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Universal Life / Indexed Universal Life Issues

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This report has been prepared for clients and potential clients of Milliman.

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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. Milliman, Inc. conducted its second annual comprehensive survey aimed at addressing UL/IUL issues. Survey topics were determined based on input from Milliman consultants, as well as participants in the 2007 UL/IUL survey.

The survey was sent via e-mail to UL/IUL insurance companies on Oct. 13, 2008. Twenty-one companies submitted responses to the survey. The high level of participation is indicative of the great interest in this topic. Following is a list of the companies that participated in the study:

- Americo
- Columbus Life
- Farm Bureau Life
- Farmers New World
- ING
- Jackson National
- Kansas City Life
- Mass Mutual
- Met Life
- Midland National/North American Company for Life & Health
- Mutual of Omaha
- National Life
- Nationwide
- Old Mutual
- Penn Mutual
- Phoenix Life Insurance Company
- Protective Life
- Securian Financial
- State Farm
- Sun Life Financial
- UNIFI

The questions asked of survey participants are attached in Appendix I. Participating companies are identified as Company A, B, C, ... to keep identities anonymous. Company identifiers may change from question to question to retain anonymity.

Executive summary

SALES

Survey participants reported total UL sales (excluding IUL sales), measured by the sum of recurring premiums plus 10% of single premiums, of $1.5 billion, $1.2 billion, and $1.4 billion in calendar years 2005, 2006, and 2007, respectively. Sales as a percent of total individual UL sales shifted from universal life with secondary guarantees (ULSG) and cash accumulation UL to current assumption UL sales in 2006. In 2007, ULSG sales as a percent of total individual UL sales returned to 2005 levels, but cash accumulation UL sales remained at 2006 levels. Current assumption UL gained about 15% in market share in 2006, but lost 6% in market share in 2007. ULSG sales were 41% to 44% of total UL sales in years 2005, 2006, and 2007. The change in the mix of cash accumulation UL and current assumption UL sales in 2006 was primarily driven by the sales of two large insurers. One of these two insurers drove a similar change in the mix of such sales in last year's survey. The second did not participate in last year's survey.

Average amounts per policy reported by survey participants for ULSG have consistently grown over the last three calendar years on a premium basis, but dropped in 2006 on a face-amount basis. Average cash accumulation UL amounts per policy increased year over year on a face-amount basis and increased from 2005 to 2006, but dropped in 2007 on a premium basis. Current assumption UL average amounts per policy spiked in 2006 on both a premium and face-amount basis. In 2007, the total UL average premium per policy was about $12,650 and the total average face amount was $484,800. The average amount per policy is highest for current assumption UL plans. In 2007 ULSG plans had the next highest amount per policy based on face amount, but cash accumulation UL plans had the next highest amount per policy based on premiums.

Expectations regarding the mix of UL/IUL business in the future vary widely by company. Overall, there is little anticipated change in the product mix offered by participating companies. The heterogeneity of responses makes it difficult to summarize results.

The brokerage, career agent, and PPGA channels were the most popular channels through which UL products were sold in calendar year 2007. The highest average sales based on premiums were reported in the PPGA channel for all product types, with the exception of current assumption UL sales. The highest average current assumption UL sales based on premiums were reported in the career agent channel. The highest average sales based on face amount were in the career agent channel for all product types, with the exception of IUL sales. The highest average IUL sales based on face amount were reported in the PPGA channel.

A weighted average issue age was determined for sales of survey participants based on the midpoint of the specified issue age ranges. In 2007, total individual UL sales of survey participants had a weighted average issue age based on premium of 63. ULSG sales had the highest average issue age (66) on this basis, followed by current assumption UL (62), cash accumulation UL (60), and IUL (52). The weighted average issue age based on face amount for total individual UL sales of survey participant is 52. ULSG sales had the highest average issue age (59) on this basis also, followed by cash accumulation (48), current assumption (47), and IUL (42).

The distribution of 2007 total individual UL sales (excluding IUL) by underwriting class reported by survey participants is 9.25% in the best, nonsmoker/nontobacco (NS/NT) class, 27% in the next-best NS/NT class, 42% in the second-next-best NS/NT class, 15% in the third-next-best NS/NT class, and 6.91% in smoker/tobacco classes. Distributions by underwriting class were similar for cash accumulation UL and IUL participants, but ULSG and current assumption UL sales showed distinct distribution patterns. The distribution of 2007 sales by product type is shown below:

UNDERWRITING CLASS	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL
NS/NT CLASSES	94.1%	87.0%	94.1%	89.1%
S/T CLASSES	5.9%	13.0%	6.0%	10.9%
BEST NS/NT CLASS	11.7%	7.4%	7.0%	9.5%
NEXT-BEST NS/NT CLASS	30.6%	30.9%	21.3%	31.1%
SECOND-NEXT-BEST NS/NT CLASS	36.7%	20.0%	55.9%	25.0%
THIRD-NEXT-BEST NS/NT CLASS	15.2%	28.8%	9.8%	23.6%
BEST S/T CLASS	3.1%	7.8%	4.8%	6.1%
NEXT-BEST S/T CLASS	2.6%	5.1%	1.1%	4.8%
SECOND-NEXT-BEST S/T CLASS	0.2%	0.1%	0.0%	0.0%

Twelve out of 21 survey participants reported no premium finance sales in calendar year 2007. One participant reported that as much as 37.6% of its 2007 total individual UL sales were premium finance sales. It reported that nearly 57% of its 2007 IUL sales were premium finance sales.

PROFIT MEASURES

The predominant profit measure reported by survey participants is an after-tax, after-capital statutory return on investment/internal rate of return (ROI/IRR). The median ROI/IRR is the highest for cash accumulation UL products and current assumption UL (12%), followed by ULSG (11.6%) and IUL (11.1%). Survey participants reported their actual results relative to profit goals, and the majority of participants reported they are meeting their goals. Nearly all cash accumulation UL and IUL participants are at least meeting their profit goals. Eleven out of 17 ULSG participants and nine out of 15 current assumption UL participants are at least meeting their profit goals.

TARGET SURPLUS

The majority of survey participants set target surplus relevant to pricing new sales issued today on an NAIC basis. The overall NAIC risk-based capital percent of company action level ranged from 200% to 400% for ULSG and cash accumulation markets, from 200% to 350% for current assumption markets, and from 200% to 325% for IUL markets.

RESERVES

Most respondents to the survey expect that principles-based reserves (PBR) will be in place in 2012 at the earliest. Participants' comments regarding their outlook on the impact of PBR primarily related to the reduction in reserves.

Few survey participants have modeled PBR-type reserves on existing UL products. Sixteen participants have not performed such modeling and four have performed this modeling. None of the survey participants have developed new designs for consideration under PBR.

Fourteen of 19 participants are moving toward preferred mortality splits and/or lapses when calculating reserves. Five participants will not be reflecting preferred mortality splits or lapses in reserves for a variety of reasons.

RISK MANAGEMENT

External reinsurance is used by all survey participants on a yearly renewable term (YRT) basis. External reinsurance is onshore for all 20 participants. Internal reinsurance and the capital markets have not yet been widely used by survey participants.

The majority of survey participants are seeing letter-of-credit (LOC) capacity decreasing and/or costs increasing in the current marketplace. The implications of the recent financial crisis on capital solutions reported by survey participants include possible restrictions on the introduction of new products, removal of long-term secondary guarantees, limited external funding solution availability, and the use of capital and short-term LOCs. Follow-up discussions were held with insurers regarding the assumed cost of financing support reflected in ULSG pricing. This is a rapidly changing area, with significant changes in cost-of-financing assumptions emerging. Some insurers are reflecting in pricing significant increases in assumed costs in the short term and then grading to lower costs, but not at a level as low as that assumed six to 12 months ago.

Retention limits for survey participants range from $350,000 up to $20 million.

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

UNDERWRITING

Table-shaving programs are offered by seven of the 20 participants, and all reported their programs will be continued.

The majority of survey participants (17 out of 20) are using new underwriting developments, especially at the older ages. The most popular developments being used are cognitive impairment testing (13), tele-underwriting/telephonic screening (11), and activities of daily living (ADL) measures in the underwriting process (9).

Half of the survey participants have created unique preferred risk parameters, especially for the older ages. This is somewhat higher than the level reported in last year's survey, where seven out of 18 participants reported they created such parameters.

2001 CSO MORTALITY ISSUES

Nearly all participants assess cost-of-insurance (COI) charges beyond age 100 on plans that utilize the 2001 CSO Mortality Table. Also, little concern was expressed by survey participants regarding costs/exposure of guaranteed maturity extension riders on these 2001 plans. The most common issue reported by participants regarding the introduction or expected rollout of 2001 CSO products is that state approvals have been challenging and slow in some states.

PRODUCT DESIGN

The most popular secondary guarantee design of ULSG products reported by survey participants features a shadow account with a single fund.

Nine of 16 participants intend to modify their secondary guarantees in the next 12 months. None of the nine carriers reported that their modifications are coincident with migration to a product priced on the interim solution, and none reported they are waiting for principles-based reserves to be effective prior to making any changes.

Cash options on ULSG products are rare. These options provide an increase in cash value in exchange for a modest increase in premium.

A small number (two) of survey participants currently offer a long-term care (LTC) accelerated-benefit rider; however, some address the need via chronic-care benefits. A modest number (5) expect to develop a long-term care (LTC) combination product in the next 12 to 24 months.

Thirteen survey participants currently offer a living benefit or expect to offer a living benefit in the next 12 months. In nearly all cases, participants are providing an accelerated death benefit, primarily for terminal illness.

The majority of survey participants offer a death benefit option C (option 3), which is equal to the stated amount plus the sum of premiums.

Seven survey participants design UL/IUL products that allow policyholders to choose between the CVAT or the guideline premium test to comply with the definition of a life insurance contract. Eight participants have UL/IUL products that are all designed to meet the guideline premium test. The remaining three companies offer a mix of products that individually meet either the CVAT or the guideline premium test.

COMPENSATION

Compensation structures are quite varied among survey participants. For many companies, commissions and marketing allowables as a percent of premium do not vary by product type. Median commissions, as well as the range of commissions, were similar among ULSG, cash accumulation UL, and IUL products. Current assumption UL products had slightly higher first-year commissions up to target.

PRICING

A portfolio crediting strategy is assumed in pricing ULSG product by the majority of survey participants. Earned rates assumed in pricing ULSG products ranged from 5.50% to 6.50%.

The use of stochastic modeling to evaluate ULSG investment risk is used by eight out of 18 participants.

Survey participants reported the duration at which lapse rates assumed in pricing of ULSG products decrease to the ultimate lapse rates. This duration ranges from four years to 25 years. Ultimate lapse rates assumed in pricing generally range from 0% to 2%. Eight participants reported ultimate lapse rates of 1% or lower. Zero percent was the most frequent response received regarding the ultimate lapse rate that is assumed if the secondary guarantee is in the money. The level of ultimate lapse rates reported when the secondary guarantee is not in the money ranged from 0% to 5%.

Nearly all survey participants test sensitivities with respect to the net investment rate, lapse rates, and mortality rates on all UL products. A significant number of participants (13) also test lapse rates in the tail on ULSG products.

The majority of survey participants reported that the slope of their mortality assumption is more similar to the Valuation Basic Table (VBT) than the 1975-1980 Select & Ultimate Table.

Most participants vary their preferred to standard ratio by issue age and/or by duration. It is nearly a 50-50 split among companies that assume that preferred to standard rates eventually converge and companies that assume they do not converge.

Mortality improvement is assumed in pricing UL/IUL product by the majority of participants. Mortality improvement is reflected explicitly in almost all cases. The majority apply mortality improvement for 10 to 30 years. Mortality improvement factors range for males from 0.25% to 1.40% and for females from 0.125% to 0.75%. The majority of survey participants assume that the mortality improvement factors are level for a certain number of years with no age limit.

ADMINISTRATION

Administrative platforms for participants vary widely.

Participants reported that it takes from one to nine months to implement a repricing of an existing UL/IUL product, from three months to 18 months for the redesign of an existing product, and from four to 24 months for the development of a new UL/IUL product.

ILLUSTRATION TESTING

Eight of 10 participants treat the cost of LOC as an expense in illustration testing.

The rate used in IUL illustrations ranges from 7.36% to 9.63%.

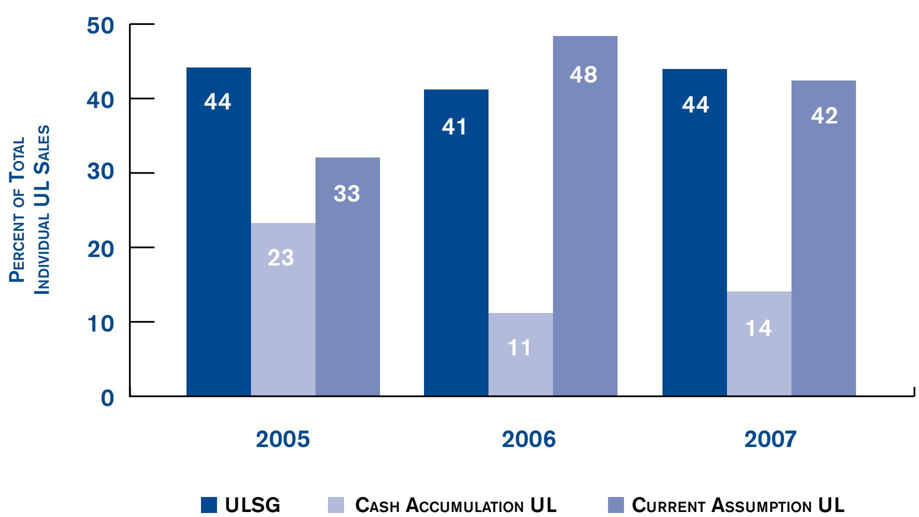
Half of the survey participants reported they find illustration actuary requirements create pricing constraints. The majority of those participants also believe the constraints are more severe for certain product types. Half of the participants annually file illustration actuary certifications at the end of the calendar year. The majority of participants revisit assumptions specific to illustration actuary certifications during the timeframe specific to the annual cycle for testing and certification.

Sales

A. HISTORICAL UL/IUL SALES

Sales were reported as the sum of recurring premiums plus 10% of single premiums. Throughout this report, when referring to sales, this definition will apply. One survey participant did not report sales information, so this section of the report applies to 20 participants. For calendar year 2007, 19 survey participants provided total individual UL sales, which include universal life with secondary guarantees (ULSG), cash accumulation UL, and current assumption UL. Seventeen carriers reported universal life with secondary guarantee (ULSG) sales, 13 carriers reported cash accumulation UL sales, and 15 participants reported current assumption UL sales.

The following graph illustrates the UL product mix as reported by survey participants from 2005 through 2007. Sales as a percent of total individual UL sales shifted from ULSG and cash accumulation UL to current assumption UL sales in 2006. In 2007, ULSG sales returned to 2005 levels, but cash accumulation UL sales remained at 2006 levels. Current assumption UL sales gained about 15% in market share in 2006, but lost 6% in market share in 2007. The change in the mix of cash accumulation and current assumption sales in 2006 was driven primarily by the sales of two large carriers.



The following tables include summaries of the total, average, median, minimum, and maximum sales reported by market.

Total Individual UL Sales ($ millions)

CALENDAR YEAR	NUMBER OF RESPONSES	TOTAL SALES REPORTED	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
2005	19	$1,481.7	$78.0	$34.2	$2.3	$376.0
2006	19	$1,248.1	$65.7	$25.1	$2.4	$218.0
2007	19	$1,373.2	$72.3	$46.1	$2.4	$295.9

Total ULSG Sales ($ millions)

CALENDAR YEAR	NUMBER OF RESPONSES	TOTAL SALES REPORTED	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
2005	16	$649.6	$40.6	$12.1	$0.7	$263.0
2006	16	$506.0	$31.6	$11.1	$0.8	$158.0
2007	16	$610.7	$38.2	$17.6	$0.9	$196.0

Total Cash Accumulation UL Sales ($ millions)

CALENDAR YEAR	NUMBER OF RESPONSES	TOTAL SALES REPORTED	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
2005	10	$340.7	$34.1	$9.9	$1.1	$256.6
2006	11	$139.7	$12.7	$6.0	$1.1	$76.4
2007	11	$187.3	$17.0	$8.0	$0.2	$74.5

Total Current Assumption UL Sales ($ millions)

CALENDAR YEAR	NUMBER OF RESPONSES	TOTAL SALES REPORTED	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
2005	16	$491.8	$30.7	$12.9	$2.3	$132.0
2006	16	$602.4	$37.6	$12.6	$2.4	$207.8
2007	16	$574.6	$35.9	$13.5	$2.4	$276.2

Three participants reported IUL sales for calendar year 2005 and four participants reported such sales in 2006. For 2007, nine carriers provided IUL sales data that totaled $98.6 million. Such sales ranged from $200,000 to $41.0 million. The average and median IUL sales for this group were $11.0 million and $4.2 million, respectively.

The following table summarizes the total, average, median, minimum, and maximum sales reported by survey participants for IUL business.

Total Indexed UL Sales ($ millions)

CALENDAR YEAR	NUMBER OF RESPONSES	TOTAL SALES REPORTED	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
2005	3	$14.2	$4.7	$1.6	$0.5	$12.1
2006	4	$70.0	$17.5	$9.6	$0.2	$50.6
2007	9	$98.6	$11.0	$4.2	$0.2	$41.0

A small number of survey participants reported corporate-owned life insurance (COLI) UL sales and/or bank-owned life insurance (BOLI) UL sales, as shown in the following summary tables. Two additional participants noted that data on COLI policies are not available. Also, two additional participants did not report BOLI sales. Another carrier noted that most of its COLI sales and all of its BOLI and private placement sales are VUL.

Total COLI UL Sales ($ millions)

CALENDAR YEAR	NUMBER OF RESPONSES	TOTAL SALES REPORTED	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
2005	1	$1.1	$1.1	$1.1	$1.1	$1.1
2006	2	$4.5	$2.2	$2.2	$1.1	$3.4
2007	2	$3.5	$1.7	$1.7	$0.2	$3.3

Total BOLI UL Sales ($ millions)

CALENDAR YEAR	NUMBER OF RESPONSES	TOTAL SALES REPORTED	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
2005	2	$14.6	$7.3	$7.3	$4.4	$10.2
2006	2	$3.4	$1.7	$1.7	$1.2	$2.2
2007	2	$1.0	$0.5	$0.5	<$1.0	$1.0

No survey participants reported private placement UL sales.

B. HISTORICAL UL/IUL AVERAGE AMOUNTS PER POLICY

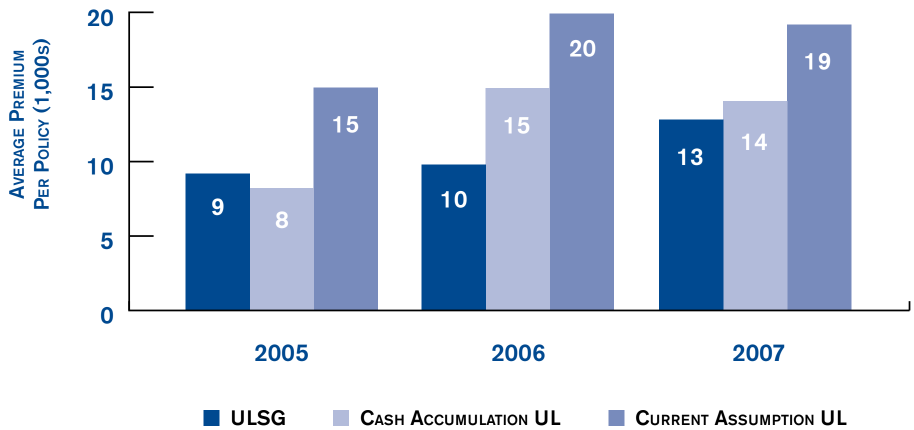
Average amounts per policy were reported by 20 survey participants. Three companies did not report average amounts per policy either in total or by product type for calendar year 2005, and one of the three did not report total individual UL average amounts per policy in 2006. Another company included its IUL business in the total individual UL category and the cash accumulation category.

Average premium per policy for total universal life business was reported by 17 participants for 2005, 18 participants for 2006, and 19 participants for 2007. The median of the average premium per policy ranged from $3,500 in 2005 to $4,900 in 2007. The median of the average face amount per policy ranged from $195,200 in 2006 to $238,500 in 2007.

