# Protective Life Corporation

Birmingham, Alabama USA

**Richard J. Bielen**

**Vice Chairman and Chief Financial Officer**

November 19, 2015

# Introduction

In addition to the information contained in this presentation, we have certain supplemental financial information available on our website www.protective.com. Also, this presentation includes forward-looking statements which express expectations of future events and/or results. Actual events and results may differ materially from these expectations.

Please refer to our Risk Factors and Cautionary Factors that may Affect Future Results, found in Part I, Item 1A of the Company's most recent report on Form 10-K and Part II, Item 1A of the Company's subsequent reports on Form 10-Q for more information about these factors.

Certain information may also contain non-GAAP financial measures. For information relating to non-GAAP measures (operating income, shareowners' equity per share excluding other comprehensive income (loss), operating return on average equity, and net income (loss) return on average equity) in this presentation, please refer to the Information About Non-GAAP Financial Measures available on the earnings page of the Investor Relations section of our website www.protective.com. All per share results used throughout this presentation are presented on a diluted basis, unless otherwise noted. Please see our website for additional information and reconciliation to GAAP financial measures.

This presentation is not intended as, and should not be construed as, earnings guidance. This presentation is dated November 19, 2015.  We assume no obligation to, and do not intend to update the information contained herein after such date.

All amounts in this section are stated in US Dollars.

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# Agenda

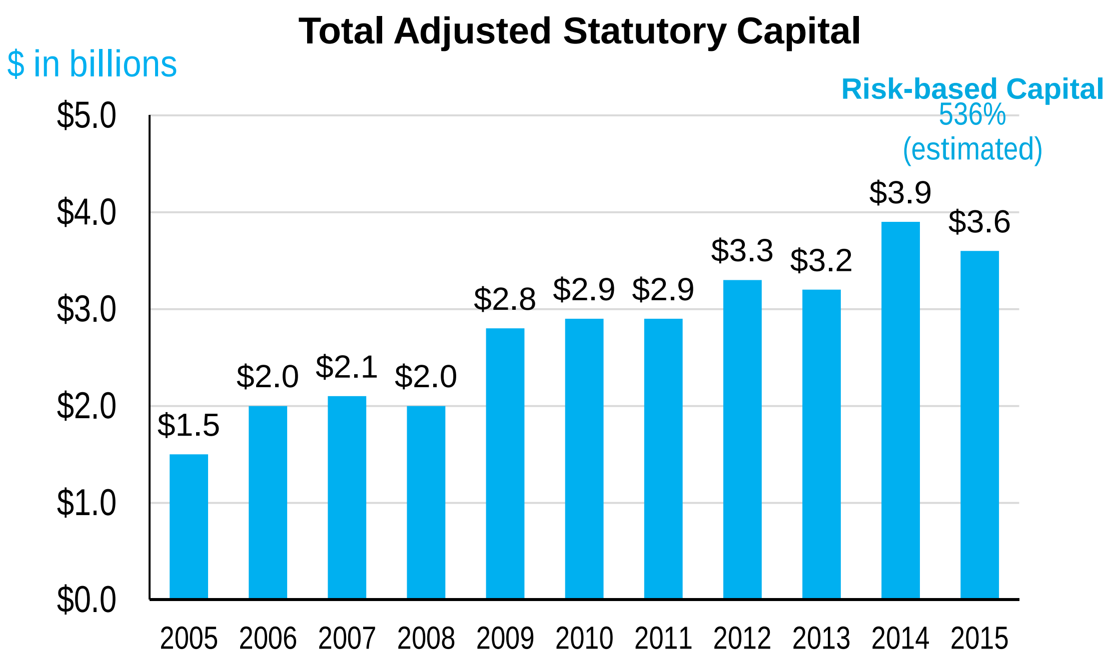
- **Business Overview**
  - Capital Management
  - Acquisition and Retail Strategy
  - Investment Portfolio
  - Asset/Liability Management
- **Business Segments**
  - Acquisitions
  - Life Marketing and Annuities
  - Asset Protection
  - Stable Value Products
- **Summary and Outlook**

