutual companies.

TABLE 14

ALL COMPANIES (EXCLUDING THE THREE LARGE MUTUALS)

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	9.5%	8.9%	8.8%	8.7%	8.3%	8.5%
ARITHMETIC MEAN	13.6%	12.8%	12.6%	12.4%	12.4%	12.8%
MEDIAN	12.2%	11.1%	10.8%	11.0%	10.1%	9.8%
EXPENSE PER POLICY IN FORCE	\$55	\$53	\$52	\$55	\$55	\$57
EXPENSE PER THOUSAND IN FORCE	\$0.70	\$0.64	\$0.59	\$0.57	\$0.54	\$0.53
RATIO TO VARIABLE EXPENSE	185%	175%	173%	183%	187%	198%
NUMBER OF COMPANIES	232	232	232	232	232	232

TABLE 15

MUTUAL COMPANIES (EXCLUDING THE THREE LARGE MUTUALS)

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	12.2%	11.7%	11.7%	11.0%	10.6%	10.3%
ARITHMETIC MEAN	16.6%	15.4%	15.0%	14.4%	14.1%	14.1%
MEDIAN	14.0%	13.4%	14.1%	13.7%	12.5%	12.2%
EXPENSE PER POLICY IN FORCE	\$102	\$102	\$101	\$100	\$97	\$99
EXPENSE PER THOUSAND IN FORCE	\$1.06	\$0.98	\$0.90	\$0.84	\$0.76	\$0.73
RATIO TO VARIABLE EXPENSE	324%	313%	314%	313%	311%	314%
NUMBER OF COMPANIES	98	98	98	98	98	98

TABLE 16

LARGE COMPANIES (EXCLUDING THE THREE LARGE MUTUALS)

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	9.1%	8.4%	8.5%	8.3%	7.9%	8.1%
ARITHMETIC MEAN	10.6%	9.6%	9.9%	9.4%	8.9%	9.1%
MEDIAN	9.7%	9.1%	8.8%	8.9%	8.4%	7.9%
EXPENSE PER POLICY IN FORCE	\$54	\$53	\$52	\$55	\$54	\$57
EXPENSE PER THOUSAND IN FORCE	\$0.67	\$0.61	\$0.56	\$0.55	\$0.51	\$0.50
RATIO TO VARIABLE EXPENSE	183%	172%	171%	181%	185%	195%
NUMBER OF COMPANIES	109	109	109	109	109	109



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TABLE 17

LARGE MUTUAL COMPANIES (EXCLUDING THE THREE LARGE MUTUALS)

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	11.8%	11.3%	11.4%	10.7%	10.3%	10.0%
ARITHMETIC MEAN	14.0%	12.8%	13.1%	12.3%	11.7%	11.8%
MEDIAN	13.7%	12.4%	14.1%	12.8%	11.7%	11.3%
EXPENSE PER POLICY IN FORCE	\$103	\$103	\$102	\$102	\$98	\$100
EXPENSE PER THOUSAND IN FORCE	\$1.05	\$0.97	\$0.89	\$0.83	\$0.75	\$0.72
RATIO TO VARIABLE EXPENSE	327%	315%	318%	316%	314%	317%
NUMBER OF COMPANIES	51	51	51	51	51	51

In addition to the results already shown by company size, results were calculated for the largest 20 companies in the study (based on direct ordinary life premium in 2006). The following tables show the results for these super large companies both with and without the three large mutual companies that were excluded in the results above.

TABLE 18

SUPER LARGE COMPANIES

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	12.6%	9.2%	9.4%	9.4%	9.5%	9.9%
ARITHMETIC MEAN	11.0%	8.8%	9.2%	9.1%	9.3%	9.9%
MEDIAN	7.9%	7.5%	7.8%	8.8%	8.9%	8.5%
EXPENSE PER POLICY IN FORCE	\$87	\$65	\$64	\$70	\$73	\$78
EXPENSE PER THOUSAND IN FORCE	\$1.03	\$0.73	\$0.71	\$0.69	\$0.65	\$0.65
RATIO TO VARIABLE EXPENSE	317%	231%	235%	250%	264%	285%
NUMBER OF COMPANIES	20	20	20	20	20	20

TABLE 19

SUPER LARGE COMPANIES (EXCLUDING THE THREE LARGE MUTUALS)

	2001	2002	2003	2004	2005	2006
EXPENSE AS A % OF ORDINARY LIFE PREMIUM						
WEIGHTED AVERAGE	8.0%	7.4%	7.1%	7.4%	7.4%	7.6%
ARITHMETIC MEAN	8.8%	7.9%	8.0%	8.0%	8.1%	8.5%
MEDIAN	6.9%	6.2%	7.2%	7.6%	8.1%	7.7%
EXPENSE PER POLICY IN FORCE	\$57	\$54	\$50	\$58	\$61	\$64
EXPENSE PER THOUSAND IN FORCE	\$0.60	\$0.55	\$0.50	\$0.52	\$0.49	\$0.49
RATIO TO VARIABLE EXPENSE	199%	187%	179%	202%	213%	227%
NUMBER OF COMPANIES	17	17	17	17	17	17

If you have any questions or would like more information about the results contained in this study, contact your local Milliman consultant or one of the authors in the Dallas office of Milliman at (214) 863-5500 or the Omaha office of Milliman at (402) 393-9400. Additionally, you may request results for your company along with a cohort of competitors.