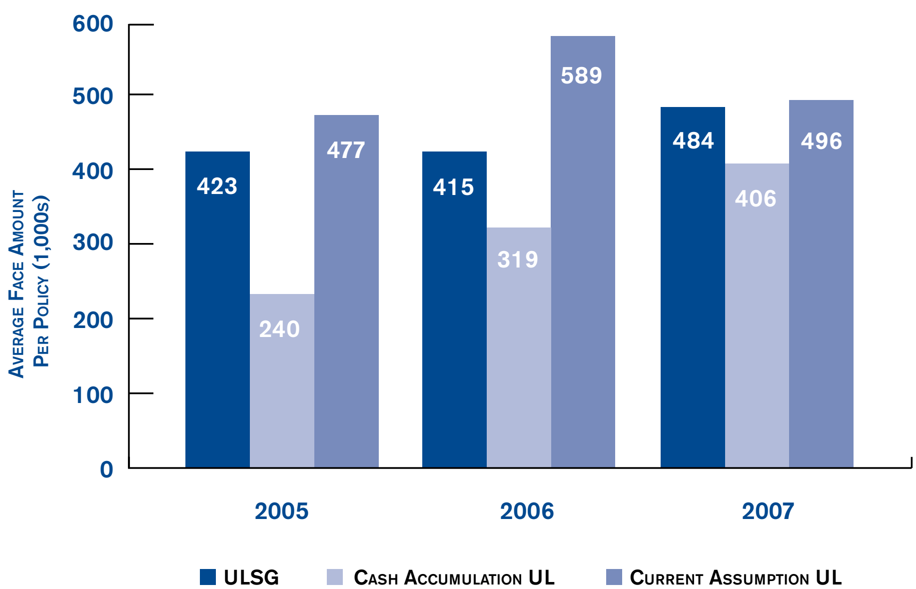
The following chart shows the summary statistics determined for total UL business reported by survey participants.

CALENDAR YEAR	NUMBER OF RESPONSES	TOTAL SALES REPORTED	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
			AVERAGE PREMIUM PER POLICY			
2005	17	$6,671	$3,562	$499	$26,951	
2006	18	$8,637	$3,587	$472	$36,106	
2007	19	$13,992	$4,902	$488	$92,486	
			AVERAGE FACE AMOUNT PER POLICY ($ THOUSANDS)			
2005	18	$302	$202	$72	$886	
2006	18	$327	$195	$71	$1,246	
2007	19	$443	$238	$60	$2,262	

The chart below shows average premiums per policy by product type for survey participants. ULSG averages increased year over year. Cash accumulation UL and current assumption UL averages increased from 2005 to 2006, but dropped slightly in 2007. Averages were the highest for current assumption UL in all three calendar years.



Similarly, average face amount per policy is shown in the chart below by product type. Cash accumulation UL averages increased year over year. ULSG averages dropped from 2005 to 2006 and then increased in 2007. Current assumption UL averages increased from 2005 to 2006, but dropped in 2007. Averages were the highest for current assumption UL in all three calendar years.



The following tables include summaries of the average, median, minimum, and maximum average premium per policy and average face amount per policy reported by market.

Total ULSG Averages

CALENDAR YEAR	NUMBER OF RESPONSES	TOTAL SALES REPORTED	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
AVERAGE PREMIUM PER POLICY						
2005	14		$9,416	$8,120	$1,733	$22,762
2006	16		$10,166	$7,432	$1,677	$27,680
2007	16		$12,643	$7,827	$2,077	$47,567
AVERAGE FACE AMOUNT PER POLICY (THOUSANDS)						
2005	14		$423	$330	$135	$1,147
2006	16		$415	$313	$143	$953
2007	16		$484	$365	$162	$1,227

Total Cash Accumulation UL Averages

CALENDAR YEAR	NUMBER OF RESPONSES	TOTAL SALES REPORTED	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
AVERAGE PREMIUM PER POLICY						
2005	9		$8,270	$4,708	$1,684	$29,482
2006	11		$15,002	$5,815	$862	$80,845
2007	11		$14,000	$6,572	$1,342	$61,314
AVERAGE FACE AMOUNT PER POLICY (THOUSANDS)						
2005	9		$240	$230	$100	$545
2006	11		$319	$235	$65	$891
2007	11		$406	$284	$70	$1,664

Total Current Assumption UL Averages

Calendar Year	Number of Responses	Total Sales Reported	Average	Median	Minimum	Maximum
Average Premium per Policy						
2005	14		$14,641	$2,722	$499	$77,652
2006	16		$19,963	$4,641	$472	$110,140
2007	16		$19,048	$4,867	$341	$109,984
Average Face Amount per Policy (thousands)						
2005	14		$477	$154	$72	$2,590
2006	16		$589	$186	$56	$2,710
2007	16		$496	$182	$38	$2,586

The carriers that reported IUL sales also reported average IUL premium per policy and face amount per policy as shown below. It is difficult to compare averages year over year because the number of participants reporting data changed significantly in 2007.

Total IUL Averages

Calendar Year	Number of Responses	Total Sales Reported	Average	Median	Minimum	Maximum
Average Premium per Policy						
2005	3		$5,177	$5,200	$3,942	$6,389
2006	4		$6,044	$5,988	$2,388	$9,813
2007	9		$24,062	$9,532	$1,751	$101,250
Average Face Amount per Policy (thousands)						
2005	3		$307	$287	$283	$351
2006	4		$512	$474	$268	$834
2007	9		$746	$603	$90	$2,547

Two carriers reported their average COLI UL premium per policy and average face amount per policy. Average premium per policy and average face amount per policy for BOLI UL was reported by two respondents. A summary of their responses is shown below.

Total COLI UL Averages

Calendar Year	Number of Responses	Total Sales Reported	Average	Median	Minimum	Maximum
Average Premium per Policy						
2005	1		$22,254	$22,254	$22,254	$22,254
2006	2		$45,726	$45,726	$10,607	$80,845
2007	2		$78,950	$78,950	$61,314	$96,585
Average Face Amount per Policy (Thousands)						
2005	1		$545	$545	$545	$545
2006	2		$758	$758	$624	$891
2007	2		$1,064	$1,064	$464	$1,664

Total BOLI UL Averages

Calendar Year	Number of Responses	Total Sales Reported	Average	Median	Minimum	Maximum
Average Premium per Policy						
2005	0					
2006	2		$17,388	$17,388	$16,962	$17,814
2007	2		$19,335	$19,335	$18,650	$20,021
Average Face Amount per Policy (Thousands)						
2005	0					
2006	2		$342	$342	$194	$491
2007	2		$367	$367	$300	$433

C. EXPECTATIONS REGARDING THE MIX OF UL/IUL BUSINESS IN THE FUTURE

The intent of this question was to determine what percentage of UL business currently and in the future is expected to be ULSG, cash accumulation, current assumption, and IUL. Three out of the 21 participants did not provide a response to this question. One of the three noted that it does not share product sales forecast data. Another four participants provided the product mix as of today only. Note that one participant reported its expectations in terms of a range of percentages for each of the product types. For comparison purposes, we used a single percentage within each range, for a total of 100%.

The following chart shows that there is little anticipated change in the product mix offered by the participating companies. For those participants that provided information for all three time periods (14), the number of companies that offer or intend to offer the various UL product types is summarized below:

TIME PERIOD	NUMBER OF COMPANIES THAT OFFER/INTEND TO OFFER			
	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL
TODAY	10	6	8	6
2 YEARS FROM NOW	10	9	8	6
5 YEARS FROM NOW	11	9	8	6

Given the heterogeneity of responses to this question, focus should be on the individual participants' responses shown in the following table. The responses are sorted by the number of product types in today's mix of UL business, decreasing from four down to one.

CO.	TIME PERIOD	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL
	TODAY	49%	37%	8%	6%
A	2 YEARS FROM NOW		NO OPINION		
	5 YEARS FROM NOW		NO OPINION		
	TODAY	39%	3%	46%	11%
B	2 YEARS FROM NOW				
	5 YEARS FROM NOW				
	TODAY	20%	5%	15%	60%
C	2 YEARS FROM NOW	25%	10%	10%	55%
	5 YEARS FROM NOW	25%	5%	15%	55%
	TODAY	10-20%	40-50%	20-30%	5-10%
D	2 YEARS FROM NOW	35-45%	20-30%	15-25%	10-15%
	5 YEARS FROM NOW	30-40%	25-35%	15-25%	15-20%
	TODAY	86%	3%	11%	0%
E	2 YEARS FROM NOW	86%	3%	11%	0%
	5 YEARS FROM NOW	86%	3%	11%	0%
	TODAY	43.7%	43.6%	12.8%	0%
F	2 YEARS FROM NOW				
	5 YEARS FROM NOW				
	TODAY	32%	0%	56%	12%
G	2 YEARS FROM NOW	26%	18%	46%	10%
	5 YEARS FROM NOW	26%	18%	46%	10%
	TODAY	5%		15%	80%
H	2 YEARS FROM NOW				100%
	5 YEARS FROM NOW				100%
	TODAY	82%	0%	18%	0%
I	2 YEARS FROM NOW	76%	0%	24%	0%
	5 YEARS FROM NOW	77%	0%	23%	0%

CO.	TIME PERIOD	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL
	TODAY	80%		20%	
J	2 YEARS FROM NOW	70%	15%	15%	
	5 YEARS FROM NOW	60%	25%	15%	
	TODAY	68%	0%	0%	32%
K	2 YEARS FROM NOW	68%	0%	0%	32%
	5 YEARS FROM NOW	68%	0%	0%	32%
	TODAY	65%	35%		
L	2 YEARS FROM NOW	65%	35%		
	5 YEARS FROM NOW	65%	35%		
	TODAY	65%		35%	0%
M	2 YEARS FROM NOW				0%
	5 YEARS FROM NOW				0%
	TODAY	40%	60%		
N	2 YEARS FROM NOW	40%	60%		
	5 YEARS FROM NOW	40%	60%		
	TODAY	40%	60%		
O	2 YEARS FROM NOW	40%	60%		
	5 YEARS FROM NOW	35%	65%		
	TODAY	0%	0%	0%	100%
P	2 YEARS FROM NOW	0%	20%	0%	80%
	5 YEARS FROM NOW	15%	20%	0%	65%
	TODAY	0%	0%	100%	0%
Q	2 YEARS FROM NOW	0%	0%	100%	0%
	5 YEARS FROM NOW	0%	0%	100%	0%
	TODAY			100%	
R	2 YEARS FROM NOW			100%	
	5 YEARS FROM NOW			100%	

D. 2007 UL/IUL SALES BY DISTRIBUTION CHANNEL AND MARKET

Nineteen of the 20 survey participants provided 2007 sales information by distribution channel. One participant provided sales by premium, but not by face amount.

The brokerage, career agent, and PPGA channels were the most popular channels through which UL products were sold. UL sales were also reported via the multiple-line exclusive agent, stockbroker, financial institution, and worksite channels. No sales were reported by survey participants in the home-service or direct-responses channels. One participant reported sales in an "other" category.

The following tables include summaries of the total, average, median, minimum, and maximum sales reported by distribution channel and market.

Total Individual UL Sales (Excluding IUL) by Distribution Channel ($ Millions)

CHANNEL	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
		SALES ($ PREMIUM)			
PPGA	9	$31.98	$22.45	$1.19	$85.97
BROKERAGE	12	$26.76	$14.07	$2.59	$101.88
MLEA	3	$3.73	$2.43	$0.91	$7.87
CAREER AGENT	12	$31.40	$12.16	$0.34	$122.00
STOCKBROKERS	5	$6.53	$2.95	$1.70	$14.87
FINANCIAL INSTITUTIONS	5	$4.22	$1.72	$0.01	$16.40
WORKSITE	2	$11.52	$11.52	$1.23	$21.80
OTHER	1	$2.97	$2.97	$2.97	$2.97

TOTAL INDIVIDUAL UL SALES (EXCLUDING IUL) BY DISTRIBUTION CHANNEL ($ MILLIONS) - CONTINUED

CHANNEL	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
SALES (FACE AMOUNT)					
PPGA	8	$1,306.69	$1,197.10	$58.94	$3,500.00
BROKERAGE	11	$929.04	$613.64	$190.70	$2,683.11
MLEA	3	$255.32	$142.99	$66.55	$556.41
CAREER AGENT	12	$2,021.53	$899.45	$18.10	$8,007.00
STOCKBROKERS	5	$298.72	$100.90	$47.70	$879.10
FINANCIAL INSTITUTIONS	5	$133.82	$51.31	$0.50	$524.73
WORKSITE	2	$1,306.31	$1,306.31	$75.12	$2,537.50
OTHER	1	$255.10	$255.10	$255.10	$255.10

Total ULSG Sales by Distribution Channel ($ Millions)

CHANNEL	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
		SALES ($ PREMIUM)			
PPGA	8	$19.76	$12.85	$0.58	$67.60
BROKERAGE	12	$17.13	$6.47	$0.27	$71.94
MLEA	2	$3.05	$3.05	$0.38	$5.73
CAREER AGENT	10	$17.72	$5.29	$0.08	$103.80
STOCKBROKERS	5	$5.96	$2.33	$0.70	$14.70
FINANCIAL INSTITUTIONS	5	$2.72	$1.70	$0.01	$8.92
WORKSITE	0	$0.0	$0.0	$0.0	$0.0
OTHER	1	$0.64	$0.64	$0.64	$0.64
		SALES (FACE AMOUNT)			
PPGA	7	$956.62	$743.69	$35.84	$3,331.00
BROKERAGE	11	$629.01	$315.08	$88.77	$2,632.80
MLEA	2	$204.25	$204.25	$30.98	$377.51
CAREER AGENT	10	$996.05	$243.83	$3.93	$6,534.00
STOCKBROKERS	5	$283.38	$100.65	$41.80	$861.40
FINANCIAL INSTITUTIONS	5	$107.95	$49.81	$0.30	$397.90
WORKSITE	0	$0.0	$0.0	$0.0	$0.0
OTHER	1	$46.20	$46.20	$46.20	$46.20

Total Cash Accumulation UL Sales by Distribution Channel ($ Millions)

CHANNEL	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
		SALES ($ PREMIUM)			
PPGA	8	$9.68	$3.65	$0.07	$45.34
BROKERAGE	8	$8.46	$1.96	$0.27	$29.18
MLEA	1	$0.53	$0.53	$0.53	$0.53
CAREER AGENT	7	$5.67	$1.70	$0.20	$25.00
STOCKBROKERS	3	$0.13	$0.17	$0.02	$0.20
FINANCIAL INSTITUTIONS	1	$1.23	$1.23	$1.23	$1.23
WORKSITE	0	$0.0	$0.0	$0.0	$0.0
OTHER	1	$0.03	$0.03	$0.03	$0.03
		SALES (FACE AMOUNT)			
PPGA	7	$268.88	$152.20	$2.76	$731.04
BROKERAGE	7	$268.67	$101.93	$28.15	$852.49
MLEA	1	$35.57	$35.57	$35.57	$35.57
CAREER AGENT	7	$318.32	$80.10	$7.81	$973.14
STOCKBROKERS	3	$8.22	$5.90	$1.05	$17.70
FINANCIAL INSTITUTIONS	2	$1.98	$1.98	$0.60	$3.36
WORKSITE	0	$0.0	$0.0	$0.0	$0.0
OTHER	1	$2.90	$2.90	$2.90	$2.90

Total Current Assumption UL Sales by Distribution Channel ($ Millions)

CHANNEL	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
		SALES ($ PREMIUM)			
PPGA	8	$6.41	$4.76	$0.31	$22.16
BROKERAGE	8	$5.95	$5.46	$0.48	$13.00
MLEA	2	$2.29	$2.29	$2.15	$2.43
CAREER AGENT	8	$20.08	$4.04	$0.26	$122.00
STOCKBROKERS	3	$0.82	$0.22	$0.01	$2.23
FINANCIAL INSTITUTIONS	4	$1.57	$0.01	<$0.01	$6.25
WORKSITE	2	$11.52	$11.52	$1.23	$21.80
OTHER	1	$2.30	$2.30	$2.30	$2.30
		SALES (FACE AMOUNT)			
PPGA	7	$267.86	$292.97	$16.80	$492.38
BROKERAGE	7	$201.64	$232.80	$50.31	$323.21
MLEA	2	$160.94	$160.94	$142.99	$178.89
CAREER AGENT	8	$1,508.70	$149.20	$14.16	$8,007.00
STOCKBROKERS	3	$17.36	$0.25	$0.25	$51.57
FINANCIAL INSTITUTIONS	4	$31.36	$0.88	$0.20	$123.48
WORKSITE	2	$1,306.31	$1,306.31	$75.12	$2,537.50
OTHER	1	$206.00	$206.00	$206.00	$206.00

Total IUL Sales by Distribution Channel ($ Millions)

Channel	Number of Responses	Average	Median	Minimum	Maximum
		Sales ($ Premium)			
PPGA	6	$11.62	$1.59	$0.39	$35.44
Brokerage	5	$0.87	$0.36	$0.16	$2.67
MLEA	0	$0.0	$0.0	$0.0	$0.0
Career Agent	4	$4.15	$2.17	$0.96	$11.29
Stockbrokers	1	$0.27	$0.27	$0.27	$0.27
Financial Institutions	1	$0.71	$0.71	$0.71	$0.71
Worksite	0	$0.0	$0.0	$0.0	$0.0
Other	0	$0.0	$0.0	$0.0	$0.0
		Sales (Face Amount)			
PPGA	5	826.74	88.12	26.85	2,282.62
Brokerage	4	53.58	42.06	3.80	126.39
MLEA	0	$0.0	$0.0	$0.0	$0.0
Career Agent	4	176.70	136.21	59.99	374.38
Stockbrokers	1	14.60	14.60	14.60	14.60
Financial Institutions	1	48.19	48.19	48.19	48.19
Worksite	0	$0.0	$0.0	$0.0	$0.0
Other	0	$0.0	$0.0	$0.0	$0.0

Changes in the distribution of sales by channel in recent years were reported by two survey participants. One company noted an increase in PPGA sales during 2007 due to a large increase in older-age premium finance sales in that channel. The second company reported decreased brokerage production driven by some changes in its ULSG product's competitiveness and underwriting perceptions.

E. 2007 UL/IUL SALES BY PREMIUM TYPE AND MARKET

UL/IUL sales in 2007 were reported by premium type and market by 18 survey participants. All 18 participants reported 2007 sales of periodic premium plans, 12 reported single-premium sales, and five participants reported limited payment sales. Note that single-premium sales have been adjusted to 10% of the single-premium amount.

The following charts include summaries of the total, average, median, minimum, and maximum sales reported by premium type and market.

Total Individual UL Sales (Excluding IUL) by Premium Type ($ Millions)

PREMIUM TYPE	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
SINGLE	11	$5.22	$1.94	$0.05	$36.50
PERIODIC	17	$50.92	$24.90	$2.21	$184.75
LIMITED PAY	4	$17.24	$6.81	$1.33	$54.00

Total ULSG Sales by Premium Type ($ Millions)

PREMIUM TYPE	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
SINGLE	8	$5.79	$0.91	$0.01	$36.50
PERIODIC	13	$32.32	$15.30	$0.76	$107.80
LIMITED PAY	4	$13.68	$1.28	$0.28	$51.90

Total Cash Accumulation UL Sales by Premium Type ($ Millions)

PREMIUM TYPE	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
SINGLE	6	$1.60	$0.79	<$0.01	$4.93
PERIODIC	10	$16.43	$7.95	$1.69	$71.43
LIMITED PAY	4	$3.30	$1.25	$0.09	$10.59

Total Current Assumption UL Sales by Premium Type ($ Millions)

PREMIUM TYPE	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
SINGLE	7	$0.20	$0.08	<$0.01	$0.75
PERIODIC	14	$19.95	$9.25	$2.21	$122.00
LIMITED PAY	2	$0.52	$0.52	$0.08	$0.96

Total IUL Sales by Premium Type ($ Millions)

PREMIUM TYPE	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
SINGLE	5	$0.77	$0.10	$0.01	$3.60
PERIODIC	8	$9.93	$2.66	$0.16	$35.44
LIMITED PAY	3	$2.77	$1.20	$0.82	$6.28

One company noted that changes in its distribution of sales by premium type were due to the introduction of its IUL product in 2007. Another participant reported no observable shift in its sales by premium type.