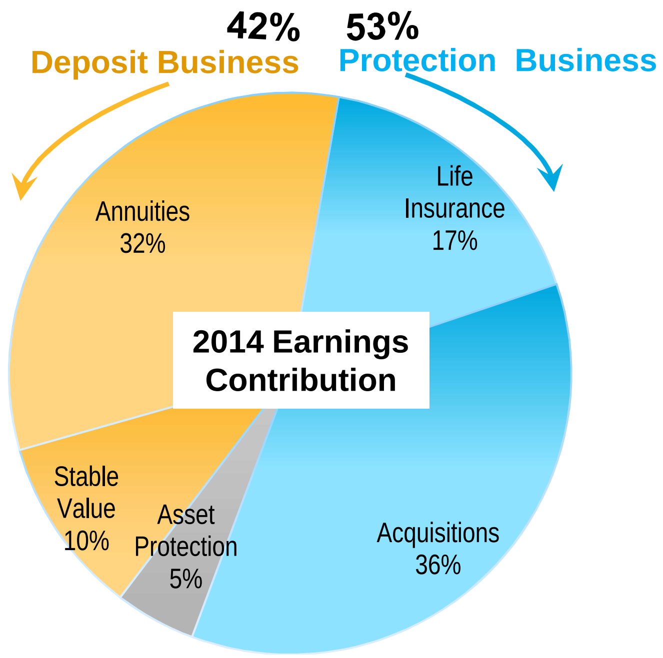
# Capital Allocation and Business Mix

$3.9 billion
Total Adjusted Capital
12/31/14

- Life
- Annuities
- Asset Protection
- Stable Value
- Acquisitions

- ✓ "Bottom up" approach
- ✓ Respond effectively to market dynamics
- ✓ Balance sales / profits
- ✓ Never chase market share
- ✓ Maintain strong balance sheet / capital base



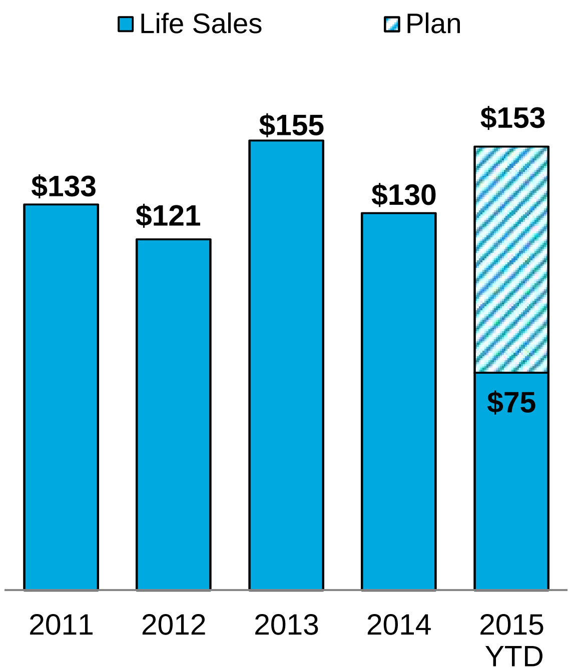



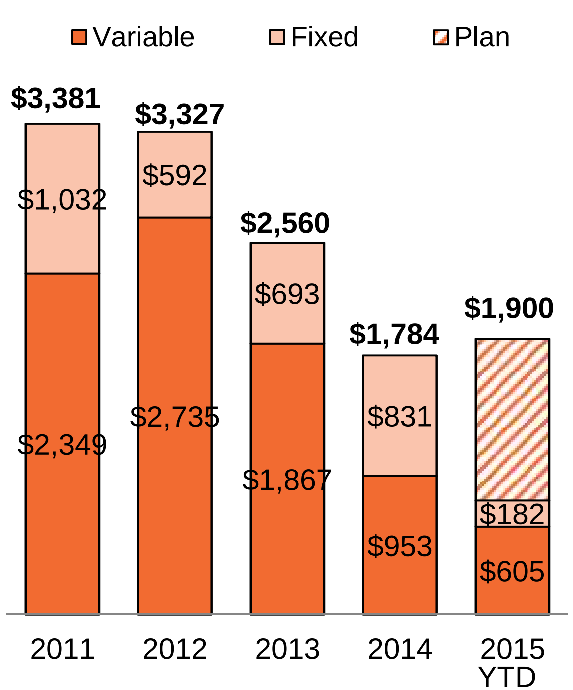

Combined Pre-tax Operating Earnings
**$709 million**

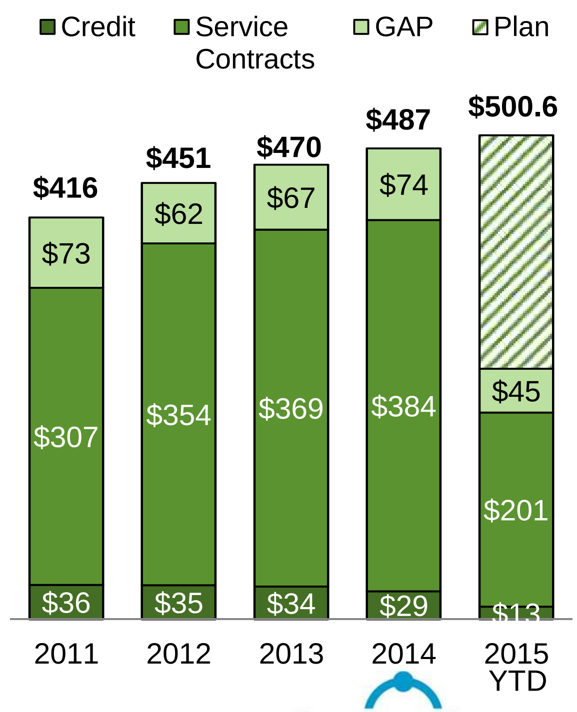
As of 06/30/15, unless noted; Earnings contribution is pre-tax operating earnings excluding the Corporate & Other segment.