Additional research and information regarding Milliman is available at www.milliman.com.



4. Companies Included in 2007 Ordinary Life Overhead Expense Study

AAA Life Insurance Company
Acacia Life Insurance Company
AIG Life Insurance Company
AIG SunAmerica Life Assurance Company
Alfa Life Insurance Corporation
Allstate Life Insurance Company of New York
American Bankers Life Assurance Company of Florida
American Family Life Assurance Company of Columbus
American Family Life Insurance Company
American Fidelity Assurance Company
American Fidelity Life Insurance Company
American General Life and Accident Insurance Company
American Income Life Insurance Company
American Life Insurance Company
American Mayflower Life Insurance Company of New York
American Memorial Life Insurance Company
American National Insurance Company
American-Amicable Life Insurance Company of Texas
Ameritas Life Insurance Corporation
Ameritas Variable Life Insurance Company
AmerUs Life Insurance Company
Amica Life Insurance Company
Atlantic Coast Life Insurance Company
Aurora National Life Assurance Company
Auto-Owners Life Insurance Company
Aviva Life Insurance Company of New York
AXA Equitable Life Insurance Company
AXA Life and Annuity Company
Bankers Life and Casualty Company
Bankers Life Insurance Company of New York
Banner Life Insurance Company
Beneficial Life Insurance Company

Boston Mutual Life Insurance Company
C.M. Life Insurance Company
Central American Life Insurance Company, Inc.
Central Security Life Insurance Company
Chase Insurance Life Company
CICA Life Insurance Company of America
Citizens Fidelity Insurance Company
Citizens Security Life Insurance Company
Colonial Life & Accident Insurance Company
Colonial Penn Life Insurance Company
Colorado Bankers Life Insurance Company
Columbian Life Insurance Company
Columbian Mutual Life Insurance Company
Columbus Life Insurance Company
Combined Insurance Company of America
Companion Life Insurance Company
Concord Heritage Life Insurance Company, Inc.
Connecticut General Life Insurance Company
Conseco Life Insurance Company
Continental Life Insurance Company
Cotton States Life Insurance Company
COUNTRY Life Insurance Company
CUNA Mutual Insurance Society
CUNA Mutual Life Insurance Company
Delta Life Insurance Company
Directors Life Assurance Company
EMC National Life Company
Empire General Life Assurance Corporation
Erie Family Life Insurance Company
Family Life Insurance Company
Farm Bureau Life Insurance Company
Farm Bureau Life Insurance Company of Michigan
Farm Bureau Life Insurance Company of Missouri
Farm Family Life Insurance Company
Farmers and Traders Life Insurance Company
Farmers New World Life Insurance Company



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Federal Life Insurance Company (Mutual)
Federated Life Insurance Company
Fidelity and Guaranty Life Insurance Company
Fidelity Life Association, A Mutual Legal Reserve Company
First AllAmerica Financial Life Insurance Company
First Colony Life Insurance Company
First Great-West Life & Annuity Insurance Company
First Investors Life Insurance Company
First Life America Corp.
First Penn-Pacific Life Insurance Company
Forethought Life Insurance Company
Garden State Life Insurance Company
General American Life Insurance Company
Genworth Life and Annuity Insurance Company
Gerber Life Insurance Company
Globe Life and Accident Insurance Company
Golden Rule Insurance Company
Grange Life Insurance Company
Great American Life Assurance Company of Puerto Rico
Great American Life Insurance Company
Great Southern Life Insurance Company
Great West Life Assurance Company (U.S.)
Great Western Insurance Company
Great-West Life & Annuity Insurance Company
Guarantee Trust Life Insurance Company
Harleysville Life Insurance Company
Hartford Life and Accident Insurance Company
IDS Life Insurance Company of New York
Illinois Mutual Life Insurance Company
Indianapolis Life Insurance Company
Industrial Alliance Pacific US Branch
Investors Heritage Life Insurance Company
Investors Life Insurance Company of North America
Jackson National Life Insurance Company
Jefferson Pilot Financial Insurance Company
Jefferson Pilot LifeAmerica Insurance Company