F. 2007 UL/IUL SALES BY ISSUE AGE GROUP AND MARKET

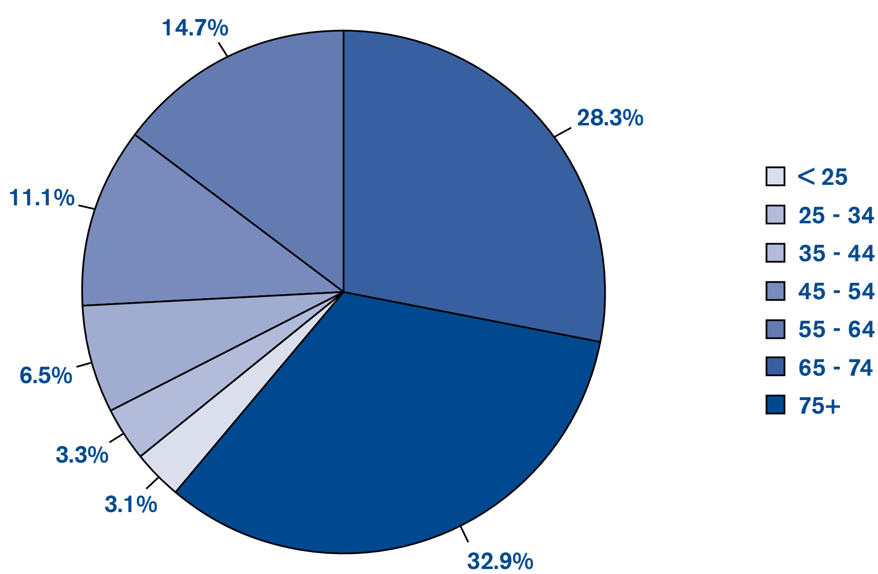
Twenty of the survey participants reported their 2007 sales by issue-age group. One participant noted that sales by issue-age group excluded its COLI business.

A weighted average issue age was determined for sales of survey participants based on the midpoint of the issue-age range and separately by sales based on premium and sales based on face amount. The weighted average issue age for the total individual UL business based on premium is about 63. ULSG sales had the highest average issue age (66) on this basis, followed by current assumption UL (62), cash accumulation UL (60), and IUL (52).

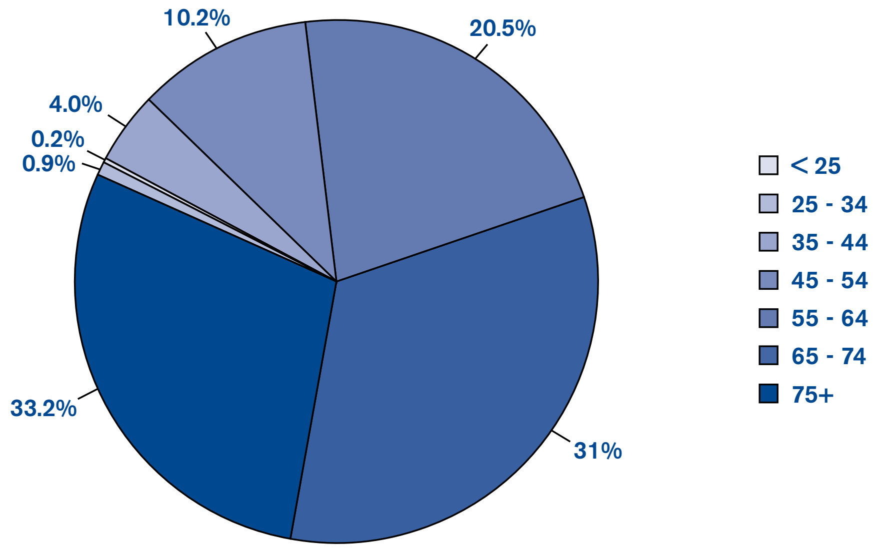
The weighted average issue age for the total individual UL business based on face amount is about 52. ULSG sales again had the highest average issue age (59) on this basis, followed by cash accumulation (48), current assumption UL (47), and IUL (42).

The first set of pie charts below show the average issue-age distribution for 2007 total individual UL, ULSG, cash accumulation UL, current assumption UL, and IUL sales by premium. The second set of charts shows the average issue-age distribution by face amount.

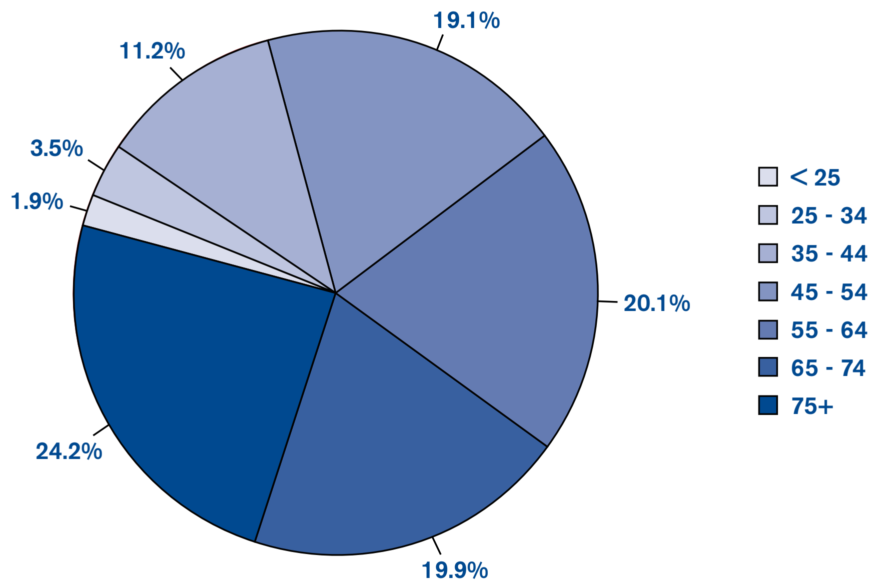
Issue Age Distribution - Total Individual UL Sales ($ Premium)



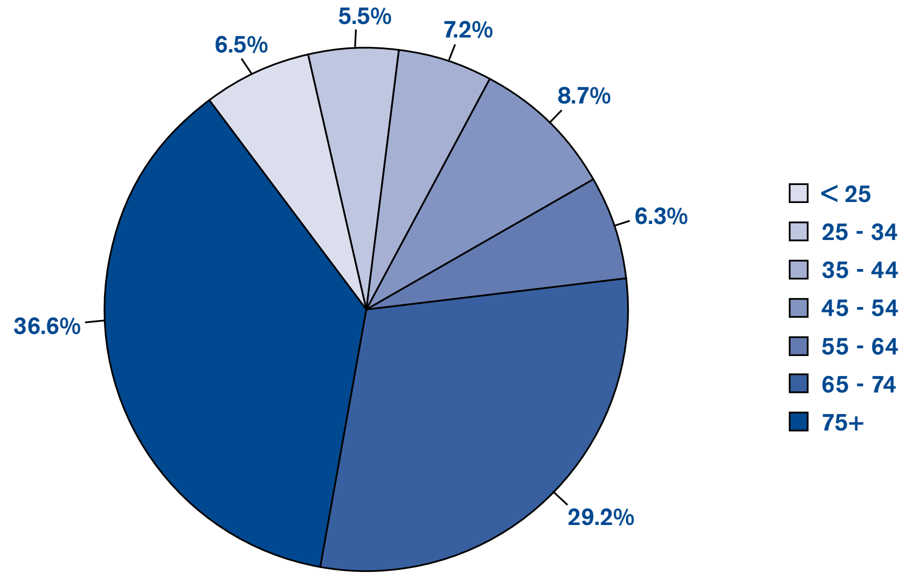
Issue Age Distribution - ULSG Sales ($ Premium)



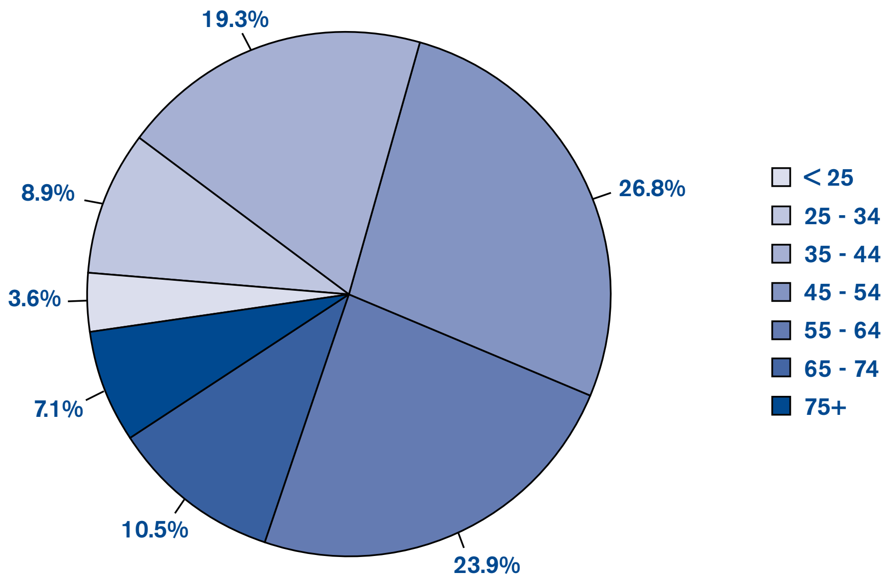
Issue Age Distribution - Cash Accumulation UL Sales ($ Premium)



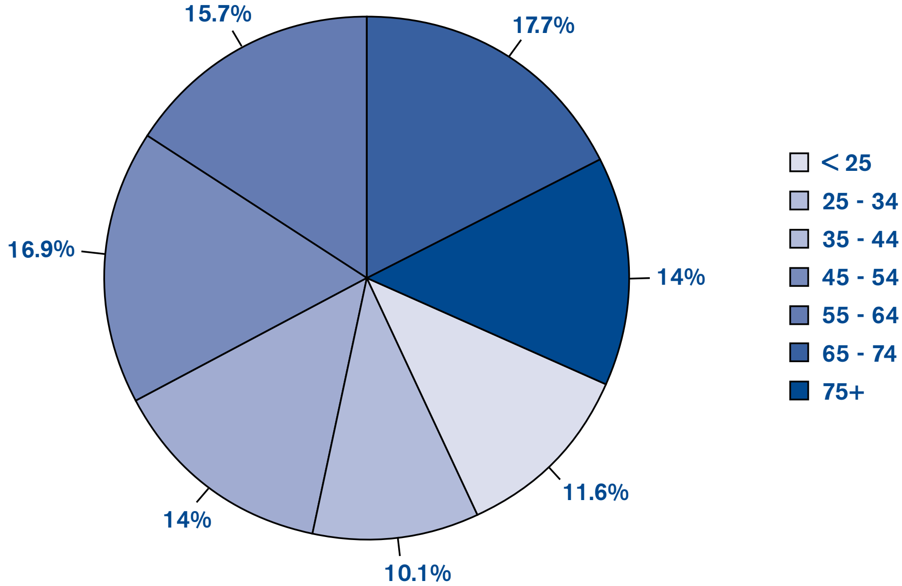
Issue Age Distribution - Current Assumption UL Sales ($ Premium)



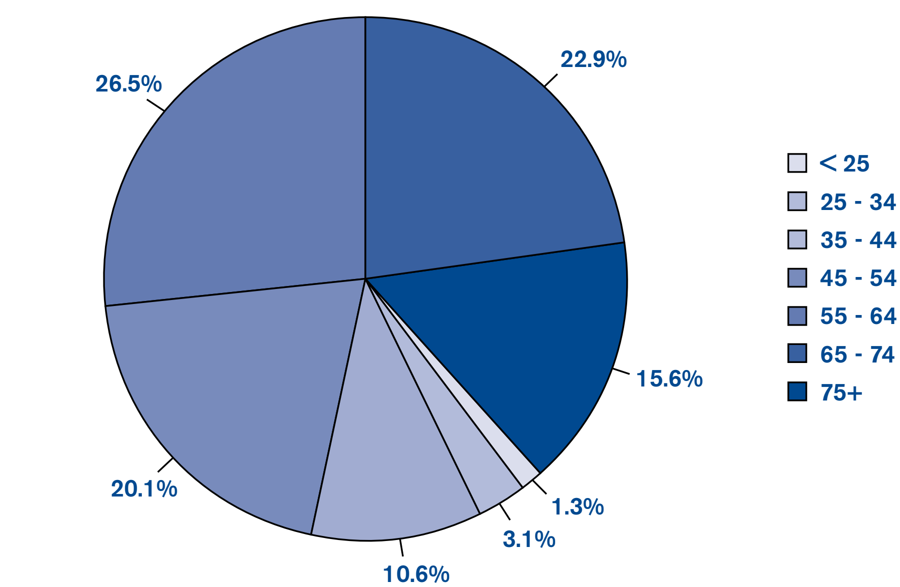
Issue Age Distribution - IUL Sales ($ Premium)

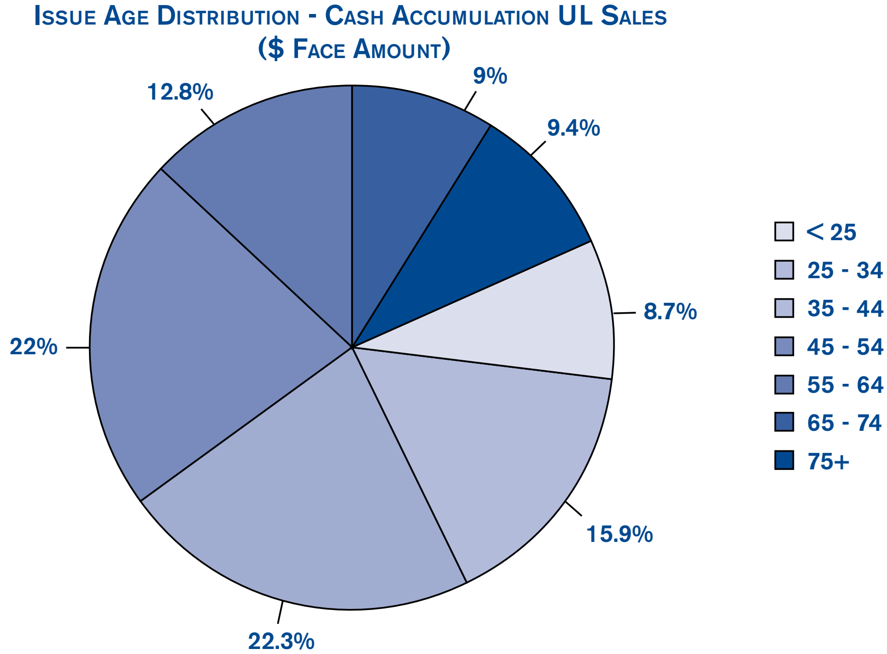


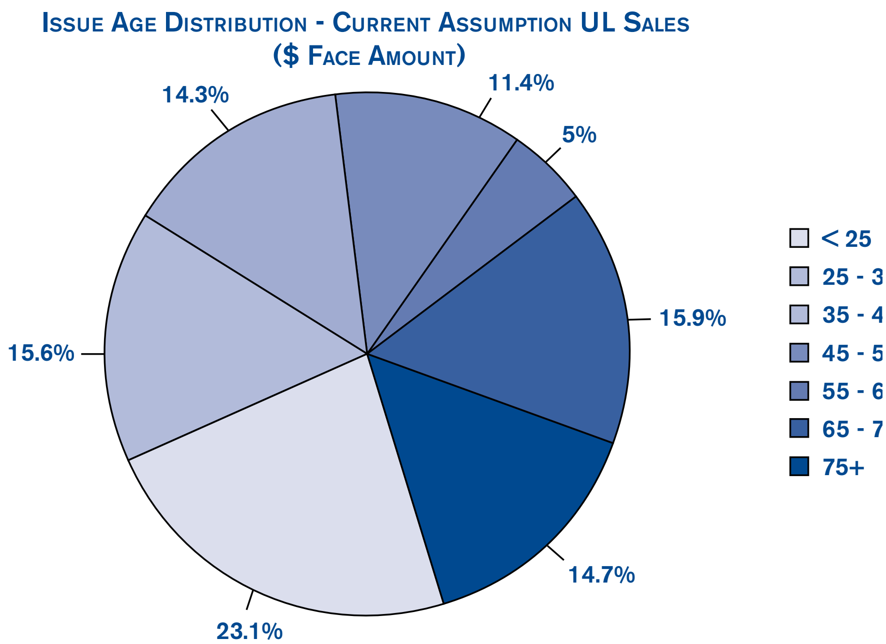
Issue Age Distribution - Total Individual UL Sales ($ Face Amount)



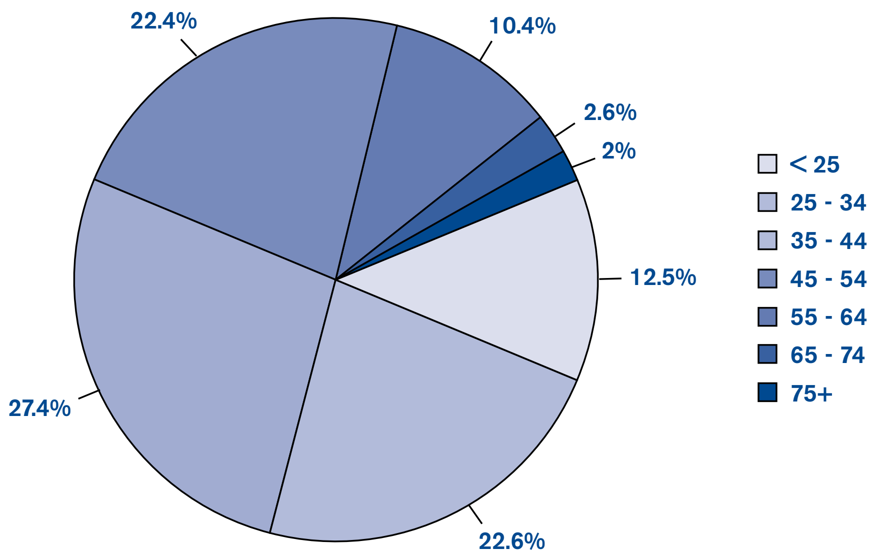
Issue Age Distribution - ULSG Sales ($ Face Amount)




Issue Age Distribution - Cash Accumulation UL Sales
($ Face Amount)
9%
9.4%
8.7%
15.9%
22.3%
22%
12.8%
< 25
25 - 34
35 - 44
45 - 54
55 - 64
65 - 74
75+


Issue Age Distribution - Current Assumption UL Sales
($ Face Amount)
11.4%
5%
15.9%
14.7%
23.1%
15.6%
14.3%
< 25
25 - 3
35 - 4
45 - 5
55 - 6
65 - 7
75+

Issue Age Distribution - IUL Sales ($ Face Amount)



Following are the statistics that correspond to the previous charts:

Total Individual UL Sales (Excluding IUL) by Issue Age Range ($ Millions)

ISSUE AGE RANGE	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
SALES ($ PREMIUM)					
< 25	18	$2.27	$0.46	$0.02	$27.00
25 – 34	19	$2.36	$0.71	$0.19	$21.00
35 – 44	19	$4.72	$2.48	$0.33	$22.00
45 – 54	19	$8.00	$4.60	$0.82	$37.90
55 – 64	19	$10.67	$6.61	$0.43	$59.21
65 – 74	19	$20.50	$6.12	$0.22	$128.84
75+	19	$23.81	$5.04	$0.01	$148.35
SALES ($ FACE AMOUNT)					
< 25	17	$390.27	$59.94	$4.26	$3,344.00
25 – 34	18	$340.77	$126.78	$25.25	$2,076.00
35 – 44	18	$470.91	$368.59	$28.38	$2,074.00
45 – 54	18	$568.92	$387.19	$45.64	$3,593.10
55 – 64	18	$527.58	$325.11	$14.55	$3,879.10
65 – 74	18	$596.94	$265.37	$4.81	$3,166.61
75+	18	$472.70	$149.85	$0.10	$2,700.02

Total ULSG Sales by Issue Age Range ($ Millions)