# Organic Business Lines

| | Life | Annuities | Asset Protection |
|---|---|---|---|
| Products | Universal<br>Indexed Universal<br>Variable Universal | Fixed<br>Variable<br>Indexed | Extended Service<br>GAP<br>Credit Insurance |
| Distribution | General Agents<br>Stockbrokers & Banks<br>Direct Response<br>Affinity Marketing | Stockbrokers<br>Banks<br>BGA's | Dealers<br>General Agents |




## Annual New Sales

$ in millions

Note: Sales represent January 1, 2015 – June 30, 2015

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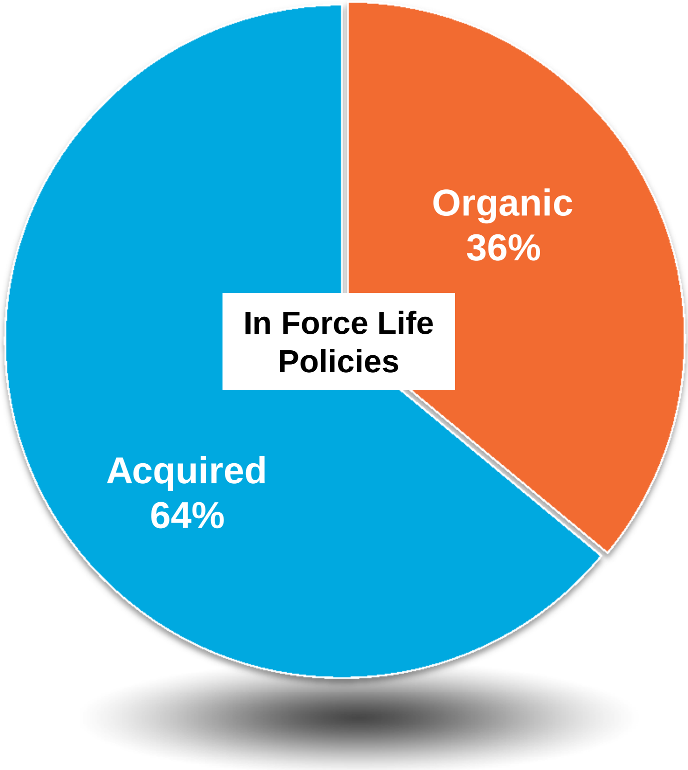
# Acquisition Capability

### Transaction History
($ in millions)

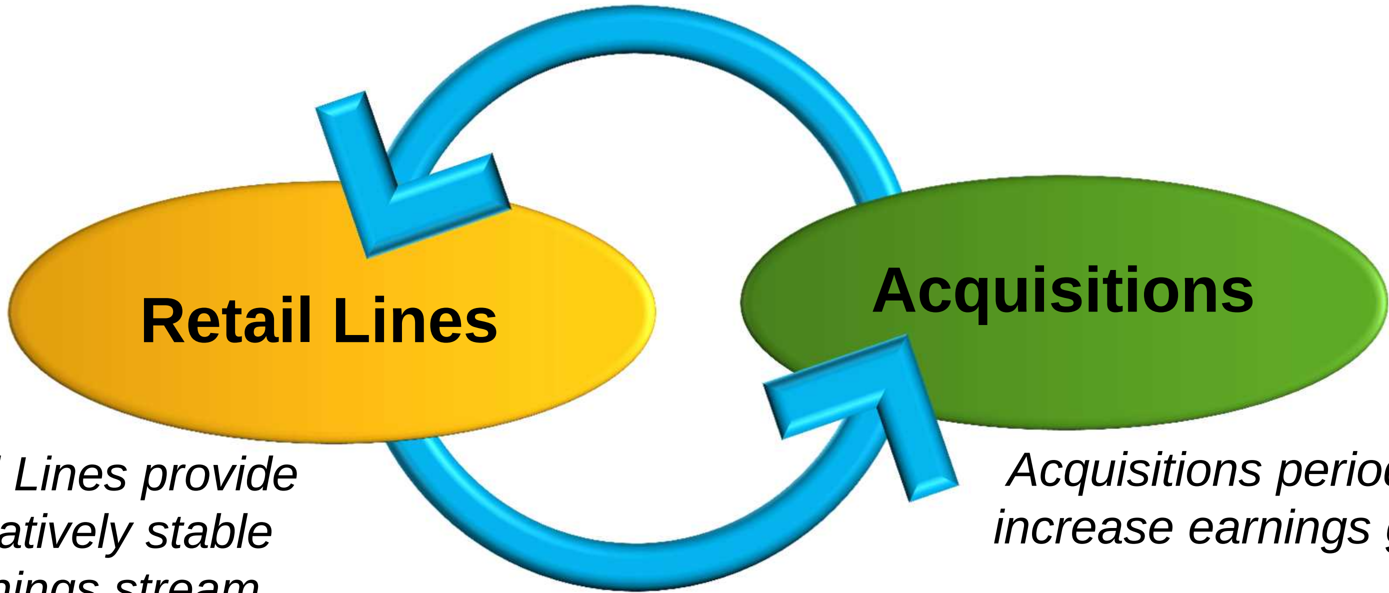
| Period | Number of Transactions | Capital Invested |
|---|---|---|
| Prior to 1990 | 28 | $ 120 |
| 1990 to 2000 | 12 | 413 |
| 2001 to 2011 | 6 | 1,479 |
| 2013 | 1 | 1,088 |
| 2015 estimated | 1 | 661 |
| Total | 48 | $3,761 |