Jefferson-Pilot Life Insurance Company
John Hancock Variable Life Insurance Company
Kansas City Life Insurance Company
Keystone State Life Insurance Company
Kilpatrick Life Insurance Company of Louisiana
Leaders Life Insurance Company
Liberty Life Assurance Company of Boston
Liberty National Life Insurance Company
Life Insurance Company of the Southwest
Life Investors Insurance Company of America
Lincoln Heritage Life Insurance Company
Lincoln Memorial Life Insurance Company
MetLife Insurance Company of Connecticut
MetLife Life and Annuity Company of Connecticut
Metropolitan Life Insurance Company
Metropolitan Tower Life Insurance Company
Midland National Life Insurance Company
Minnesota Life Insurance Company
MML Bay State Life Insurance Company
Monumental Life Insurance Company
MONY Life Insurance Company of America
Mothe Life Insurance Company
Motorists Life Insurance Company
MTL Insurance Company
Mutual Savings Life Insurance Company
National Farm Life Insurance Company
National Farmers Union Life Insurance Company
National Life Insurance Company (PR)
National Life Insurance Company (VT)
National Security Insurance Company
National States Insurance Company
National Western Life Insurance Company
Nationwide Life and Annuity Company of America
Nationwide Life and Annuity Insurance Company
Nationwide Life Insurance Company
Nationwide Life Insurance Company of America



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New England Life Insurance Company
New York Life Insurance and Annuity Corporation
New York Life Insurance Company
North American Company for Life and Health Insurance
NYLIFE Insurance Company of Arizona
Occidental Life Insurance Company of North Carolina
Ohio National Life Assurance Corporation
Old American Insurance Company
Old Republic Life Insurance Company
Ozark National Life Insurance Company
Pacific Guardian Life Insurance Company, Ltd.
Pacific Life Insurance Company
Pekin Life Insurance Company
PEMCO Life Insurance Company
Peoples Benefit Life Insurance Company
Philadelphia-United Life Insurance Company
PHL Variable Insurance Company
Phoenix Life and Annuity Company
Phoenix Life Insurance Company
Physicians Life Insurance Company
Pioneer American Insurance Company
Pioneer Mutual Life Insurance Company
Pioneer Security Life Insurance Company
Primerica Life Insurance Company
Principal Life Insurance Company
Protective Life Insurance Company
Provident Life and Accident Insurance Company
Pruco Life Insurance Company
Pruco Life Insurance Company of New Jersey
ReliaStar Life Insurance Company
ReliaStar Life Insurance Company of New York
SBLI USA Mutual Life Insurance Company, Inc.
Security Benefit Life Insurance Company
Security Financial Life Insurance Company
Security Mutual Life Insurance Company of New York
Security National Life Insurance Company

Security Plan Life Insurance Company
Senior Life Insurance Company
Sentinel Security Life Insurance Company
Sentry Life Insurance Company
Settlers Life Insurance Company
Shelter Life Insurance Company
Shenandoah Life Insurance Company
Southern Farm Bureau Life Insurance Company
Southland National Insurance Corporation
State Farm Life and Accident Assurance Company
State Farm Life Insurance Company
Stonebridge Life Insurance Company
Sun Life Assurance Company of Canada (U.S.)
Symetra Life Insurance Company
Teachers Insurance and Annuity Association of America
Tennessee Farmers Life Insurance Company
Tennessee Farmers Life Reassurance Company
Texas Life Insurance Company
Texas Service Life Insurance Company
The American Home Life Insurance Company
The Cincinnati Life Insurance Company
The Guardian Insurance & Annuity Company, Inc.
The Guardian Life Insurance Company of America
The Lafayette Life Insurance Company
The Manhattan Life Insurance Company
The Northwestern Mutual Life Insurance Company
The Ohio National Life Insurance Company
The Penn Insurance and Annuity Company
The Penn Mutual Life Insurance Company
The Pharmacists Life Insurance Company
The Prudential Insurance Company of America
The Reliable Life Insurance Company
The Savings Bank Life Insurance Company of Massachusetts
The Union Central Life Insurance Company
The Western and Southern Life Insurance Company
Trans World Assurance Company



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Transamerica Life Insurance Company
Transamerica Occidental Life Insurance Company
U.S. Financial Life Insurance Company
Union National Life Insurance Company
United American Insurance Company
United Farm Family Life Insurance Company
United Heritage Life Insurance Company
United Home Life Insurance Company
United Insurance Company of America
United Investors Life Insurance Company
United National Life Insurance Company of America
United of Omaha Life Insurance Company
United States Life Insurance Company in the City of New York
Unity Financial Life Insurance Company
Unity Mutual Life Insurance Company
Universal Guaranty Life Insurance Company
USAA Life Insurance Company
USAA Life Insurance Company of New York
West Coast Life Insurance Company
Western American Life Insurance Company
Western Reserve Life Assurance Company of Ohio
Western-Southern Life Assurance Company
William Penn Life Insurance Company of New York

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