ISSUE AGE RANGE	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
		SALES ($ PREMIUM)			
< 25	14	$0.06	$0.05	<$0.01	$0.25
25 – 34	16	$0.34	$0.19	$0.01	$2.00
35 – 44	16	$1.54	$0.94	$0.08	$9.80
45 – 54	16	$3.89	$1.60	$0.08	$27.40
55 – 64	16	$7.80	$3.34	$0.21	$54.90
65 – 74	16	$11.84	$4.04	$0.28	$64.70
75+	16	$12.67	$5.06	$0.01	$41.20
		SALES ($ FACE AMOUNT)			
< 25	14	$22.59	$11.84	$0.40	$113.00
25 – 34	15	$56.39	$44.46	$2.85	$226.00
35 – 44	15	$190.90	$122.13	$15.98	$1,130.10
45 – 54	15	$360.91	$142.53	$15.09	$2,712.20
55 – 64	15	$475.63	$205.07	$8.70	$3,616.30
65 – 74	15	$410.91	$178.71	$6.53	$2,599.20
75+	15	$280.35	$107.30	$0.17	$904.10

Total Cash Accumulation UL Sales by Issue Age Range ($ Millions)

ISSUE AGE RANGE	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
		SALES ($ PREMIUM)			
< 25	10	$0.34	$0.31	$0.01	$0.76
25 – 34	10	$0.63	$0.36	$0.02	$2.45
35 – 44	11	$1.99	$0.80	$0.01	$7.07
45 – 54	11	$3.41	$1.68	$0.16	$15.42
55 – 64	11	$3.58	$1.58	$0.02	$12.98
65 – 74	10	$3.55	$1.85	$0.06	$21.28
75+	10	$4.31	$0.76	$0.03	$28.35
		SALES ($ FACE AMOUNT)			
< 25	9	$71.51	$54.71	$1.64	$148.46
25 – 34	9	$131.33	$74.19	$3.13	$374.71
35 – 44	10	$184.27	$134.83	$0.50	$506.19
45 – 54	10	$182.28	$127.53	$3.20	$566.00
55 – 64	10	$105.68	$69.41	$1.29	$305.35
65 – 74	9	$74.26	$47.30	$2.66	$302.85
75+	9	$77.33	$10.81	$0.23	$367.23

Total Current Assumption UL Sales by Issue Age Range ($ Millions)

Issue Age Range	Number of Responses	Average	Median	Minimum	Maximum
		Sales ($ Premium)			
< 25	15	$2.43	$0.15	<$0.01	$27.00
25 – 34	16	$2.07	$0.36	$0.05	$21.00
35 – 44	16	$2.70	$0.76	$0.03	$22.00
45 – 54	16	$3.26	$1.21	$0.08	$23.00
55 – 64	16	$2.39	$1.33	$0.17	$17.00
65 – 74	15	$10.97	$1.39	$0.22	$123.12
75+	15	$13.77	$2.00	$0.01	$140.58
		Sales ($ Face Amount)			
< 25	14	$405.25	$33.11	$0.08	$3,344.00
25 – 34	15	$273.63	$80.94	$2.79	$2,076.00
35 – 44	15	$251.18	$104.45	$1.46	$1,353.00
45 – 54	15	$200.13	$97.37	$5.67	$813.10
55 – 64	15	$86.96	$65.03	$8.36	$342.00
65 – 74	14	$279.49	$60.14	$4.29	$2,991.84
75+	14	$257.67	$33.51	$0.10	$2,554.67

TOTAL IUL SALES BY ISSUE AGE RANGE ($ MILLIONS)

ISSUE AGE RANGE	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
		SALES ($ PREMIUM)			
< 25	7	$0.38	$0.04	<$0.01	$2.14
25 – 34	9	$0.95	$0.08	$0.02	$5.38
35 – 44	9	$2.06	$0.40	$0.03	$10.01
45 – 54	9	$2.86	$1.08	$0.04	$12.13
55 – 64	9	$2.55	$1.33	$0.05	$8.14
65 – 74	8	$1.12	$0.39	$0.05	$4.72
75+	7	$0.75	$0.56	<$0.01	$2.67
		SALES ($ FACE AMOUNT)			
< 25	6	55.41	4.16	0.62	310.48
25 – 34	7	100.02	11.47	1.12	583.68
35 – 44	7	121.31	30.63	2.46	603.84
45 – 54	7	98.96	55.07	2.15	423.70
55 – 64	7	46.19	37.10	0.72	126.82
65 – 74	6	11.56	9.98	2.40	28.10
75+	5	8.69	6.11	0.10	25.00

Four comments were received regarding changes in the distribution of sales by issue age in recent years. The first participant reported that it had a product that was very competitive at older ages. That product has been repriced, so it does not expect to see the same distribution of sales going forward. A second company noted that it discontinued sales to issue ages 0 through 17 in April 2007. The third participant indicated that the market in general has moved toward postretirement ages, but it has tried to back away from the 75+ ULSG market. The fourth participant noted a slight shift to more sales at juvenile ages due to a lowering of the minimum size policy available at juvenile ages.

G. 2007 UL/IUL SALES BY UNDERWRITING CLASS

Sales for 2007 were reported by underwriting class by 19 of the 20 companies. One participant noted that not all of its products have all underwriting classes reported. Another participant noted that the best available class may vary from product to product. Sales in the best available class on a specific product may be shown in the next-best class in its response.

One participant reported juvenile sales ($ millions) separately as follows:

BASIS	TOTAL INDIVIDUAL UL	ULSG	CASH ACCUMULATION	CURRENT ASSUMPTION	IUL
PREMIUM	$0.23	$0.20	$0.03	UNKNOWN	$0.00
FACE AMOUNT	$52.7	$45.2	$7.5	UNKNOWN	$0.00

Another participant reported juvenile current assumption UL sales for 2007 of $18 million in premium and $2,228 million of face amount.

None of the survey participants had more than four non-smoker/non-tobacco classes. The highest average sales for total individual UL, ULSG, and current assumption UL were in the second-next-best non-smoker class. The highest average sales for cash accumulation UL and IUL were in the third-next-best non-smoker class.

The distribution of 2007 UL sales by underwriting class is shown in the following table. Cash accumulation UL and IUL distributions are similar, but ULSG and current assumption UL sales distributions are distinct.

UNDERWRITING CLASS	TOTAL INDIVIDUAL UL (EXCLUDING IUL)	ULSG	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL
NS/NT CLASSES	93.1%	94.1%	87.0%	94.1%	89.1%
S/T CLASSES	6.9%	5.9%	13.0%	6.0%	10.9%
BEST NS/NT CLASS	9.3%	11.7%	7.4%	7.0%	9.5%
NEXT-BEST NS/NT CLASS	27.0%	30.6%	30.9%	21.3%	31.1%
SECOND-NEXT-BEST NS/NT CLASS	41.8%	36.7%	20.0%	55.9%	25.0%
THIRD-NEXT-BEST NS/NT CLASS	15.1%	15.2%	28.8%	9.8%	23.6%
BEST S/T CLASS	4.4%	3.1%	7.8%	4.8%	6.1%
NEXT-BEST S/T CLASS	2.4%	2.6%	5.1%	1.1%	4.8%
SECOND-NEXT-BEST S/T CLASS	0.1%	0.2%	0.1%	0.0%	0.0%

Sales by underwriting class in total and by market for survey participants based on sales in calendar year 2007 are shown below:

Total Individual UL Sales (Excluding IUL) by Underwriting Class ($ Millions)

Underwriting Class	Number of Responses	Average	Median	Minimum	Maximum
			Sales ($ Premium)		
Best NS/NT Class	18	$6.72	$3.49	$0.16	$25.16
Next-Best	18	$19.62	$11.05	$0.11	$65.10
Second-Next-Best	16	$34.15	$15.58	$0.04	$188.26
Third-Next-Best	6	$32.81	$17.11	$12.27	$105.99
Best S/T Class	18	$3.22	$0.80	$0.02	$26.52
Next-Best S/T	17	$1.85	$1.06	$0.24	$8.59
Second-Next-Best S/T	2	$0.54	$0.54	$0.38	$0.70
			Sales ($ Face Amount)		
Best NS/NT Class	17	$442.63	$262.47	$17.66	$2,205.10
Next-Best	17	$900.32	$647.42	$9.09	$4,540.50
Second-Next-Best	15	$1,185.31	$631.26	$1.86	$4,149.10
Third-Next-Best	6	$863.71	$755.04	$373.40	$2,005.44
Best S/T Class	17	$167.66	$29.44	$1.66	$1,289.97
Next-Best S/T	16	$67.67	$46.39	$12.97	$162.60
Second-Next-Best S/T	2	$11.91	$11.91	$11.22	$12.60

Total ULSG Sales by Underwriting Class ($ Millions)

UNDERWRITING CLASS	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
		SALES ($ PREMIUM)			
BEST NS/NT CLASS	15	$4.76	$2.43	$0.14	$21.68
NEXT-BEST	16	$11.65	$4.02	$0.30	$63.70
SECOND-NEXT-BEST	13	$15.98	$4.95	<$0.01	$90.70
THIRD-NEXT-BEST	6	$15.47	$10.74	$3.37	$48.75
BEST S/T CLASS	16	$1.17	$0.28	$0.02	$11.58
NEXT-BEST S/T	15	$1.07	$0.58	$0.06	$5.70
SECOND-NEXT-BEST S/T	2	$0.49	$0.49	$0.38	$0.60
		SALES ($ FACE AMOUNT)			
BEST NS/NT CLASS	14	$357.38	$167.16	$32.23	$2,102.00
NEXT-BEST	15	$639.12	$236.53	$45.33	$4,430.00
SECOND-NEXT-BEST	12	$661.05	$257.43	$1.86	$4,068.40
THIRD-NEXT-BEST	6	$431.98	$388.37	$111.60	$1,005.79
BEST S/T CLASS	15	$69.44	$17.88	$1.16	$670.78
NEXT-BEST	15	$33.44	$17.77	$1.86	$146.90
SECOND-NEXT-BEST	2	$11.26	$11.26	$11.22	$11.30

TOTAL CASH ACCUMULATION UL SALES BY UNDERWRITING CLASS ($ MILLIONS)

UNDERWRITING CLASS	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
SALES ($ PREMIUM)					
BEST NS/NT CLASS	10	$1.39	$0.81	$0.16	$4.83
NEXT-BEST	10	$5.77	$1.41	$0.27	$24.00
SECOND-NEXT-BEST	8	$4.64	$2.82	$0.03	$20.48
THIRD-NEXT-BEST	5	$10.77	$1.59	$0.70	$44.87
BEST S/T CLASS	9	$1.62	$0.33	$0.05	$11.56
NEXT-BEST S/T	9	$1.06	$0.78	$0.12	$3.64
SECOND-NEXT-BEST S/T	1	$0.10	$0.10	$0.10	$0.10
SALES ($ FACE AMOUNT)					
BEST NS/NT CLASS	9	$84.41	$60.27	$3.20	$196.48
NEXT-BEST	9	$205.37	$110.50	$11.13	$618.83
SECOND-NEXT-BEST	7	$173.17	$127.01	$1.79	$694.84
THIRD-NEXT-BEST	5	$278.77	$127.13	$23.10	$784.51
BEST S/T CLASS	8	$67.24	$9.96	$3.30	$412.79
NEXT-BEST S/T	8	$37.83	$42.05	$8.80	$63.61
SECOND-NEXT-BEST S/T	1	$1.30	$1.30	$1.30	$1.30

Total Current Assumption UL Sales by Underwriting Class ($ Millions)

Underwriting Class	Number of Responses	Average	Median	Minimum	Maximum
		Sales ($ Premium)			
Best NS/NT Class	13	$2.73	$1.14	$0.16	$20.38
Next-Best	14	$7.78	$2.66	$0.11	$61.12
Second-Next-Best	9	$31.70	$7.63	$0.01	$178.44
Third-Next-Best	4	$12.54	$13.48	$5.08	$18.14
Best S/T Class	14	$1.75	$0.17	$0.02	$17.00
Next-Best S/T	13	$0.44	$0.36	$0.12	$1.00
Second-Next-Best S/T	0	$0.00	$0.00	$0.00	$0.00
		Sales ($ Face Amount)			
Best NS/NT Class	12	$146.59	$78.78	$17.66	$729.09
Next-Best	13	$297.36	$132.61	$9.09	$1,573.14
Second-Next-Best	8	$1,079.36	$264.36	$0.16	$3,878.00
Third-Next-Best	4	$299.14	$293.74	$215.14	$393.93
Best S/T Class	13	$97.74	$8.94	$1.50	$847.00
Next-Best S/T	12	$23.15	$19.55	$6.73	$48.08
Second-Next-Best S/T	0	$0.00	$0.00	$0.00	$0.00

TOTAL IUL SALES BY UNDERWRITING CLASS ($ MILLIONS)

UNDERWRITING CLASS	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
		SALES ($ PREMIUM)			
BEST NS/NT CLASS	8	$1.07	$0.92	$0.04	$3.68
NEXT-BEST	9	$3.12	$1.14	$0.09	$16.03
SECOND-NEXT-BEST	6	$3.77	$1.34	$0.30	$17.15
THIRD-NEXT-BEST	4	$5.34	$1.93	$0.62	$16.85
BEST S/T CLASS	9	$0.61	$0.06	<$0.01	$4.71
NEXT-BEST S/T	8	$0.54	$0.10	$0.01	$1.96
SECOND-NEXT-BEST S/T	0	$0.00	$0.00	<$0.01	$0.00
		SALES ($ FACE AMOUNT)			
BEST NS/NT CLASS	7	$96.32	$51.38	$2.69	$384.81
NEXT-BEST	8	$179.16	$59.73	$4.57	$811.26
SECOND-NEXT-BEST	5	$232.49	$70.73	$18.37	$929.08
THIRD-NEXT-BEST	4	$382.11	$65.21	$10.76	$1,387.24
BEST S/T CLASS	8	$30.32	$3.74	$0.14	$185.92
NEXT-BEST S/T	7	$32.96	$6.76	$0.73	$105.09
SECOND-NEXT-BEST S/T	0	$0.00	$0.00	$0.00	$0.00

One survey participant reported a change in the distribution of sales by underwriting class in recent years due to the movement away from substandard business toward more standard types of risk.

H. 2007 UL/IUL PREMIUM FINANCE SALES

Of the 21 survey participants, 12 reported no premium finance sales for 2007. Six participants did not respond to this question, one reported that such sales were unknown, and another reported that premium finance sales were not available. One participant reported that as much as 37.6% of its 2007 total individual UL sales were premium finance sales. It also reported that nearly 57% of its 2007 IUL sales were premium finance sales.

Profit measures

A. PROFIT MEASURES RELEVANT TO NEW SALES TODAY

One survey participant reported sales information only, so the remaining sections of the survey include the responses of 20 participants. All 20 participants reported profit measures relative to the pricing of new sales issued today. Note that one of the 20 participants reported profit measures for UL markets where it did not report sales. It intends to introduce a ULSG and cash accumulation UL product in the next 12 to 24 months.

The majority of participants rely on more than one profit measure, with two profit measures being the most common, closely followed by three measures. The following table shows the distribution of the number of profit measures reported by survey participants.

NUMBER OF PROFIT MEASURES	NUMBER OF PARTICIPANTS
1	3
2	8
3	7
4	2

None of the survey participants reported the use of a statutory return on assets (ROA) basis or a GAAP ROA basis. Note that for one participant where the profit measure was reported in terms of a range, the midpoint of the range was used in our analysis.

Statutory ROI/IRR

Eighteen of the 20 companies that reported profit measures provided information regarding statutory ROI/IRR profit measures. All 18 companies report statutory ROI/IRR on an after-tax, after-capital basis. This measure is a primary measure for 14 companies and a secondary measure for four companies. One participant mentioned that its profit goal assumes marginal expenses. The median ROI/IRR is the highest for cash accumulation UL and current assumption UL products (12.00%), followed by ULSG (11.60%), and IUL (11.10%).

Statutory ROI/IRR profit measures were reported by 16 carriers for ULSG products. Thirteen of the 16 carriers use statutory ROI/IRR as the primary profit measure and the remaining three use it as a secondary measure.

Eleven respondents reported statutory ROI/IRR profit measures for cash accumulation UL products. This is a primary measure for nine carriers and a secondary measure for the remaining two carriers.

Twelve participants reported statutory ROI/IRRs for current assumption UL products. Nine use this as a primary measure and three use it as a secondary measure. One participant reported a range for its ROI/IRR measure. The midpoint of the reported range was used in determining the statistics below.

IUL statutory ROI/IRRs were reported by nine survey participants. Seven of the nine use this measure as a primary profit measure and the remaining two use it as a secondary measure. Two of the nine participants provided a range of ROI/IRRs.

The following table includes a summary of the average, median, minimum, and maximum statutory ROI/IRRs reported by market.

PRODUCT	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
ULSG	16	11.52%	11.60%	6.00%	17.50%
CASH ACCUMULATION	11	12.66%	12.00%	9.00%	15.00%
CURRENT ASSUMPTION	12	12.78%	12.00%	10.00%	19.80%
IUL	9	11.67%	11.10%	9.90%	15.00%

Profit margin

Information regarding profit margins was provided by 10 of the 20 companies that reported profit measures. All of the 10 companies report profit margins on an after-tax basis and all but one report it on an after-capital basis. This measure is a secondary measure for eight of the 10 participants and a primary measure for one participant. Profit margin is a primary measure for ULSG products and a secondary measure for all other products for one participant. The median profit margin is the highest for ULSG products (5.00%), followed by cash accumulation UL (4.00%), then current assumption and IUL (3.75%). One company reported its profit margin in terms of a range for its current assumption UL.

Profit margins were reported by nine carriers for ULSG products. Profit margins are used as a secondary measure for seven of the nine participants. All ULSG participants reported their profit margins on an after-tax, after-capital basis.

Seven respondents reported profit margins for cash accumulation UL products. This is a secondary measure for all but one of the seven carriers. All seven participants reported their profit margins on an after-tax, after-capital basis.

Eight participants reported profit margins for current assumption UL products. All use this as a secondary measure. All eight reported their profit margins on an after-tax basis and all but one reported it on an after-capital basis.

IUL profit margins were reported by six survey participants. All of the IUL participants report profit margins on an after-tax, after-capital basis. This is used as a secondary profit measure for all six participants.

The following table includes a summary of the average, median, minimum, and maximum profit margins reported by market.

PRODUCT	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
ULSG	9	6.30%	5.00%	2.00%	15.00%
CASH ACCUMULATION	7	5.34%	4.00%	2.00%	15.00%
CURRENT ASSUMPTION	8	4.66%	3.75%	1.90%	15.00%
IUL	6	5.28%	3.75%	2.00%	15.00%

Other statutory profit measures

Information regarding other statutory profit measures was provided by 10 of the 20 companies that reported profit measures. Each of the 10 measures was different. Seven of the 10 companies reported their other profit measures on an after-tax, after-capital basis. Two participants report their other measures on a pre-tax, after-capital basis and one reports its other measure on a pre-tax, pre-capital basis. The other profit measure is a primary measure for five of the 10 participants and a secondary measure for the remaining five participants.

The types of "other" profit measures reported by survey participants are summarized in the table below.