**Transaction counterparties have included**:

- JPMorgan Chase & Co.
- AIG
- AXA Equitable
- Manulife
- Genworth Financial
- Nationwide
- Athene
- Torchmark
- MetLife
- ING
- Aetna
- Unum Group
- Wilton Re
- CNO Financial Group
- Royal Bank of Canada
- Irish Life & Permanent plc
- Stancorp Financial Group
- Anthem

## Protective's Unique Strategic Advantage




*Retail Lines provide a relatively stable earnings stream*

*Acquisitions periodically increase earnings growth*

Some benefits to Protective other than improved financial results include:

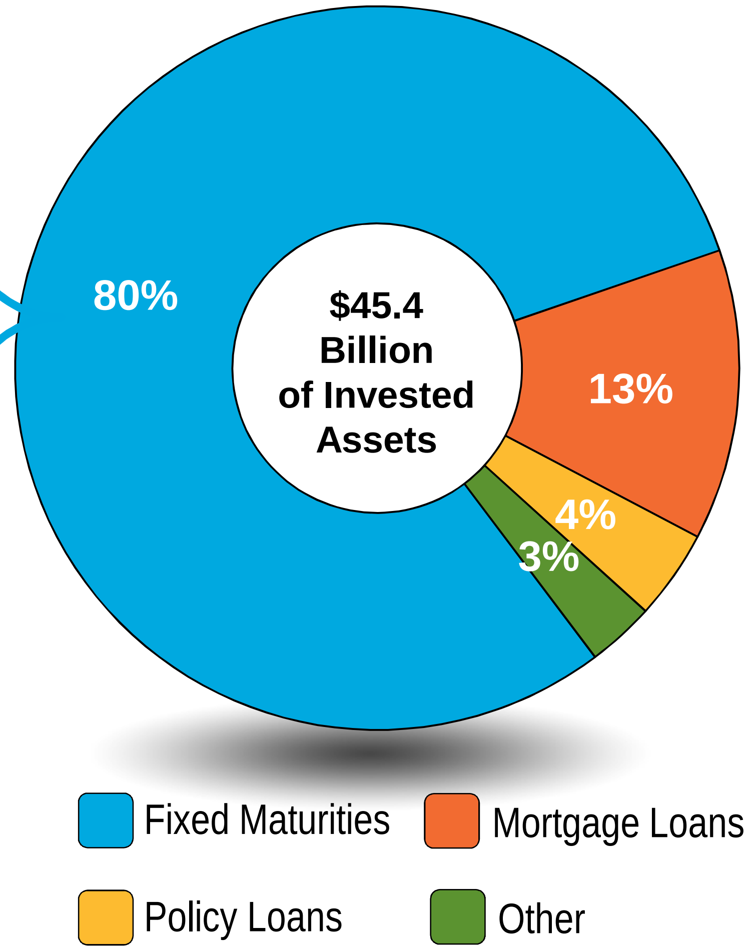
- ✓ Improved scale and lower unit cost
- ✓ New technology
- ✓ Talent