"OTHER" PROFIT MEASURE	COMMENTS
PRESENT VALUE OF BOOK PROFITS AT LONG-TERM ASSET EARNED RATE	AFTER-TAX, AFTER-CAPITAL SECONDARY MEASURE ULSG AND IUL
VALUE OF NEW BUSINESS = (PRESENT VALUE OF DISTRIBUTABLE EARNINGS DISCOUNTED AT 8% DIVIDED BY PREMIUM ISSUED)	30% AFTER-TAX, AFTER-CAPITAL PRIMARY MEASURE ULSG, CURRENT ASSUMPTION AND IUL
CASH-FLOW ANALYSIS	PRE-TAX, PRE-CAPITAL SECONDARY MEASURE ULSG
EMBEDDED VALUE OF NEW BUSINESS MULTIPLIED BY ANTICIPATED SALES MUST INCREASE COMPANY'S EMBEDDED VALUE MORE THAN ALTERNATIVES	PRE-TAX, AFTER-CAPITAL PRIMARY MEASURE CURRENT ASSUMPTION UL
EMBEDDED VALUE PER WEIGHTED AVERAGE PREMIUMS	26.9% FOR ULSG 9.7% FOR CASH ACCUMULATION UL 21.3% FOR CURRENT ASSUMPTION UL 4.2% FOR IUL AFTER-TAX, AFTER-CAPITAL SECONDARY MEASURE
BREAK-EVEN YEAR TO RESERVE	AFTER-TAX, AFTER-CAPITAL SECONDARY MEASURE ULSG AND CASH ACCUMULATION UL
PRESENT VALUE OF DISTRIBUTABLE EARNINGS DISCOUNTED AT 12.5% DIVIDED BY ANNUALIZED NEW BUSINESS PREMIUM	15% AFTER-TAX, AFTER-CAPITAL PRIMARY MEASURE ULSG AND CASH ACCUMULATION UL
PRESENT VALUE OF DISTRIBUTABLE EARNINGS DISCOUNTED AT 10% (ASSUMES MARGINAL EXPENSES) AND EVALUATING ULSG BUSINESS, ASSUMING SOME SORT OF RESERVE FINANCING IS IN PLACE	AFTER-TAX, AFTER-CAPITAL SECONDARY MEASURE ULSG AND CURRENT ASSUMPTION UL
LIFETIME ROE BASED ON PRINCIPLES-BASED RESERVES WITH MARGINS FOR ADVERSE DEVIATION. THIS MEASURE ASSUMES 25% DEBT LEVERAGE. A RELATED SECONDARY MEASURE IS A VALUE OF NEW BUSINESS (VNB) RATIO EXPRESSED AS A PERCENTAGE OF PRESENT VALUE OF PREMIUMS. THIS IS THE PROFIT STREAM REFLECTING THE COST OF DEBT LEVERAGE DISCOUNTED AT THE RISK DISCOUNT RATE (RDR) DIVIDED BY THE PRESENT VALUE OF PREMIUMS DISCOUNTED AT THE SAME RDR.	ROE GOAL IS 12% AFTER-TAX, AFTER-CAPITAL PRIMARY MEASURE ULSG AND CURRENT ASSUMPTION UL
BEFORE-TAX CONTRIBUTION TO SURPLUS AS A % OF FIRST YEAR PREMIUM	PRE-TAX, AFTER-CAPITAL PRIMARY MEASURE ULSG, CASH ACCUMULATION UL, CURRENT ASSUMPTION UL AND IUL

GAAP ROE

GAAP ROE was reported by eight of the 20 companies that reported profit measures. Seven of the eight companies report GAAP ROE on an after-tax, after-capital basis. The eighth participant reports GAAP ROE on a pre-tax, after-capital basis. This measure is a primary measure for three of the companies and a secondary measure for the remaining five companies. One participant mentioned that its profit goal assumes marginal expenses. Three participants measure ROE as an average of profits divided by average capital, and two participants measure ROE as discounted profits divided by discounted capital. One participant measures ROE as operating income divided by average capital. Another participant uses a geometric average. The eighth participant noted that it looks at profits and capital each year.

GAAP ROE was reported by eight carriers for ULSG products. One of the eight carriers did not report its level of ROE, but noted that it looks at each year's value. GAAP ROE is a primary profit measure for three of the eight ULSG participants. One participant reports its ULSG GAAP ROE on a pre-tax, after-capital basis and the remaining seven carriers report on an after-tax, after-capital basis. The calculation of GAAP ROE is split between various methodologies as described in the previous paragraph.

Four respondents reported GAAP ROEs for cash accumulation UL products. This is a primary measure for one of the four and a secondary measure for the other three carriers. One participant reports its GAAP ROE on a pre-tax, after-capital basis and the other three carriers report on an after-tax, after-capital basis. The calculation of this measure is done on an averaging basis for two participants and on a discounted basis for a third participant. The fourth participant bases its calculation on operating income divided by average capital.

Six participants use a GAAP ROE for current assumption UL products. One of the six carriers did not report its level of ROE, but noted that it looks at each year's value. It was evenly split between those that use it as a primary measure and those that use it as a secondary measure. All six participants report GAAP ROE on an after-tax, after-capital basis. Two of the participants calculate GAAP ROE on an average basis and one calculates GAAP ROE on a discounted basis. The three remaining companies use the alternate methodologies described above.

GAAP ROE was reported by three carriers for IUL products. This is a primary measure for one of the carriers and secondary measure for the other two. All IUL participants reported GAAP ROE on an after-tax, after-capital basis. One of the companies calculates GAAP ROE equal to average profits divided by average capital and the two remaining companies calculate GAAP ROE on a discounted basis.

The following table includes a summary of the average, median, minimum, and maximum GAAP ROE reported by market. GAAP ROE is more variable in the market today than in the past, when 12% was the standard assumption.

PRODUCT	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
ULSG	7	12.71%	12.00%	8.00%	20.00%
CASH ACCUMULATION	4	15.00%	14.00%	12.00%	20.00%
CURRENT ASSUMPTION	5	12.40%	12.00%	10.00%	15.00%
IUL	3	12.00%	12.00%	11.00%	13.00%

Other GAAP profit measures

Two participants reported other GAAP profit measures used for ULSG and current assumption UL products. The first participant uses as a primary measure the net present value of earnings on an pre-tax, pre-capital basis. The second participant uses a 15% IRR on capital flows over the product's expected lifetime based on projected GAAP earnings in consideration of internal economic capital requirements. This is a primary measure with GAAP earnings on an after-tax, after-capital basis.

B. CHANGES IN PROFIT GOALS IN THE LAST TWO YEARS

Six participants provided comments regarding changes in profit goals in the last two years. Three of the comments related to decreasing profit goals and three related to changes in the profit measure.

One participant reported that its target profit changed on statutory and GAAP IRR from 11% to 8% to increase product competitiveness. Another participant decreased its statutory IRR from 12% to 10% for the same reason. A third participant reported that its statutory IRR goal decreased, as shown below. It reported that the goals in 2006 and 2007 were based on a lower target level of expenses, and in 2008 and 2009 the goals are based on fully allocated expenses.

YEAR	IRR GOAL
2006	12.5%
2007	11.7%
2008	10.0%
2009	11.0%

One participant changed its profit measure from a statutory IRR of 10% to a value of new business (VNB) of 30% (based on an 8% discount rate). A second participant began using a statutory cash flow (economic capital) methodology as a secondary measure. A third participant reported no material changes, but indicated there is greater emphasis on ROE versus VNB.

C. ACTUAL RESULTS RELATIVE TO PROFIT GOALS

All 20 survey participants reported their actual results relative to profit goals. Seventeen companies responded relative to their ULSG products. Nine reported they are meeting their goals, six are short of their goals, and two are exceeding their goals.

Nine participants reported actual results relative to profit goals for cash accumulation UL products. Five carriers are meeting their goals, two are short of their goals, and two are exceeding their profit goals. Seven current assumption UL participants reported meeting their profit goals, with six short of their goals and two exceeding their goals. Nine carriers reported IUL profits relative to profit goals. Eight participants are meeting and one is short of their profit goals.

For the participants that reported actual results that were short of goals, the following reasons were given:

REASON	NUMBER OF COMPANIES			
	ULSG	CASH ACCUMULATION	CURRENT ASSUMPTION	IUL
INTEREST EARNINGS	1	1	1	0
MORTALITY	1	0	2	0
EXPENSES	3	2	3	1

Additional reasons given for falling short of profit goals on ULSG products were reserve strain and demographic mix. Demographic mix and competitive positioning were additional reasons cited for not meeting current assumption UL profits goals.

Target surplus

A. TARGET SURPLUS RELEVANT TO THE PRICING OF NEW SALES ISSUED TODAY

Target surplus was reported by 19 of the 20 survey participants. Fifteen carriers reported target surplus on an NAIC basis, two reported on an S&P basis, two reported in an A.M. Best basis, and one each reported on an MCCSR and internal basis. The following chart summarizes the number of carriers that reported various combinations of target surplus bases.

BASIS	NUMBER OF CARRIERS
NAIC ONLY	13
S&P ONLY	2
MCCSR ONLY	1
A.M. BEST ONLY	1
NAIC AND A.M. BEST	1
NAIC AND INTERNAL FORMULA	1

Survey participants were asked to provide their overall NAIC risk-based capital as a percent of company action level (CAL). They were also asked to provide the breakdown of target surplus as a percent of net amount at risk, percent of reserves, and percent of premium.

Target surplus reported in terms of NAIC RBC was reported by 13 carriers for ULSG, seven carriers for cash accumulation UL, 11 carriers for current assumption UL, and by eight carriers for IUL. The overall NAIC RBC percentage was reported by 15 participants and ranged from 200% to 400%. The median NAIC RBC percentage for survey participants is 300% for ULSG and current assumption UL, 275% for IUL, and 250% for cash accumulation UL. The average RBC percentage did not vary significantly by market, as shown in the table below.

MARKET	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
ULSG	13	290%	300%	200%	400%
CASH ACCUMULATION	7	282%	250%	200%	400%
CURRENT ASSUMPTION	11	289%	300%	200%	350%
IUL	8	272%	275%	200%	325%

The breakdown of NAIC target surplus assumed in pricing was reported by 12 of the 15 participants that use this basis. The majority of participants express target surplus in terms of net amount at risk and premiums, with somewhat fewer participants reporting target surplus in terms of premiums.

Survey participants reported that target surplus as a percent of net amount at risk ranged from 0.05% to 0.75%. Target surplus based on reserves ranged from 0.668% to 4.50%. Finally, target surplus expressed in terms of percent of premium ranged from 2% to 7%.

The following chart summarizes the average, median, minimum, and maximum NAIC RBC factors reported by market.

MARKET	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
		% OF NET AMOUNT AT RISK			
ULSG	10	0.20%	0.14%	0.05%	0.75%
CASH ACCUMULATION	6	0.21%	0.10%	0.05%	0.75%
CURRENT ASSUMPTION	9	0.14%	0.11%	0.06%	0.30%
IUL	5	0.28%	0.20%	0.06%	0.75%
		% OF RESERVES			
ULSG	10	3.10%	3.14%	0.67%	4.50%
CASH ACCUMULATION	6	3.43%	3.54%	2.00%	4.50%
CURRENT ASSUMPTION	9	2.78%	2.78%	0.67%	4.50%
IUL	5	3.92%	4.30%	2.78%	4.50%
		% OF PREMIUM			
ULSG	9	4.70%	5.07%	2.00%	7.00%
CASH ACCUMULATION	5	4.26%	5.00%	2.00%	6.00%
CURRENT ASSUMPTION	7	5.43%	6.00%	2.00%	7.00%
IUL	4	4.75%	5.50%	2.00%	6.00%

Two participants reported target surplus on an S&P basis. One of the two reported target surplus equal to 150% of the capital adequacy ratio (CAR). The second participant reported target surplus at 89% of CAR.

Two survey participants reported target surplus on an A.M. Best basis. One reported this measure in addition to an NAIC RBC basis. Target surplus for these carriers is equal to 165% of BCAR and 206% of BCAR.

One survey participant reported its target surplus on an MCCSR basis for its ULSG and current assumption UL business. Another survey participant reported its target surplus based on an internal formula in addition to an NAIC RBC basis. Its target surplus is 400% of NAIC CAL for its ULSG and cash accumulation UL products.

B. CHANGES IN TARGET SURPLUS

Three survey participants reported changes in target surplus over the last year due to the financial markets crisis. One participant reported an increase of 6.35% and another reported a 9% increase in its C1 RBC factor. The third participant reported that its target surplus decreased.

C. CHANGES TO THE C-3 COMPONENT OF RISK BASED CAPITAL

The majority of survey participants (11) are not prepared for the changes to the C-3 component of risk based capital. Four participants reported that they are prepared for the changes and four participants did not respond to this question. The final participant noted that in pricing it is using deterministic methods to set the target surplus C-3 component. It continues to follow the legislative developments and has applied C-3 phase II rules to variable annuities, but has not yet applied the new approach to life products.

Seven participants reported that they have not performed the stochastic exclusion test. One noted that it has prepared and has a plan in place for the C-3 requirement, but it hasn't tested or run any models yet. A second participant reported it has not yet estimated the change to target surplus based on C-3 phase I or C-3 phase II. A third noted that it anticipates running the test in the spring of 2009. A fourth participant reported that the stochastic exclusion test does not apply to it.

Reserves

A. OUTLOOK ON THE IMPACT OF PRINCIPLES-BASED RESERVES RELATIVE TO UL/IUL BUSINESS

Seventeen survey participants provided comments regarding their outlook on the impact of principles-based reserves (PBR) relative to their UL/IUL business. Six of the 17 carriers commented that they do not expect a material impact from PBR. One of the six specifically mentioned that the impact should be minimal because it has primarily IUL products in its portfolio. Another comment received from these six was that the impact will be minor in terms of price. Ten additional comments related to an expected reduction in reserve level. One of the 10 described the impact as a modest impact (reduction) on rates for products with secondary guarantees. Another participant also noted that it assumes that PBR will reduce the level of redundant reserves on ULSG products and possibly eliminate the need for funding solutions. It further noted that the possible loss of tax deductions for these products may offset the gain from reducing funding requirements. One of the 17 participants responded that it doesn't know the outlook.

All 20 survey participants responded to the date that PBR will be in place. Expectations have changed significantly over the last year, with the majority of participants not expecting PBR to be in place until 2012 or later. Following is a tally of the responses regarding the date that PBR will be in place:

DATE	NUMBER OF RESPONSES
2012	8
2011	4
2010	2
2013	2
2015	2
2011 OR 2012	1
DON'T KNOW	1

B. MODELING OF PBR-TYPE RESERVES

Few survey participants have modeled PBR-type reserves on existing UL products. Sixteen participants have not performed such modeling and four participants have performed this modeling. Three of the four have done such modeling only on their ULSG products. The fourth participant has done such modeling only on its cash accumulation UL.

None of the 20 survey participants have developed new designs for consideration under PBR.

C. INTERIM SOLUTION

Fourteen of the 19 survey participants responding to this question are moving toward preferred mortality splits and/or lapses in reserves. One participant noted that for ULSG products, it reflects lapses in CRVM only in step 2 of item 8C in Actuarial Guideline XXXVIII. Following is the breakdown of the use of mortality splits and lapses in reserves by market:

INTERIM SOLUTION APPROACH	NUMBER OF COMPANIES			
	ULSG	CASH ACCUMULATION	CURRENT ASSUMPTION	IUL
PREFERRED MORTALITY SPLITS AND LAPSES IN RESERVES	6	0	0	0
PREFERRED MORTALITY SPLITS ONLY	1	1	2	2
LAPSES ONLY	7	2	4	2

Five participants will not be reflecting preferred mortality splits or lapses in reserves for any UL products. The following reasons for not taking advantage of the interim solution were given by these participants, as well as others that do not utilize it in all products:

- Not judged to be worth cost of additional testing requirements, based on our mix of business.
- At this time, the cost of implementation would exceed the benefit.
- Not high-enough priority to review.
- Consistency with tax reserves.
- Not a significant impact with added complication. We may look at it in the near future.
- The statutory reserve relief does not offset the lower tax reserve that would be required.
- Preliminary analysis suggested little difference in reserve and return if the preferred mortality was used, thus there was limited reason for the additional effort required for preferred mortality X-factor certification.
- While the interim solution seems to help the secondary guarantee business, it shouldn't make a difference on non-guaranteed products.

Risk management

A. USE OF RISK-MANAGEMENT MEASURES FOR UL/IUL BUSINESS

All 20 survey participants use external reinsurance. The form of reinsurance used is yearly renewable term (YRT). One participant noted that the form is excess YRT, another that mortality is reinsured, and another that reinsurance is a first dollar quota share (FDQS) YRT basis. All of the 20 participants indicated that their external reinsurance is onshore. None of these participants have made a change to the form of external reinsurance in the last year.

Internal reinsurance is used by four of the survey participants. All four reported onshore reinsurance. One of the four elaborated that its internal reinsurance is on a coinsurance basis to its capital subsidiary. All four participants reported onshore internal reinsurance one year ago, as well.

Three survey participants currently access the capital markets for support. One has accessed public securitizations and the other two have accessed private securitizations. These participants similarly accessed the capital markets for support one year ago. One additional participant accessed the capital markets one year ago (private securitizations), but no longer accesses the capital markets.

B. CAPITAL SOLUTIONS

Capital solutions that allow companies to hold AXXX-type reserves as tax reserves have been structured by four survey participants. Thirteen participants have not structured such solutions. The remaining three participants did not respond to the question.

C. LETTER-OF-CREDIT CAPACITY

The majority of survey participants commented that they are seeing letter-of-credit (LOC) capacity decreasing and/or costs increasing in the current marketplace. Thirteen participants provided responses to this effect. An additional participant noted that it has observed that reinsurers are having issues with LOC costs. Three participants reported that they do not use letters of credit and the remaining three participants did not respond to the question.

Ten participants provided their longer-term views on the marketplace. The following comments relate to the costs of letters of credit in the long term:

- We expect product prices to increase due to credit costs and availability.
- Premiums will increase due to past aggressive pricing.
- Traditional insurance will remain, with less volume reinsured, but at a higher cost.
- We feel there is still a demand for this type of risk. Our long-term outlook assumes similar costs as were seen six months ago but perhaps under some more rigorous analysis.
- Higher rates, less availability.
- Opportunities for capital solutions will emerge in three to five years at costs that can be supported by pricing.

Other comments provided by survey participants related to the LOC market, in general.

- We expect it will be two to three years before recovery. Regulatory changes are needed, i.e., principles-based reserves and relaxed requirements to take credit for reinsurance reserves. We need banks to lend to each other.
- We expect the markets to become more rational over the long term (one to two years).
- The market will revive over time.
- It would seem that wherever there is a demand, there will eventually be a market. We do not see the industry demand for capital solutions related to AXXX-type reserves diminishing anytime in the near future.

Eleven of the 20 participants are reacting to the current marketplace by riding it out. Two participants reported that they are repricing. Three additional participants responded that they are both repricing and riding it out. One of the three is repricing its ULSG product and riding it out with all other products. The second of the three is repricing only to improve the efficiency of its AXXX reserves and to reduce redundant reserves. It is riding the current marketplace out since it has been maintaining competitive positioning. Two additional participants reported other reactions. The first of the two is evaluating the potential for exercising a deal for future capital relief. The second of the two noted that there has been no impact to it at this time. The remaining two survey participants did not respond to the question.

D. IMPLICATIONS OF RECENT FINANCIAL CRISIS ON CAPITAL SOLUTIONS

The implications of the recent financial crisis on capital solutions for survey participants are varied. Half of the survey participants (10) did not report any implications. The implications reported by survey participants include possible restrictions on the introduction of new products, removal of long-term secondary guarantees, limited external funding solution availability, and the use of capital and short-term LOCs. Follow-up discussions were held with insurers regarding the assumed cost of financing support reflected in ULSG pricing. This is a rapidly changing area, with significant changes in such assumptions emerging. Some insurers are reflecting significant increases in assumed costs in the short term and then grading to lower costs, but not at a level as low as that assumed six to 12 months ago.

The implications of the recent financial crisis as reported by 10 participants are as follows:

Product-related comments:

- No implications yet, but may restrict introduction of future products.
- Remove long-term secondary guarantees.

Comments related to external solutions:

- The recent financial crisis derailed an attempt at a fully funded solution and has significantly reduced the type of solutions available, as well as the number of outlets who offer such solutions.
- None available currently, so using capital and/or short-term LOCs.
- Market for securitized redundant reserves has weakened.
- Capacity is drying up, costs are increasing, and we need new structures.

Comments related to internal solutions:

- We finance our reserve with internal capital but replicate an external solution when pricing. We have not changed our outlook since it seems unlikely we will need to enact an external solution in the near future and our longer-term assumptions are more consistent with the market six months ago.
- We may need to utilize internal surplus notes as stopgap measure.

Other comments

- We are always looking for capital solutions and there has been no change.
- Our capital position remains strong.

E. RETENTION LIMITS

Retention limits reported by survey participants ranged from $350,000 up to $20 million. The median limit reported is $2 million, with an average of about $6 million. All 20 survey participants responded to this question. Six carriers reported that they reduced their retention limits at older ages (ages 65 to 75) and/or by class. The statistics cited above are based on the retention limits for the younger ages.

F. HEDGING OF INVESTMENT RISK IN ULSG PRODUCTS

Only three of the survey participants hedge the investment risk in ULSG products. One of the three specified that it uses interest-rate floors. An additional participant noted that it actively manages the investment portfolio supporting its ULSG business.

G. IUL HEDGING

All nine participants reporting IUL sales also reported that they hedge the index included in their IUL product. The hedging methods reported by survey participants are summarized below:

HEDGING STRATEGY
DYNAMIC DELTA HEDGING
DELTA HEDGING
PRIMARILY LONG-CALL OPTIONS WITH FUTURES TO OFFSET ANY ASSET/LIABILITY DELTA IMBALANCE
TRADE ONE-YEAR EUROPEAN AND ASIAN CALL OPTIONS
OVER-THE-COUNTER (OTC) OPTIONS PURCHASED TO COVER THE EXCESS OF THE GUARANTEED INTEREST RATE UP TO THE INDEX CAP
PURCHASE ONE-YEAR CALL OPTIONS TO COVER THE EXPOSURE TO THE INDEX (S&P 500) RUN-UP OVER AND ABOVE THE GUARANTEED INCREASE IN THE INDEXED ACCOUNT (2% PER YEAR)
STATIC HEDGING; WE BUY SIMILAR OPTIONS
DYNAMIC FOR SOME OPTIONS AND OTC FOR OTHERS
REPLICATION STRATEGY

The threshold of volume (account value) before hedging that is economically efficient was reported by seven carriers. Two of the seven reported a $1 million threshold. Another two participants reported a $2 million threshold, with one noting that this is per month notional. A fifth participant reported a $5 million quarterly run rate for its threshold. Another carrier indicated that the threshold of volume is $20 million. The seventh participant reported an account value of $250 million, but this includes its IUL and indexed annuity.

Five of the nine participants hedge their IUL business with their indexed annuity business. The remaining four participants do not do so.

H. LIMITING STOLI-RELATED SALES

Steps to limit STOLI-related sales are taken by 18 of the 20 participants. Of the two remaining participants, one responded that it does not take such steps and the other did not respond to the question. Fourteen of the 18 carriers include additional questions on the application and/or inspection report, 13 perform financial underwriting, 11 require new or modified forms designed to detect such business, and six limit such sales via product design. Other steps taken that were reported by survey participants include different underwriting financial requirements for ages 65 and older, field communications, and educating/training the field. One participant noted that it does not accept premium-financed cases.

Underwriting

A. TABLE-SHAVING PROGRAMS

Table-shaving programs are offered by seven of the 20 survey participants. Two participants shave up to a maximum of four tables, four participants shave up to three tables, and one participant shaves up to two tables. One additional carrier does not offer a table-shaving program, but reported it has a table credits program. It applies credits up to two tables.

Five of the seven carriers offering a table-shaving program offer the program up to age 70 and the remaining two offer a program up to age 80. One of these participants has a limit of $2 million for ages up to 65 and a limit of $1.5 million for ages 66 to 70. The table credits program is offered to all ages.

Four of the seven companies reported that they have made modifications to their table-shaving programs within the last two years. One participate changed its program from shaving up to four tables to shaving up to three tables. A second participant made the same change, and also lowered the maximum eligibility age from age 75 to age 70. The third participant adjusted its maximum amount to meet retention limits and the fourth participant lowered the limit from $5 million to $1 million. The fourth participant also changed its program to include joint universal life plans in addition to the individual plans that were eligible in the past.

Table-shaving programs will be continued by the seven survey participants. The table credits program will also be continued.

B. NEW UNDERWRITING DEVELOPMENTS

Seventeen survey participants reported they are using new underwriting developments, especially at the older ages, such as tele-underwriting or telephonic screening, cognitive impairment testing, activities of daily living (ADL) measures, or additional questions on the application. The remaining three reported they are not using such developments.

The use of tele-underwriting or telephonic screening was reported by 11 participants. Cognitive impairment testing is used by 13 of the 17 survey participants. Nine survey participants use ADL measures in the underwriting process. Additional questions on the application have been developed by 10 participants.

Other new underwriting developments as well as a description of the above developments were also reported by 11 participants. A summary of the comments is shown below:

- We use interviews to evaluate and explain history, use cognitive testing on a rare case and ADL to evaluate.
- We ask additional questions as part of TI or inspection reports.
- We have an ages 71 and older questionnaire that includes cognitive testing (delayed word recall [DWR]) and the clock-drawing test [CDT]). Additional questions on instrumental activities of daily living (IADLs) and social activities are also asked.
- We have an activities questionnaire, a CDT test, and lab reflex of CRP and ProBNP.
- We use DWR and CDT and have ADL and IADL questions on a senior questionnaire for ages 80-85. We have also implemented a timed get-up-and-go test
- We use the get-up-and-go test and DWR test.
- Social and functional questions are asked.
- Functional and cognitive testing is done.
- Carotid endartectomy (CEA) and NT-pro-BNP testing is done at ages 60 and older.
- We ask applicants if they require additional care (nursing home care).
- New questions are asked that address how the applicant feels at the time of the application.

C. OLDER-AGE PREFERRED RISK PARAMETERS

Survey participants were asked if they have created unique preferred risk parameters for the older ages. The responses were split 50-50 between those that have created such parameters (10) and those that have not created such parameters (10).

Four survey participants reported they created unique family history preferred risk parameters at the older ages. Seven have created unique cholesterol preferred risk parameters at the older ages. Unique body mass index (BMI) parameters are used by five survey participants.

Other unique preferred risk parameters were reported by six companies. The first company has unique blood pressure requirements at older ages, plus it requires that a personal physician has been established and seen regularly, as well as other history requirements and internal preferred criteria. The second and third participants also have unique blood pressure requirements at the older ages. An additional carrier also has unique blood pressure requirements, as well as a different build chart at the older ages. Another carrier has preferred risk parameters regarding serum albumin and serum creatine levels at the older ages. The sixth participant has parameters based on the number of prescriptions and the number of motor vehicle accidents for older-age applicants.

2001 CSO mortality issues

A. COI CHARGES ASSESSED BEYOND AGE 100

Seventeen survey participants assess COI charges beyond age 100 on plans that utilize the 2001 CSO Mortality Table. Two participants do not assess charges beyond age 100 and another participant did not respond to the question.

Only three survey participants reported they are concerned about costs/exposure of guaranteed maturity extension riders. Sixteen participants responded that they are not concerned about such costs/exposure.

B. ISSUES RELATED TO THE INTRODUCTION/EXPECTED ROLLOUT OF 2001 CSO PRODUCTS

Survey participants were asked about the issues that were encountered related to the introduction or expected rollout of 2001 CSO products. Six participants reported that they had no material issues and one of the six indicated that the state filing compact has been helpful. Another six participants noted that they have encountered filing issues. Approvals have been challenging and slow in some states. One of the six participants commented on the lack of consistency between state interpretations regarding these filings.

Other issues reported include the additional pricing and systems work, high attained-age mortality and challenges with illustration actuary testing, and constraints of current administrative systems to handle rates and calculations beyond age 99.

Concern was also voiced by one participant about the ambiguous direction the IRS has provided on how to administer Section 7702 with the 2001 CSO table. Another participant noted issues regarding the impact to guideline premium and seven-pay premiums, as well as compensating for lower guaranteed cost of insurance rates.

One carrier reported that they have encountered issues regarding confusion from producers around the relationship of “solve to endow” versus “solve to $1,” despite there is no real difference in premium.

A final carrier noted that its competitive measure is to pay to age 100 and carry to age 121. It reported that some other companies are not charging COIs above age 100, thus spreading that mortality cost (for those surviving beyond age 100) to all policyholders. That leaves this participant very competitive if it follows a “pay to age 100, carry to age 100” strategy, but much less competitive for its “pay to age 100, carry to age 121” strategy.

C. RESOLUTION OF TAX ISSUES

Survey participants are addressing tax issues regarding the 2001 CSO mortality table and Section 7702 of the Internal Revenue Code in various ways. Twelve participants provided comments regarding tax issues and eight participants did not respond to the question. The comments have been grouped below based on the nature of the response.

- We continue to use age 100 as the maturity age. The accumulation of guideline level premiums ceases at attained age 100, but testing continues. Corridor factors remain at 101% after age 100.
- We assume maturity at age 100. The testing for 7702 essentially goes to age 100, and then no real testing is done beyond that.
- Guideline calculations stop at attained age 100, but are compared to level premiums/maturity that may go to attained age 120.
- We are following the age 100 language of 7702 for guideline and CVAT testing.
- We are determining strict guidelines on when 1980 CSO products are no longer available to ensure smooth transition to all products issued on 2001 CSO.
- We are addressing such issues primarily by managing the cutoff date of 1980 CSO policies.
- Pricing has fully considered guideline premium issues.
- The products have been repriced to reflect the new 2001 CSO Mortality Table and generate new guideline premium limits. The resulting new product premiums properly reflect products as non-MECs and are in compliance with the definition of life insurance.
- We offer a CVAT option if a policy owner wishes to put more money in the policy than the guideline premium limitation will allow.
- We will endorse contracts issued on a 1980 CSO basis to allow for prospective "business-as-usual" types of transactions, e.g., changes in benefit level, risk class, or death benefit option, that were not explicitly identified in the contract as issued.
- We've used internal guidance and guidance based on the Society of Actuaries' 2001 CSO Task Force.
- All products have been made compliant. We have no accumulation products, so there have been no overwhelming issues.

Product design

A. CASH VALUE OF ULSG FUNDED ON A GUARANTEED BASIS

Sixteen survey participants reported that the cash value of ULSG funded on a guaranteed basis goes to zero at various durations or attained ages. Four participants did not respond to this question because they do not offer ULSG products. The duration when the cash value goes to zero was reported as 15 for three participants, 20 for another three, and 30 by two other participants. Another participant responded that the duration is between five and 30 years. One participant noted that the duration varies depending on the issue age. It reported that for issue age 75 the cash value goes to zero at duration 12 and for issue age 65 the cash value goes to zero at duration 22. A second participant also responded that the duration when the cash value goes to zero varies by age.

Three participants reported that the cash value goes to zero based on attained age. The attained age reported was 85 for one participant, 90 for another participant, and between ages 85 and 90 for a third participant.

One participant responded that the duration that the cash value goes to zero varies by premium pattern. It noted that generally this happens at attained age 80 or 10 years, if later. Another participant responded that the duration when the cash value goes to zero depends on the cell.

B. ULSG DESIGN

The most popular secondary guarantee design of ULSG products reported by survey participants features a shadow account with a single fund. Seven participants reported they use such a structure. Four participants each offer ULSG products with a shadow account and multiple funds and ULSG products with a minimum scheduled premium design. One participant with a minimum scheduled premium design added that its design carries a no-lapse balance, but factors are by stratified premium and expenses and cost of insurance rates are not included as in shadow account designs. Three participants offer hybrid secondary guarantee designs on their ULSG products. The first described its design as a minimum premium followed by a shadow account. The second participant offers a hybrid design that includes increasing minimum premiums with interest and percent-of-premium loads. It is similar to a shadow account with no cost-of-insurance rates or increasing per-unit loads. The third hybrid design includes a premium test with an ART scale and interest.

Three of the four participants with a minimum scheduled premium design reported the amount of time allowed for premiums to be paid and still meet the minimum premium requirement. All three allow premiums to be paid within 60 days of the due date and still meet the minimum premium requirement. The fourth participant did not respond to the question. A "grace period" was reported by two of the three participants that offer a hybrid design. One participant allows premiums to be paid within 30 days of the due date and the second allows premiums to be paid within 90 days of the due date. One of the participants that offers a shadow account design with multiple funds reported a grace period of 30 days.

C. SECONDARY GUARANTEE MODIFICATIONS

Sixteen survey participants responded to the question regarding their expectation to modify their secondary guarantees in the next 12 months. Nine of the 16 intend to modify their secondary guarantees in the next year. The remaining seven carriers do not intend to make such modifications in the next year.

None of the nine carriers that intend to modify their secondary guarantees indicated that the modification is coincident with their migration to a product priced on the interim solution. No survey participants are waiting for principles-based reserves to be effective prior to making any changes.

D. ULSG CASH OPTIONS

Cash options are those options that provide an increase in cash value in exchange for a modest increase in premium. ULSG cash options are offered by only one survey participant out of the 17 participants that responded to this question. Twenty-five percent of this participant's ULSG sales (year-to-date 2008) included the cash option. This carrier is positioning the cash as liquidity with a guarantee.

Of the 16 carriers that do not currently offer a ULSG cash option, half responded to the follow-up question asking if they are considering developing such an option in the next 12 months. Of these eight participants, three responded that they are considering the development of such an option and five are not considering the development of such an option.

E. LONG-TERM CARE BENEFITS

Participants were asked if they currently offer a long-term care accelerated-benefit rider. Two of the 20 participants do offer such a rider. One of the two participants reported that it offers this rider only on its current assumption UL product. Five participants expect to develop a long-term care combination product in the next 12 to 24 months.

F. LIVING BENEFITS

Of the 20 survey participants, 13 currently offer or expect to offer a living benefit in the next 12 months. Six other participants reported they do not offer living benefits. One participant did not respond to the question.

All of the 13 survey participants that currently offer a living benefit reported the benefit design that is offered. In nearly all cases, participants are offering an accelerated death benefit, primarily for terminal illness. Following are the descriptions provided regarding the living benefit design:

- Up to the lesser of 50% of the face amount or $1 million may be accelerated conditioned upon terminal illness with 12 month or less life expectancy or immediate need to provide the insured with extraordinary medical intervention, continuous life support, or continuous confinement in an eligible institution.
- Twelve-month terminal illness up to 50% or $250,000.
- Lesser of 75% of face or $250,000 upon qualifying illness. Lien is established against death benefit and accumulates with interest.
- Prepayment of death benefit design; payable for nursing home confinement, chronic care (ADLs).
- Accelerated death benefit - terminal illness.
- Accelerated benefits to cover terminal illness, critical illness, and chronic illness.
- Acceleration of a portion of death benefit.
- Terminal illness and chronic illness acceleration of death benefit. Actuarial discount is taken at the time of acceleration.
- Terminal illness acceleration of death benefit.
- Terminal illness.
- Terminal illness and chronic illness.
- Terminal illness benefit; waiver of surrender charge on certain diagnosed conditions.
- Discount the death benefit being advanced.

G. IUL AUTOMATIC ALLOCATION

Two survey participants automatically allocate IUL money to the fixed account so that charges are deducted from the fixed account and the indexed accounts are not invaded. Another participant reported that charges are taken from the fixed account first if there are funds, but there is no requirement to hold funds in the fixed account. The remaining six of the nine IUL participants do not automatically allocate money to the fixed account for the deduction of charges.

H. DEATH BENEFIT OPTION C (OPTION 3)

The majority of survey participants (11) offer a death benefit option C (option 3), which is equal to the stated amount plus the sum of premiums. One of the 11 noted that it offers this option only on its current assumption UL product. The remaining nine participants do not offer death benefit option C.

I. CASH VALUE ACCUMULATION TEST OR GUIDELINE PREMIUM TEST

Seven of the 20 survey participants design UL/IUL products that allow policyholders to choose between the cash value accumulation test (CVAT) or guideline premium test to comply with the definition of a life insurance contract.

One additional participant reported its UL/IUL products are designed to allow policyholder choice and it also has a mix of CVAT and guideline premium product designs. Another participant indicated its products are designed to allow policyholder choice and it also has all CVAT products.

Eight companies have UL/IUL products that are all designed to meet the guideline premium test. The remaining three companies offer a mix of products that meet the CVAT or the guideline premium test.

Compensation

A. COMPENSATION PROGRAM COMPONENTS

Seventeen participants reported ULSG compensation, 10 reported cash accumulation UL compensation, 14 reported current assumption UL compensation, and eight reported IUL compensation. Compensation structures are quite varied among survey participants. Commissions/marketing allowables do not vary by product type for 10 participants. Seven participants provide a different commission and marketing allowable structure for each UL/IUL product they offer. Note that two companies reported compensation structures for one UL product type only, and one company does not share compensation.

Median commissions reported by survey participants were similar between ULSG, cash accumulation UL and IUL products. Current assumption UL products had slightly higher first-year commissions up to target. The range of first-year commissions was notably wider for IUL products than for other UL product types.

ULSG compensation

ULSG compensation was reported by 17 survey participants. Three companies do not offer a ULSG product. A chart follows with summaries of the average, median, minimum, and maximum ULSG commissions for survey participants. Two participants reported a range of first-year commissions and we used the midpoint of the range to determine the statistics reported in the chart. Typical first-year commissions up to the target premium range from 50% to 130%, with a median of 95%.

Excess first-year commissions range from 1% to 6%, with an average of about 3.5% and median of 4%. Finally, renewal commissions for ULSG products range from 1% to 6%. The average renewal commission is 3.2% and the median renewal commission is 3%. One participant pays renewal commissions equal to 5% in years two through 10 and 2% in years 11 and later. A second participant pays renewal commissions equal to 3.0% in years two through 10 and 0% thereafter. A third participant pays renewal commissions that range from 3% to 3.25% in years two through 10 and 5% thereafter. We included 5%, 3%, and 3.25%, respectively, in the calculation of renewal commission statistics for these carriers. We did not include the renewal commission for one participant in our statistics because it provides a graded renewal commission structure. The renewal commissions are 5%, 4%, 3%, 2%, 1%, and 0% for this participant.

ULSG Commissions

COMPONENT	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MIN	MAX
TYPICAL FIRST-YEAR COMMISSION - UP TO TARGET	17	94%	95%	50%	130%
TYPICAL FIRST-YEAR COMMISSION - EXCESS	17	3.49%	4.00%	1.00%	6.00%
TYPICAL RENEWAL COMMISSION	16	3.22%	3.00%	1.00%	6.00%

Eleven of the 17 companies that reported ULSG compensation also reported marketing allowables.

Marketing allowables ranged from 12.5% to 75%, with an average of 26.2% and a median of 18%. One of the 11 participants reported its marketing allowable is 18.5% up to target and 1.85% excess. This response was not included in the statistics cited above. Another participant reported that its marketing allowable varies and did not report the range.

Eleven of the 17 ULSG participants also reported that they pay production bonuses on their UL/IUL business and 10 of these participants provided some details about the bonus. Because the structure of production bonuses varies considerably among survey participants, it is difficult to summarize. Following are the individual responses to this question:

- The bonus is a percentage of renewal compensation based on first-year commissions and five-year rolling average persistency and ranges from 25% to 200%.
- 0% to 30% based on production.
- Up to 30% based on sales thresholds.
- Percentage of first-year premium paid up to target premium, which varies by the level of production (up to a maximum of 38%). The production bonus is included in the marketing allowable reported.
- 10.3% to 22%.
- Up to 20% of target premium.
- The production bonus is a percentage of first-year commissions payable in year two and depends upon total first-year commissions plus renewal-year commissions and persistency.
- Production bonus is included in marketing allowable reported and varies with agent’s production and persistency.
- Bonus is based on target premium.
- Tiered bonus structure based on production.

Rolling target premiums are not common in ULSG compensation programs. Fifteen of the 17 participants do not have rolling target premiums and two participants do have rolling target premiums. Both participants roll the target premium for two years.

Cash accumulation UL compensation

Ten survey participants reported cash accumulation UL compensation. The other 10 participants do not offer a cash accumulation UL product.

The following chart includes a summary of statistics relative to cash accumulation UL compensation for survey participants. Typical first-year commissions up to the target premium range from 50% up to 125%, with an average of 94% and a median of 98%. Two participants reported a range of first-year commissions and we used the midpoint of the range to determine the statistics reported in the chart. Excess first-year commissions range from 2.0% to 6.0%. The average and median excess commissions are 3.66% and 3.68%, respectively. Typical renewal commissions range from 1.5% to 4% for survey participants, with an average of 2.99% and a median of 3.13%. One participant pays renewal commissions equal to 4% in years two through 10 and 1% in years 11 and later. A second participant pays renewal commissions that range from 3% to 3.25% in years two through 10 and 5% thereafter. We included 4.0% and 3.25%, respectively, in the calculation of renewal commission statistics for these carriers.

Cash Accumulation UL Commissions

COMPONENT	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MIN	MAX
TYPICAL FIRST-YEAR COMMISSION - UP TO TARGET	10	94%	98%	50%	125%
TYPICAL FIRST-YEAR COMMISSION - EXCESS	10	3.66%	3.68%	2.00%	6.00%
TYPICAL RENEWAL COMMISSION	10	2.99%	3.13%	1.50%	4.00%

Six of the 10 cash accumulation UL participants also reported marketing allowables. Many of the marketing allowables that are payable on cash accumulation UL business are the same as those paid on ULSG business. Marketing allowables ranged from 12.5% to 32%, with an average of 19.1% and a median of 16%. One of the six participants reported its marketing allowable is 18.5% up to target and 1.85% excess. This response was not included in the statistics cited above. Another participant reported that its marketing allowable varies and did not report the range.