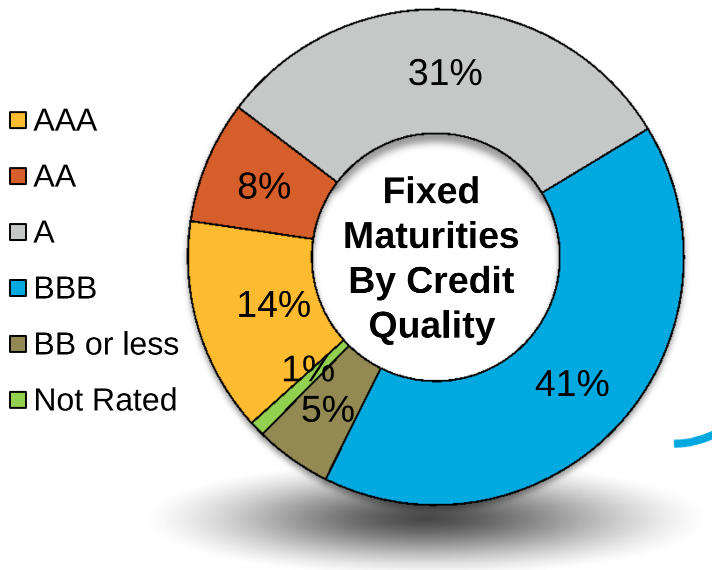
# Investment Strategy

- High-quality investment grade assets
- Disciplined approach to ratings and diversification
- Not investing in alternative asset classes or equities
- Only 5% of bonds below investment grade
- Maintaining commercial mortgage loan portfolio quality
- Asset/Liability management discipline

# Investment Portfolio

| $36.3 Billion of Fixed Maturities | |
|---|---|
| Corporate Securities | 76% |
| RMBS | 5% |
| CMBS | 4% |
| ABS | 3% |
| Governments/Agencies | 5% |
| States, Munis, & Other | 7% |




As of 06/30/2015

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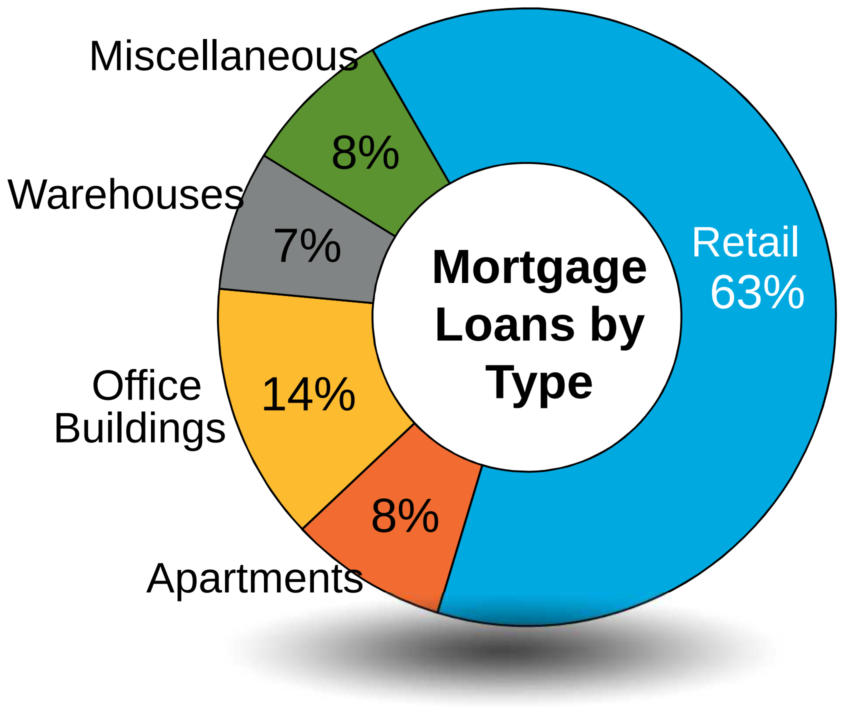
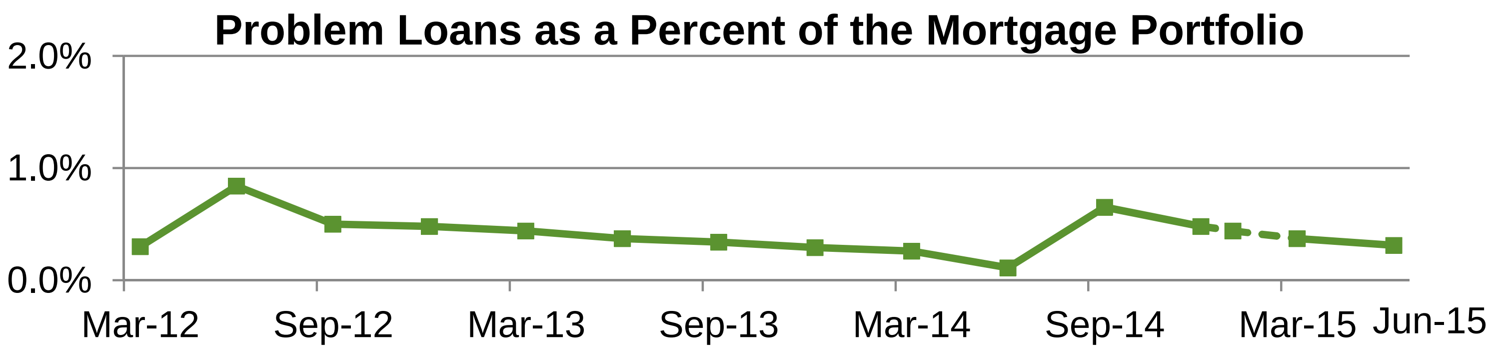
# Commercial Mortgage Portfolio