Production bonuses payable for cash accumulation UL business are also similar to those paid for ULSG business. Eight of the 10 participants reported they pay a production bonus on cash accumulation UL business and seven reported the following details about the bonus:

- The bonus is a percentage of renewal compensation based on first-year commissions and five-year rolling average persistency and ranges from 25% to 200%.
- 0% to 30% based on production.
- Percentage of first-year premium paid up to target premium, which varies by the level of production (up to a maximum of 38%). The production bonus is included in the marketing allowable reported.
- 10.3% to 22%.
- Up to 20% of target premium.
- Bonus is based on target premium.
- Tiered bonus structure based on production.

It is nearly a 50-50 split between the cash accumulation UL participants that have rolling target premiums and those that do not. Four participants have rolling target premiums and five do not. The tenth cash accumulation participant did not respond to the question. One of the four participants rolls the target premium for as long as the contract is in force. Two of the participants rolls the target premium for two years, and the fourth participant rolls it for three years.

Current assumption UL compensation

Current assumption UL compensation was reported by 14 participants. Four companies do not offer a current assumption UL product, one reported that its compensation is proprietary, and another company did not share compensation information.

The following chart includes a summary of statistics relative to current assumption UL compensation for survey participants. Typical first-year commissions up to the target premium range from 50% up to 130%, with an average of 99% and a median of 113%. Excess first-year commissions range from 2% to 5%. The average and median excess commissions are 3.70% and 4%, respectively. Typical renewal commissions range from 1% to 6% for survey participants, with an average of 3.33% and a median of 3.125%. One participant pays renewal commissions equal to 3% in years two through 10 and 2% in years 11 and later. A second participant pays renewal commissions that range from 3% to 3.25% in years two through 10 and 5% thereafter. We included 3.0% and 3.25%, respectively, in the calculation of renewal commission statistics for these carriers. We did not include the renewal commission for one participant in our statistics because it provides a graded renewal commission structure. The renewal commissions are 5% declining over five to 10 years for this participant. Another current assumption UL participant did not report renewal commissions.

Current Assumption UL Commissions

COMPONENT	NUMBER OF RESPONSES	AVERAGE	MEDIAN	MIN	MAX
TYPICAL FIRST-YEAR COMMISSION - UP TO TARGET	14	99%	113%	50%	130%
TYPICAL FIRST-YEAR COMMISSION - EXCESS	14	3.70%	4.00%	2.00%	5.00%
TYPICAL RENEWAL COMMISSION	12	3.33%	3.13%	1.00%	6.00%

Seven of the 14 current assumption UL participants also reported marketing allowables. Again, many of the marketing allowable structures that are payable on current assumption UL business are the same as those paid on ULSG and cash accumulation UL business. Marketing allowables ranged from 12.5% to 32%, with an average of 21.7% and a median of 21.5%. One of the seven participants reported that its marketing allowable varies and did not report the range.

Production bonuses payable for current assumption UL business is also similar to that paid for ULSG and cash accumulation UL business. Ten of the 14 participants reported they pay a production bonus on current assumption UL business and nine of these participants provided some details about the bonus. Following are the individual responses to this question:

- The production bonus is a percentage of first-year commissions payable in year two and depends upon total first year commissions plus renewal year commissions and persistency.
- The bonus is a percentage of renewal compensation based on first-year commissions and five-year rolling average persistency and ranges from 25% to 200%.
- 0% to 30% based on production.
- Up to 30% based on sales thresholds.
- Percentage of first-year premium paid up to target premium, which varies by the level of production (up to a maximum of 38%). The production bonus is included in the marketing allowable reported.
- 10.3% to 22%.
- Bonus is a variable percent of commission, which varies by production.
- Production bonus is included in marketing allowable reported and varies with agent's production and persistency.
- Bonus is based on target premium.

The majority of current assumption UL participants do not have rolling target premiums. Five participants have rolling target premiums and nine do not. Four of the five participants roll the target premium for two years and the fifth rolls target premium for three years.

Indexed universal life compensation

Eight participants reported IUL compensation. Twelve companies do not offer an IUL product.

The following chart includes a summary of statistics relative to IUL compensation for survey participants. Typical first-year commissions up to the target premium range from 28% up to 145%, with an average of 88% and a median of 98%. Excess first-year commissions range from 1.5% to 4.0%. The average and median excess commissions are 2.94% and 3.00%, respectively. Typical renewal commissions range from 2.0% to 7.0% for survey participants, with an average of 3.69% and a median of 3.75%. One participant pays renewal commissions equal to 4% through year five. We included this rate in the calculation of the statistics cited above.

IUL Commissions

Component	Number of Responses	Average	Median	Min	Max
Typical First-Year Commission - Up to Target	8	88%	98%	28%	145%
Typical First-Year Commission - Excess	8	2.94%	3.00%	1.50%	4.00%
Typical Renewal Commission	8	3.69%	3.75%	2.00%	7.00%

Four of the eight IUL participants also reported marketing allowables. Marketing allowable were reported as 9%, 10% (year one), 12.5%, and 75%, for the four participants.

Production bonuses payable for IUL business are also similar to those paid for other UL products. Six of the eight participants reported they pay a production bonus on IUL business and they provided the following details about the bonus:

- The bonus is a percentage of renewal compensation based on first-year commissions and five-year rolling average persistency and ranges from 25% to 200%.
- 0% to 30% based on production.
- Up to 30% based on sales thresholds.
- Percentage of first-year premium paid up to target premium, which varies by the level of production (up to a maximum of 38%). The production bonus is included in the marketing allowable reported.
- The production bonus is a function of the first-year premium.
- Bonus is based on target premium.

The majority of IUL participants do not have rolling target premiums. Three participants have rolling target premiums and five do not. All three participants roll the target premium for two years.

B. COMPENSATION CHANGES IN THE LAST YEAR

One participant reported a change in its compensation in the last year. Target premiums increased for its IUL product in the first quarter of 2008 to make them more competitive. The increase was about 30%, but varied by age and risk class.

Pricing

A. CREDITING STRATEGY

A portfolio crediting strategy is assumed in pricing ULSG products by 14 survey participants. Four participants assume a new money crediting strategy in ULSG pricing. The remaining two participants do not offer a ULSG product.

Fifteen companies reported the level of the earned rate assumed in pricing ULSG products. The range of earned rates reported was fairly narrow, from 5.5% to 6.5%. The average and median earned rates assumed were both about 6.2%.

Three companies provided a description of the earned rate they assume in pricing ULSG products, but did not provide the actual level assumed. The first of the three companies assumes the forecasted statutory portfolio earned rate in pricing ULSG products. The second participant reported it determines the earned rate used in pricing by starting with the current new money rates available in the market, then grading it over three years to an investment rate consistent with three-month Treasuries at 5.0% and 10-year treasuries at 6.5%, plus historical average corporate spreads. The third participant responded it does stochastic pricing.

Changes to the earned rate relative to one year ago were reported by six participants. Four participants reported a decrease in the earned rate and two participants reported an increase. Two participants reported decreases of 0.2%, one reported a 0.5% decrease, and the fourth reported a 10% decrease. One participant indicated that the earned rate changed by 0.30%, with a higher change in year two, grading off over five years. A second participant reported an increase of 0.25% higher, but the rate grades off to the same level as one year ago.

B. STOCHASTIC MODELING

The use of stochastic modeling to evaluate ULSG investment risk is used by eight participants. Ten participants do not use stochastic modeling for this purpose.

C. LAPSE RATES

The UL/IUL survey asked participants a number of questions about lapse rates assumed in pricing. The first question referred to the pricing of ULSG products and the duration that lapse rates decrease to the ultimate lapse rate. Responses were quite varied and few were the same. Fifteen participants reported the duration, which ranged from four years to 25 years. The average duration is 13 years and the median duration is 15 years. One of the 15 participants reported a duration range of one to six years and a second reported a range of 10 to 20 years. The midpoint of the ranges was used to calculate the statistics cited. Three additional participants responded to the question, with two basing their response solely on attained age. The first participant reported that lapse rates decrease to the ultimate lapse rate at attained age 75, and the second reported attained age 90. A third participant noted that ultimate lapse rates begin at duration two for single-premium products and at attained age 76 for level-pay products.

The UL/IUL survey asked participants what ultimate lapse rate is assumed in pricing. The majority of the 18 respondents reported ultimate lapse rates in the 0% to 2% range. The following table summarizes the responses:

ULTIMATE LAPSE RATE	NUMBER OF RESPONSES
IF NO FURTHER PREMIUM PAYMENTS ARE REQUIRED, 0% IF IN THE MONEY AND 0.25% IF NOT IN THE MONEY	1
0% TO 1%	1
0% TO 2%	1
0.5% TO 1.0% (VARIES BY AGE)	1
1%	5
IF NOT IN THE MONEY, 1% FOR SINGLE-PREMIUM AND 1.5% FOR LEVEL-PREMIUM	1
1% TO 3%	2
1.5%	1
2%	2
3%	1
6.4%	1

Sixteen participants provided lapse rates assumed if the secondary guarantee is "in the money" (i.e., the secondary guarantee is still in effect but the current cash values are not positive). The most frequent response received (four participants) was that no lapses are assumed if the secondary guarantee is in the money. Four participants vary the lapse rate assumption if additional premiums are necessary or not to continue the coverage. The following table summarizes the responses:

LAPSE RATE IF SECONDARY GUARANTEE IS IN THE MONEY	NUMBER OF RESPONSES
0%	4
0% TO 1%	1
0.5% - 1% (VARIES BY AGE)	1
1%	2
2%	1
1% IF ADDITIONAL PREMIUMS ARE DUE IN ORDER TO CONTINUE THE COVERAGE. 0% IF NO ADDITIONAL PREMIUMS ARE DUE IN ORDER TO CONTINUE THE COVERAGE.	1
1.5% IF ADDITIONAL PREMIUMS ARE DUE IN ORDER TO CONTINUE THE COVERAGE. 0% IF NO ADDITIONAL PREMIUMS ARE DUE IN ORDER TO CONTINUE THE COVERAGE.	1
NO REDUCTION IS MADE IF PREMIUM PAYMENTS ARE STILL REQUIRED. 0% IF PREMIUMS ARE NO LONGER REQUIRED.	1
IF PREMIUMS ARE REQUIRED TO MAINTAIN GUARANTEE, THEN VARIES BY ISSUE AND BAND FROM 1% - 2.5%.	1
0% FOR SINGLE PREMIUM POLICIES, 1% ALL OTHERS.	1
HALF OF THE BASE LAPSES.	1
3%	1

Sixteen participants also reported lapse rates that are assumed if the secondary guarantee is not in the money. A wide variety of rates were reported by survey participants. The level of lapse rates reported when the secondary guarantee is not in the money ranged from 0.5% to 3%. The following table summarizes and ranks the remaining responses in increasing order based on the highest lapse rate assumed:

LAPSE RATE IF SECONDARY GUARANTEE IS NOT IN THE MONEY	NUMBER OF RESPONSES
0.5	1
0.5% - 1% (VARIES BY AGE)	1
1%	3
1.5%	1
0% TO 2%	1
1% TO 2% (ULTIMATE)	1
2%	1
IF PREMIUMS ARE REQUIRED TO MAINTAIN GUARANTEE, THEN VARIES BY ISSUE AND BAND FROM 1% - 2.5%	1
1% TO 3%	2
3%	1
1% TO 5%	1
VARIES BY AGE	1
VARIES BY DURATION 1.5% ULTIMATE FOR LEVEL PAY AT ATTAINED AGE 76 1.0% FOR SINGLE PAY AT DURATION TWO	1

Two participants reported the change in lapse rates relative to rates assumed one year ago. One participant reported a 1% increase in lapse rates and a second participant reported a decrease in rates in the early durations by 25%, but ultimate rates were unchanged.

D. SENSITIVITY TESTING

All (18) ULSG survey participants test sensitivities with respect to an increase/decrease in the net investment earned rate, an increase/decrease in lapse rates, and an increase/decrease in mortality rates on their ULSG products. Thirteen of the 18 participants test lapse rates in the tail on ULSG products. Twelve of the 18 participants reported other sensitivity testing of ULSG products, including expenses, policy size, no reinsurance, an increase/decrease in reinsurance costs, changes in premium funding patterns, compensation, death benefit option, distribution, long-term financing costs, LOC costs, economic capital components, and combinations of the various sensitivities. The most common additional sensitivity testing is done with respect to expenses.

Sensitivity testing with respect to an increase/decrease in the net investment earned rate, an increase/decrease in lapse rates, and an increase/decrease in mortality rates on their cash accumulation UL products is done by all 10 cash accumulation UL participants. Six of the 10 participants test lapse rates in the tail on cash accumulation UL products. Six of the 10 participants also reported other sensitivity testing of cash accumulation UL products, including expenses, loans, policy size, increase/decrease in reinsurance costs, changes in premium funding patterns, compensation, death benefit option, and distribution. Similar to ULSG products, the most common additional sensitivity testing is done with respect to expenses.

All but one current assumption survey participants (13 out of 14) test sensitivities with respect to an increase/decrease in the net investment earned rate and an increase/decrease in lapse rates. All 14 test an increase/decrease in mortality rates on their current assumption UL products. Eight of the 14 participants test lapse rates in the tail on current assumption UL products. Ten of the 14 participants also reported other sensitivity testing of current assumption UL products, including expenses, average face amount, changes in premium funding patterns, average premiums, no reinsurance, increase/decrease in reinsurance costs, compensation, LOC costs, economic capital components, mix of business, and combinations of the various sensitivities. Expenses are also the most common additional test with respect to current assumption UL products.

Sensitivity testing with respect to an increase/decrease in the net investment earned rate, an increase/decrease in lapse rates, and an increase/decrease in mortality rates is done by all nine IUL participants. Six of the nine participants test lapse rates in the tail on IUL products. Five of the nine participants also reported other sensitivity testing of IUL products including expenses, average size, changes in premium funding patterns, no reinsurance and reinsurance costs. Similar to all other UL product types, sensitivity tests are commonly run on expenses

E. MORTALITY ASSUMPTION SLOPE

Sixteen survey participants reported that the slope of their mortality assumption is more similar to the Valuation Basic Table (VBT) than the 1975-1980 Select & Ultimate Table. Three participants reported the slope of their mortality assumption is more similar to the 1975-1980 Select & Ultimate Table than the VBT. The 20th participant reported that its mortality basis was developed from company experience and it does not bear a discernable resemblance to either table.

F. PREFERRED TO STANDARD RATIO

All 20 survey participants provided information about their preferred to standard ratios. Seventeen of the 20 participants vary their preferred to standard ratio by issue age, and 17 of the 20 participants vary the ratio by duration. Two participants do not vary their preferred to standard ratio by issue age and two do not vary the ratio by duration. One participant reported that class-specific mortality assumptions were developed from distinct subsets of experience rather than by applying ratios to an aggregate.

Preferred and standard rates eventually converge for 10 companies. Following is a tally of survey responses from these 10 companies regarding when such rates converge:

WHEN RATES CONVERGE	NUMBER OF RESPONSES
AGE 85	1
AGE 95	3
VARIES BY ATTAINED AGE AND CONVERGES TO WITHIN 90% AT AGE 95	1
AGE 100	1
AGE 105	1
AGE 110	1
AGE 121	1
VARIES BY CLASS	1

Eight participants reported that preferred and standard rates do not converge and two participants did not respond to the question. The permanent differential reported by seven of the eight companies is shown below:

- 10%
- 15% - 25%
- 50% wear-off
- Differential varies by tobacco class and gender
- Varies by issue age
- Differential varies (2 responses)

G. MORTALITY IMPROVEMENT ASSUMPTIONS IN PRICING

Mortality improvement is assumed in pricing UL/IUL products by 13 of the 20 survey participants. Seven participants do not use mortality improvement. One of the seven noted that it does not use mortality improvement in pricing UL/IUL product other than what is implicit in reinsurance rates.

Twelve of the 13 participants that assume mortality improvement in pricing do so explicitly. The number of years that mortality improvement is applied ranges from 10 years to 30 years. Seven participants apply mortality improvement with no age limit. Three of the seven apply improvement for 10 years, one applies improvement for 15 years, two apply it for 20 years and the seventh applies it for 25 years. The remaining five participants have both attained age and duration limits for the application of mortality improvement. One participant applies mortality improvement for 15 years or up to age 85. A second participant does so for 20 years or up to age 90. Two participants apply improvement for 30 years or up to age 90. The fifth participant applies mortality improvement for 30 years or up to age 100.

Details were provided by survey participants regarding mortality improvement assumptions. Seven participants vary improvement factors by gender. Mortality improvement factors for males range from 0.25% to 1.40% and for females range from 0.125% to 0.75%. Three participants vary factors by smoker/nonsmoker risk classes. Following are the mortality improvement assumptions reported by survey participants, ranked in decreasing order by level.

MORTALITY IMPROVEMENT ASSUMPTIONS	
MALE	FEMALE
1.40% PER YEAR	0.50% PER YEAR
1.00%	0.50%
1.00% (REDUCED AT AGE 70)	0.50% (REDUCED AT AGE 70)
NONSMOKER: 1.00% PER YEAR SMOKER: 0.75% PER YEAR	NONSMOKER: 0.50% PER YEAR SMOKER: 0.25% PER YEAR
NONTOBACCO CLASSES 1.00% FOR 10 YEARS, 0.25% FOR YEARS 20-30 TOBACCO CLASSES NONE	NONTOBACCO CLASSES ½ OF THE MALE FACTORS TOBACCO CLASSES NONE
NONTOBACCO CLASSES 1.00% ANNUAL IMPROVEMENT YEARS 2 – 16 0.50% YEARS 17 – 25 TOBACCO CLASSES 0.50% ANNUAL IMPROVEMENT YEARS 2 – 16 0.25% YEARS 17 – 25	NONTOBACCO CLASSES 0.50% ANNUAL IMPROVEMENT YEARS 2 – 16 0.25% YEARS 17 – 25 TOBACCO CLASSES NONE
1% ANNUAL IMPROVEMENT FOR 10 YEARS	
0.75% PER YEAR FOR 15 YRS; APPLIES TO ALL AGES, GENDERS AND RISK CLASSES	
0.5% PER YEAR	
0.5% FOR DURATIONS TWO THROUGH 10	
VARIES BY AGE AND GENDER	
VARIES BY ISSUE AGE, GENDER, AND NONSMOKER/SMOKER	
NO VARIATION BY RISK CLASS OR GENDER; APPLY FOR THE LESSER OF 30 YEARS OR AGE 90	

H. ECONOMIC CAPITAL IN PRICING

Economic capital is assumed in pricing UL/IUL products by six of the 20 survey participants. Fourteen participants do not assume economic capital in their pricing of UL/IUL products.

I. SPECIAL PROVISIONS REFLECTED IN PRICING FOR REDUNDANT RESERVES

Ten participants reflect special provisions in pricing for redundant reserves. Nine participants do not reflect such provisions and one participant did not respond to the question.

Existing funding solutions are reflected by five of the 10 participants. Seven participants reflect anticipated long-term funding solutions in pricing UL/IUL products and two participants have no funding solution in place, but reduced costs are assumed due to reduced risks. No other special provisions were reported to be reflected in UL/IUL pricing for redundant reserves.

J. FULLY ALLOCATED EXPENSES ASSUMED IN PRICING

Fully allocated expenses are assumed in pricing by 12 out of 20 participants. Eight participants do not assume fully allocated expenses in pricing.

Administration

A. ADMINISTRATIVE PLATFORM

Participants were asked to report the administrative platform used for UL product development.

Four participants use Vantage, three use LifeComm, and two use LIDP-Administrator. The remaining participants use a variety of different systems, including AdminServer (Oracle), AXIS, CAPSIL, Cyberlife, an internally developed system, Perot, Solar, and VARI.

B. IMPLEMENTATION TIME

The survey participants responded to the amount of time it takes to implement a repricing, a redesign, and a new product for UL/IUL products. All 20 participants responded to the question. Participants reported that it takes from one to nine months to reprice an existing UL/IUL product, with an average and median time of four months. The amount of time to redesign an existing UL/IUL product ranges from three to 18 months, with an average of seven months and a median of six months. A new UL/IUL product takes anywhere from four to 24 months to implement, with an average of 10 months and median of nine months. A number of participants reported ranges for their time estimates. In calculating the averages and medians the midpoint of those ranges was used.

Illustration testing

A. TREATMENT OF LETTERS OF CREDIT IN ILLUSTRATION TESTING

Eight participants treat LOC costs as an expense in illustration testing and two participants do not treat LOC costs as an expense in illustration testing. The remaining 10 participants did not respond to the question or responded that this question is not applicable to them.