## Commercial Mortgage Loan Portfolio Profile

| | |
|---|---|
| Total portfolio of 1,802 loans | $ 5.7 bil. |
| Average Loan Size | $ 3.0 mil. |
| Wtd. Avg. Amortization | 21.4 yrs. |
| Wtd. Avg. Coupon | 5.52% |
| Wtd. Avg. LTV | 46.4% |
| Wtd. Avg. Debt Coverage Ratio | 1.81 |






As of 06/30/15; amounts include securitized and MONY loans.

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# Business Segment Review
# Acquisitions

# Business Segment Review - Acquisitions

## Industry-leading Capabilities

- **Unmatched institutional experience**
  - Due Diligence
  - Pricing (statutory based)
  - Negotiation
  - Integration
  - System Consolidation
- **Ability to execute innovative deal structures**
  - Stock purchase
  - Reinsurance
  - Partner with third party
- **Proven reputation**
  - Closing the deal
  - High quality post-closing services and integration
  - Good relationships with regulators

**Our Target Acquisition**

- Life insurance
- Stable, seasoned policy liabilities
- Policies with limited guarantees and lower-risk product features
- Simpler structures without complex financial engineering
- Size: $250 million - $1 billion, measured by invested capital

# Business Segment Review - Acquisitions

## Impact of Acquisitions

Improved ROE

Long-term Earnings

Capital that is Released Quickly

Scale and Expense Efficiency

New Distribution and New Channels

New Talent

New Technology

New Customer Relationships

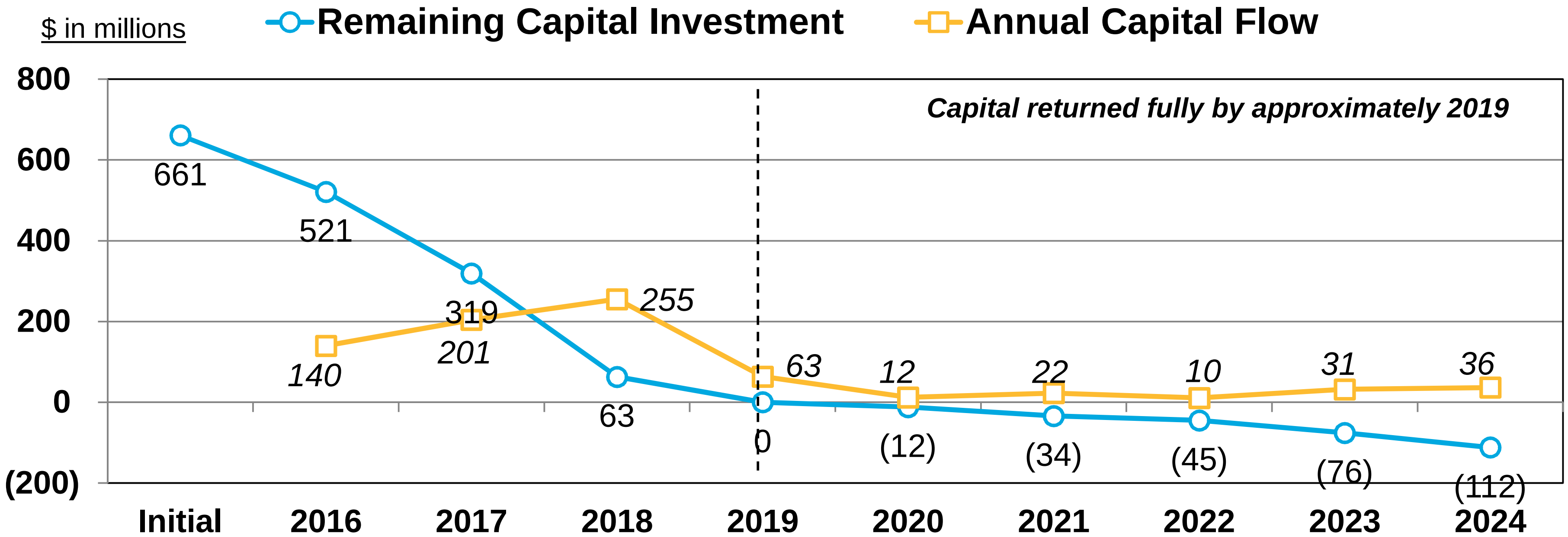
# Genworth Transaction – Announced September 30, 2015

- **Coinsurance from Genworth Life and Annuity Insurance Company ("GLAIC") to Protective Life Insurance Company ("PLICO")**
- **Seasoned, stable blocks of business**
  - No new business since 2005
  - Very little interest rate sensitivity
- **High quality mortality business, level-premium term life insurance**
- **Predictable and persistent cash and free capital flows**
  - Capital regenerates very quickly
- **Very low execution risk**
  - Policy administration remains with Genworth
- **This is an attractive transaction**
  - 2nd largest in our history
  - 1st transaction since becoming part of Dai-ichi
- **Key Target Date -** Transaction Closing in 1Q 2016

# Genworth Transaction - Estimated Initial Invested Capital

| | $ in millions |
|---|---|
| **Value of in-force** | **$ 63** |
| GLAIC reserves | 470 |
| Reinsurance tax benefit | (9) |
| Incremental risk based capital | 137 |
| **Initial Invested Capital** | **$ 661** |

# Genworth Transaction - Return of Statutory Capital




## Estimated GAAP Earnings Contribution (2016-2020)

| Item | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Incremental Corporate Pre-Tax GAAP Income ($ in millions) | $35-40 | $45-50 | $45-50 | $50-55 | $45-50 |

Note: Projection based on current best estimates, including opening GAAP reserve. Preliminary estimates subject to numerous variables that may impact level and timing of GAAP income

# Business Segment Review
# Life Marketing and Annuities

# Organic Growth Strategy

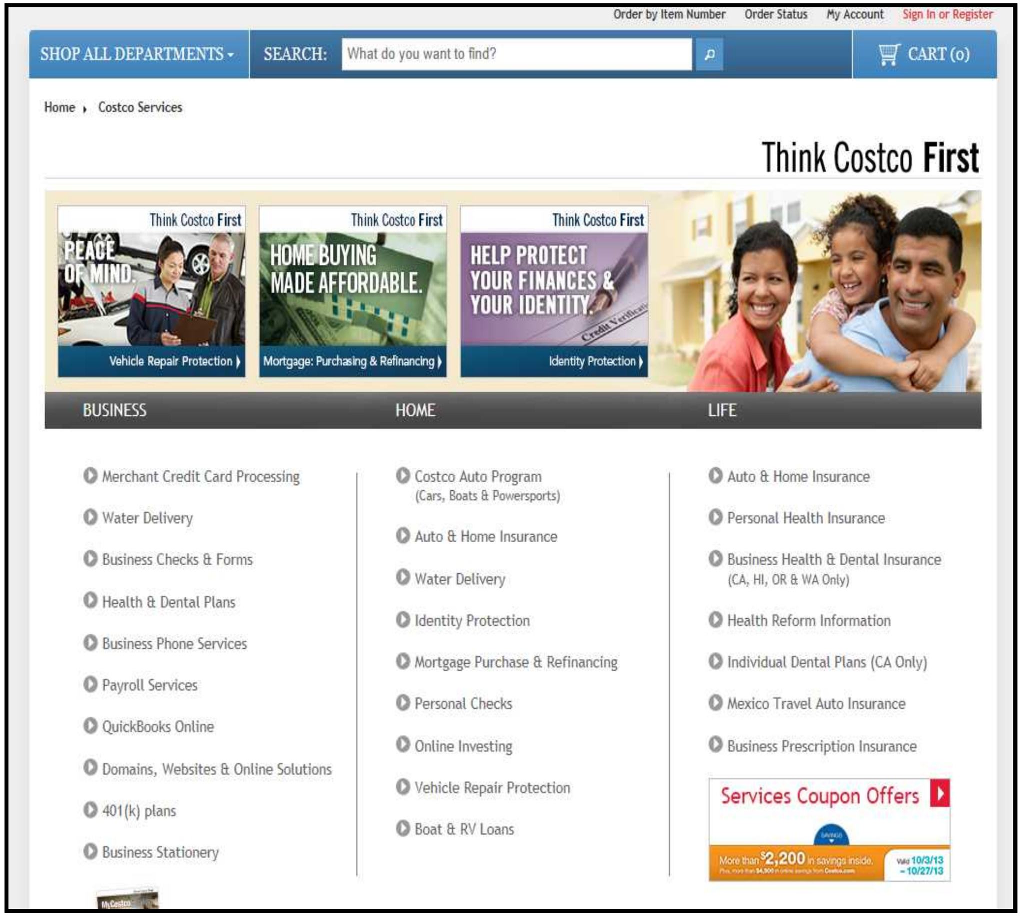
- **There is significant opportunity for growth in life and annuities**
  - Declining ownership of life insurance
  - The looming retirement savings crisis
    - By the year 2040 there will be 82 million retired Americans
  - Underserved/neglected demographic segments
- **Our retail strategy is focused and aligned with our strengths**

| Strengthen Existing Models | Strengthen Shared Value | Enhance Customer Engagement |
|---|---|---|