One of the two carriers that responded negatively noted that LOC costs are ignored in illustration testing. The other carrier that responded negatively did not elaborate on how it handles such costs.

B. IUL ILLUSTRATED RATES

Indexed UL carriers were asked questions about the illustrated rates that they use. Nine participants responded to the questions.

The rate used in IUL illustrations ranges from 7.36% up to 9.63%, with an average of 8.61% and median of 8.95%. Two carriers reported their maximum rates used in illustrations and those rates were used in calculating these statistics. Another company used 7.90% for its indexed accounts and 5% for its fixed account. A second company used 5.30% for its fixed account, 6.30% if indexing is capped, and 4.85% if indexing is not capped. The responses for these two participants were not included in the statistics. A third participant noted that its illustrated rate is based on a 30-year look-back, but it did not report the level of the rate.

Four IUL participants reported a change in the illustrated rate relative to the rate used one year ago. One participant reported that the rate is down 0.25%. The second participant reported that the fixed account rate is 0.5% lower, but the indexed account rate is unchanged. The third participant reported that the fixed account rate is 0.10% lower and the rate used if indexing is uncapped is 1.20% lower, but the rate used if indexing is capped did not change. The fourth participant reported that the change varied and that the illustrated rate is updated for recent experience.

Various methods are used by IUL participants to keep the illustrated rate attractive. One participant reported it does nothing beyond setting the participation rate and cap as high as it can to still achieve its pricing spread. Another participant pays attention to benchmark competitors and adjusts the rate only as often as warranted by look-back. A third participant reports that it keeps caps high and a fourth reported the rate is kept attractive by hedging and maintaining a high cap. The fifth participant purchases the most cost-effective options to keep an attractive illustrated rate. A sixth participant mentioned that the rate is based on the declared cap and historical calendar-year index increases. Finally, another participant reported that it bases the rate on historical backcasting.

Six IUL participants reported how they are tracking illustrated rates. One of the six participants looks at the S&P 500 Index at the end of each of the last 240 months. It looks at the one-year period ending in each of those 240 months and applies the current participation rate and cap to the average of the 240 one-year periods. A second participant reported it looks at index yields, taking into account caps and participation percentages. The third participant noted that it reviews the cap rate semimonthly with its indexed annuity rates. The fourth participant looks at historical S&P 500 returns and the fifth participant uses a 20-year look-back rate. The seventh participant indicated that the rate is updated for the recent 30-year history.

Illustrated rates are changed annually by three survey participants. One of the three noted that it reviews the illustrated rate annually, as the index period is December 31 to December 31 for all policies. The second of the three changes the rate annually on January 1 calculated as of the prior September 30. It also changes the illustrated rate whenever the index cap changes.

Three participants change the illustrated rate on a quarterly basis. Another participant changes its illustrated rate whenever the participation rate and/or cap changes. One participant changes the rate whenever 12-month average caps/participation percentages applied to look-back indicate a change is warranted. Another participant reported that it is able to change the illustrated rate monthly but has not changed it in the last year.

C. Pricing constraints due to illustration actuary requirements

Ten of the 20 survey participants reported that they find illustration actuary requirements create pricing constraints. Nine participants do not find that such requirements create pricing constraints and one participant did not respond to the question. Nine of the 10 participants that responded positively to the question believe the constraints are more severe for certain product types. The types of products that give rise to illustration actuary challenges include cash accumulation (IUL), second-to-die UL with respect to mortality improvement, secondary guarantee UL and protection oriented UL, 2001 CSO current assumption UL and ULSG, whole life, LOC costs associated with ULSG, and products with potentially high premium flows, which have difficulty because the regulation has no distinction between target and excess premiums.

Various solutions to overcome illustration actuary challenges were reported by participants. Such solutions included changing the charge structure, crediting rate adjustments, raising premiums and revising reinsurance, modifying utilization of LOCs, and limiting charges to age 100. One participant reported using higher cost-of-insurance charges, more actual premium pattern analysis, and illustrating to attained age 100. A second participant suggested that lapse support be mitigated through product design, including better matching of ultimate loads and expenses. Another option reported by this participant is to not illustrate the UL product. A third participant subsidizes by product and refines its field segmentation.

Two participants reported incorporating illustration actuary testing as part of the product development and pricing process.

D. ILLUSTRATION ACTUARY CALENDAR

The illustration actuary calendar is quite varied among survey participants. Nine participants annually file at the end of the calendar year. One of the nine participants noted that it begins testing in September/October to finish by year end. Its testing is calendar-year-based on sales of the third quarter of the prior year to the third quarter of the current year. Two participants file certifications in April. Certifications are due in the following months for one participant each: February, March, October, and November. One participant reported its illustration actuary calendar is October/November. Another participant noted that it begins testing mid-year for the following year's new business. A third participant does its disciplined current scale (DCS) testing each July.

Seventeen of the 19 participants responding to the illustration actuary questions reported that assumptions specific to illustration actuary certifications are revisited during the timeframe specific to the annual cycle for testing and certification. Two of the 19 participants do not revisit such assumptions during that timeframe.

Seventeen of the 19 respondents listed the assumptions that are reevaluated during the timeframe specific to the annual cycle for testing and certification. Five participants reported that all key assumptions are reviewed. Two additional participants review expenses and interest rates primarily. All other responses varied by participant and are shown in the list below:

ASSUMPTIONS REEVALUTED FOR ILLUSTRATION ACTUARY TESTING AND CERTIFICATION
EXPENSES, EARNED AND CREDITED RATES, LAPSES, POLICY DISTRIBUTION
MORTALITY, INTEREST RATE, EXPENSES, DISTRIBUTION, LAPSES
PREMIUM FLOW, MORTALITY, LAPSE, DISTRIBUTION, COMPENSATION
FULLY ALLOCATED EXPENSES, EARNINGS RATE, DEMOGRAPHICS, AND SURPLUS RELIEF ON REDUNDANT RESERVES
DISTRIBUTIONS, EXPENSES, EARNED RATES
EXPENSES, EARNED RATE, AGE/SEX/CLASS DISTRIBUTION
EXPENSES, INVESTMENT YIELD
MORTALITY, EARNED RATES, LAPSES
INTEREST, EXPENSES, MODEL OFFICE
MORTALITY, EXPENSES

Of the participants that reevaluate assumptions, 14 reported that self support and lapse support tests are reevaluated in light of emerging information. An additional participant indicated that this is done only if significant changes emerge. Two participants do not reevaluate these tests in these circumstances. The three remaining participants did not respond to this question.

In light of reevaluating assumptions, seven participants responded positively that product or illustration adjustments are sometimes necessary prior to the next annual cycle. One additional participant reported that this is true occasionally, a second reported that no such adjustments have been made so far but this is not out of the realm of possibilities, and a third reported this happens rarely. Seven participants responded that no product or illustration adjustments are necessary prior to the next cycle. The three remaining participants did not respond to this question.

Appendix I – The survey

MILLIMAN, INC.
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, the terms UL with secondary guarantees, cash accumulation UL, current assumption UL, and total individual UL are used. Following are the definitions of these terms:

UL with secondary guarantees (ULSG): A UL product designed specifically for the death benefit guarantee market that features long-term (lifetime or near lifetime) no-lapse guarantees either through a rider or as part of the base policy.

Cash accumulation UL: 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: 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.

Sales refers to the sum of recurring premiums plus 10% of single premiums.

SALES

A. Please provide historical UL/IUL sales (in $millions) broken down by market.

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
2005					
2006					
2007					

CALENDAR YEAR	(D)+(E)+(F)+(G) TOTAL INDIVIDUAL UL*	(D) COLI UL	(E) BOLI UL	(F) PRIVATE PLACEMENT UL	(G) ALL OTHER INDIVIDUAL UL
2005					
2006					
2007					

* Should agree with figures in cells C20, C21, and C22.

B. Please provide historical UL/IUL average policy sizes broken down by market.

AVERAGE PREMIUM PER POLICY

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
2005					
2006					
2007					

CALENDAR YEAR	(D)+(E)+(F)+(G) TOTAL INDIVIDUAL UL*	(D) COLI UL	(E) BOLI UL	(F) PRIVATE PLACEMENT UL	(G) ALL OTHER INDIVIDUAL UL
2005					
2006					
2007					

* Should agree with figures in cells C34, C35, and C36.

AVERAGE FACE AMOUNT PER POLICY

CALENDAR YEAR	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
2005					
2006					
2007					

CALENDAR YEAR	(D)+(E)+(F)+(G) TOTAL INDIVIDUAL UL**	(D) COLI UL	(E) BOLI UL	(F) PRIVATE PLACEMENT UL	(G) ALL OTHER INDIVIDUAL UL
2005					
2006					
2007					

** Should agree with figures in cells I34, I35, and I36.

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
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.

D. Within each market, please provide 2007 UL/IUL sales (in $millions) by distribution channel.

SALES ($ PREMIUMS)

DISTRIBUTION CHANNEL	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
PPGA					
BROKERAGE					
MLEA					
CAREER AGENT					
STOCKBROKERS					
FINANCIAL INSTITUTIONS					
WORKSITE					
HOME SERVICE					
DIRECT RESPONSE					

SALES (FACE AMOUNT)

DISTRIBUTION CHANNEL	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
PPGA					
BROKERAGE					
MLEA					
CAREER AGENT					
STOCKBROKERS					
FINANCIAL INSTITUTIONS					
WORKSITE					
HOME SERVICE					
DIRECT RESPONSE					

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.

E. Within each market, please provide 2007 UL/IUL sales (in $millions) by premium type.

PREMIUM TYPE	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
SINGLE PREMIUM					
PERIODIC PREMIUM					
LIMITED PAY					

F. Within each market, please provide 2007 UL/IUL sales (in $millions) by issue age group.

SALES ($ PREMIUMS)

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
< 25					
25 - 34					
35 - 44					
45 - 54					
55 - 64					
65 - 74					
75+					

SALES (FACE AMOUNT))

ISSUE AGE GROUP	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
< 25					
25 - 34					
35 - 44					
45 - 54					
55 - 64					
65 - 74					
75+					

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

G. Within each market, please provide 2007 UL/IUL sales (in $millions) by underwriting class.

SALES ($ PREMIUMS)

UNDERWRITING CLASS	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
BEST NS/NT CLASS					
NEXT-BEST NS/NT CLASS					
SECOND-NEXT-BEST NS/NT CLASS					
THIRD-NEXT-BEST NS/NT CLASS					
FOURTH-NEXT-BEST NS/NT CLASS					
BEST S/T CLASS					
NEXT-BEST S/T CLASS					
SECOND-NEXT-BEST S/T CLASS					

SALES (FACE AMOUNT))

UNDERWRITING CLASS	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
BEST NS/NT CLASS					
NEXT-BEST NS/NT CLASS					
SECOND-NEXT-BEST NS/NT CLASS					
THIRD-NEXT-BEST NS/NT CLASS					
FOURTH-NEXT-BEST NS/NT CLASS					
BEST S/T CLASS					
NEXT-BEST S/T CLASS					
SECOND-NEXT-BEST S/T CLASS					

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.

H. Within each market, what percent of 2007 sales are premium finance sales?

	(A)+(B)+(C) TOTAL INDIVIDUAL UL	(A) UL WITH SECONDARY GUARANTEES	(B) CASH ACCUMULATION UL	(C) CURRENT ASSUMPTION UL	IUL
2007 PREMIUM FINANCE SALES (%)					

I. Please provide 2007 UL/IUL sales (in $millions) on all business with LTC riders.

	SALES ($ PREMIUMS)	SALES (FACE AMOUNT)
2007		

PROFIT MEASURES

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

PROFIT MEASURES AND GOALS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL
		STATUTORY		
STATUTORY ROI/IRR (%)				
AFTER-TAX? (Y/N)				
AFTER-CAPITAL? (Y/N)				
PRIMARY OR SECONDARY MEASURE?				
STATUTORY ROA (BPS)				
AFTER-TAX? (Y/N)				
AFTER-CAPITAL? (Y/N)				
PRIMARY OR SECONDARY MEASURE?				
PROFIT MARGIN (% OF PREMIUM)				
AFTER-TAX? (Y/N)				
AFTER-CAPITAL? (Y/N)				
PRIMARY OR SECONDARY MEASURE?				
OTHER (DESCRIBE)				
AFTER-TAX? (Y/N)				
AFTER-CAPITAL? (Y/N)				
PRIMARY OR SECONDARY MEASURE?				

PROFIT MEASURES AND GOALS	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL
		GAAP		
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)				
OTHER (PLEASE DESCRIBE)				
GAAP ROA (BPS)				
AFTER-TAX? (Y/N)				
AFTER-CAPITAL? (Y/N)				
PRIMARY OR SECONDARY MEASURE?				
OTHER (DESCRIBE)				
AFTER-TAX? (Y/N)				
AFTER-CAPITAL? (Y/N)				
PRIMARY OR SECONDARY 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.

C1. Indicate with an "X" your actual results for 2007 relative to profit goals:

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

C2. 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
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
OVERALL NAIC RBC				
(% OF COMPANY ACTION LEVEL)				
% OF NET AMOUNT AT RISK				
% OF RESERVES				
% OF PREMIUM				
S&P (% OF CAPITAL ADEQUACY RATIO)				
A.M. BEST (% BCAR)				
% MCCSR				
INTERNAL FORMULA (EXPRESS AS A % OF NAIC CAL)				
OTHER (PLEASE DESCRIBE AND EXPRESS AS A % OF NAIC CAL)				

B. What change in target surplus over the last year was due to the financial markets crisis? (Express in terms of % increase or % decrease in target surplus).

C. Are you prepared for the changes to the C-3 component of risk based capital? If you performed the stochastic exclusion test, what were the results? What is your impression of the results?

RESERVES

A. What is your outlook on the impact of principles-based reserves (PBR) relative to your UL/IUL business? Realistically, when do you think that PBR will be in place?

B. Have you modeled PBR-type reserves on existing products? Have you developed new designs for consideration under PBR?

	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	IUL
HAVE YOU MODELED PBR-TYPE RESERVES ON EXISTING PRODUCTS?				
HAVE YOU DEVELOPED NEW DESIGNS FOR CONSIDERATION UNDER PBR?				

C. Interim solution

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
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 interim solution is not being taken advantage of.

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
EXTERNAL REINSURANCE		
IF YES, WHAT FORM OF REINSURANCE IS USED (YRT, COINSURANCE)?		
IF YES, IS ONSHORE OR OFFSHORE REINSURANCE USED?		
INTERNAL REINSURANCE		
IF YES, IS ONSHORE OR OFFSHORE REINSURANCE USED?		
ARE THE CAPITAL MARKETS ACCESSED FOR SUPPORT?		
IF YES, ARE PUBLIC OR PRIVATE SECURITIATIONS ACCESSED?		

B. Have you structured capital solutions so you are allowed to hold AXXX-type reserves as tax reserves?

C. What are you seeing going on in the marketplace in terms of letter of credit capacity and cost? What are your views longer-term on the marketplace?

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

D. What implications has the recent financial crisis had on your capital solutions?

E. What are your retention limits?

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

G. 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?

H. Do you take special steps to limit STOLI-related sales?

If yes, please indicate with an "X" which of the following steps are taken:

_______ Financial underwriting

_______ Product design, such as high early COI charges

_______ Inclusion of additional questions on application/inspection report

_______ Require new/modified forms designed to detect such business

_______ Other (please describe)

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. Are you using any new underwriting developments, especially at the older ages?

Do you use tele-underwriting or telephonic screening?

Do you use cognitive impairment testing?

Do you use ADL measures?

Have you developed additional questions on your application?

If yes to any of the above, please describe.

C. Have you created unique preferred risk parameters for the older ages? (indicate Y/N):

_______ 1) Family history

_______ 2) Cholesterol

_______ 3) BMI

_______ 4) Other. Please describe.

2001 CSO MORTALITY ISSUES

A. Do you assess COI charges beyond age 100 on plans that utilize the 2001 CSO Mortality Table? (Y/N) Are you concerned about your costs/exposure of guaranteed maturity extension riders?

B. What issues have you encountered related to the introduction or expected rollout of your 2001 CSO products?

C. How have tax issues been addressed regarding the 2001 CSO Mortality Table and Section 7702 of the Internal Revenue Code?

PRODUCT DESIGN

A. When a UL with secondary guarantee product is funded on a guaranteed basis, on average at what duration does the cash value go to zero, if ever?

B. On UL with secondary guarantees, please indicate with an "X" which design(s) you offer:

_______ Minimum scheduled premium design

_______ Shadow account design with a single fund

_______ Shadow account design with multiple funds

_______ Hybrid (please describe)

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)?

C. Do you expect to modify your secondary guarantees in the next 12 months?

If yes, is the modification coincident with your migration to a product priced on the interim solution?

If no, are you waiting for principles-based reserves to be effective prior to making any changes?

D. Do your UL with secondary guarantee products offer cash options? If yes, what % of your UL secondary guarantee sales YTD 2008 included the cash option? How is the cash being positioned? If you currently do not offer cash options, are you considering development of such options in the next 12 months?

E. 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?

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

If you currently offer a living benefit, what is the benefit design?

G. 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?

H. Do you have a Death Benefit Option C (also known as Death Benefit Option 3) that is equal to the stated amount plus the sum of premiums?

I. Are your UL/IUL products designed to meet the cash value accumulation test (CVAT) or guideline premium test? (Indicate Y/N)

_______ 1) All CVAT

_______ 2) All guideline premium

_______ 3) Mix of CVAT and guideline premium

_______ 4) Policyholder choice

COMPENSATION

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

	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION UL	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 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?				

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

PRICING

A. Do you assume a new money or portfolio crediting strategy in pricing UL with secondary guarantee products?

What earned rate is assumed?

How has this rate changed relative to the rate assumed one year ago? (% increase or % decrease)

B. Do you use stochastic modeling to evaluate the investment risk in your UL with secondary guarantee products?

C. In pricing your UL with secondary guarantee products, at what duration do lapse rates decrease to the ultimate lapse rate?

What ultimate lapse rate do you assume in pricing?

What are the lapse rates if the guarantee is “in the money” (i.e., the secondary guarantee is still in effect but the current cash values are not positive)?

What are the lapse rates if the guarantee is not “in the money”?

How have your lapse rates changed relative to the rates assumed one year ago? (% increase or % decrease)

D. 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
INCREASE/DECREASE IN NET INVESTMENT INCOME				
INCREASE/DECREASE IN LAPSE RATES				
LAPSE RATES IN THE TAIL				
INCREASE/DECREASE IN MORTALITY				
OTHER (PLEASE DESCRIBE)				

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

F. 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?

G. 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.)

H. Is economic capital reflected in pricing?

I. Are any special provisions reflected in pricing for redundant reserves?

If so, please indicate which provisions are reflected.

PROVISION	UL WITH SECONDARY GUARANTEES	CASH ACCUMULATION UL	CURRENT ASSUMPTION	IUL
EXISTING FUNDING SOLUTIONS				
ANTICIPATED LONG-TERM FUNDING SOLUTIONS				
NO FUNDING SOLUTIONS IN PLACE, BUT REDUCED COST ASSUMED DUE TO REDUCED RISKS				
OTHER (PLEASE DESCRIBE)				

J. Are fully allocated expenses used in product pricing?

ADMINISTRATION

A. What administration platform are you currently using for your UL product development?

B. How quickly can you implement the following:

a reprice?

a redesign?

a new product?

ILLUSTRATION TESTING

A. If applicable, do you treat the cost of letters of credit as an expense in illustration testing?

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 IUL?

How has this rate changed relative to the rate used one year ago? (% increase or % decrease)

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?

If so, is the constraint more severe for certain product types?

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?

D. 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 reevaluated?

Are self support and lapse support test reevaluated in light of emerging information?

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

Milliman

Milliman, whose corporate offices are in Seattle, serves the full spectrum of business, financial, government, and union organizations. Founded in 1947 as Milliman & Robertson, the company has 49 offices in principal cities in the United States and worldwide. Milliman employs more than 2,100 people, including a professional staff of more than 1,000 qualified consultants and actuaries. The firm has consulting practices in employee benefits, healthcare, life insurance/ financial services, and property and casualty insurance. Milliman's employee benefits practice is a member of Abelica Global, an international organization of independent consulting firms serving clients around the globe. For further information visit www.milliman.com.