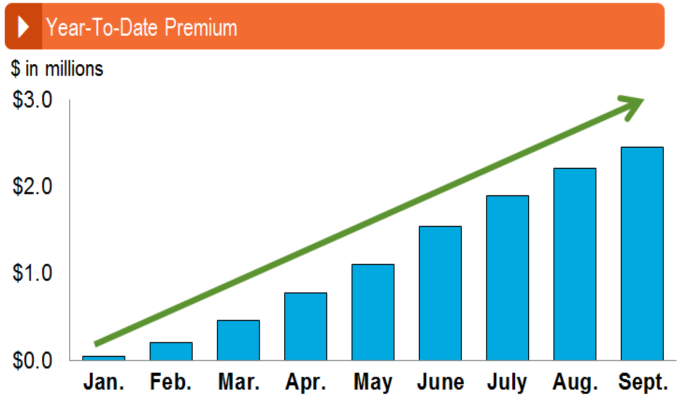
## THREE CORE RETAIL STRATEGIES

| Strengthen Existing Models | Strengthen Shared Value | Enhance Customer Engagement |
|---|---|---|
| Focused Distributor Relationships<br>BGA Consolidation opportunities | Affinity Marketing<br>Institutional Distribution | Online<br>Infrastructure<br>Analytics |

# Affinity Marketing - COSTCO




- Over 50 million members
- Goal is to grow and retain membership
- Distinct product and process unique to COSTCO
- COSTCO product has good returns
- Process is completely electronic
- Product provides superior consumer value
- Sales are ahead of projections



# Business Segment Review - Annuities

- **Protective's annuity sales levels are impacted by**
  - Competitor pricing and feature changes
  - Current investment yields
  - The balance of Protective's business mix
- **Equity indexed product sales showing promise**
- **Sales growth can be achieved through broadening key distribution partnerships**
- **Higher interest rates will drive sales growth**
- **Regulatory uncertainty impacts the growth trajectory**

Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute, 2012

# Business Segment Review
# Asset Protection

# Asset Protection Strategy

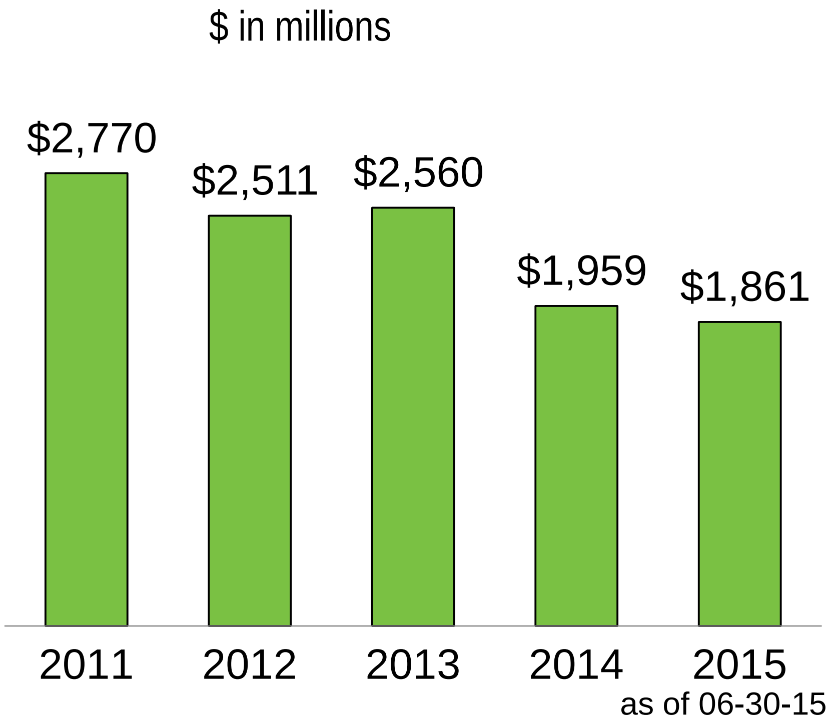
- **Primary products are**
  - Extended service contracts
  - Guaranteed Asset Protection (GAP)
  - Credit insurance
- **Distribution is largely through auto, marine, recreational vehicle and powersport dealers**
- **Products are backed by property and casualty insurance from Lyndon Property Insurance Co. and life/disability insurance from Protective Life Insurance Co.**
- **Primary markets are U.S. and Canada**
- **Protective is one of the top providers in the marketplace**
  - Number 3 in 2013 with 5.8% of the market share*
- **Our products help vehicle dealers deepen their relationship with their customer**

* Based on research by Colonnade Advisors LLC,

# Business Segment Review
# Stable Value Products

# Stable Value Products Business Segment

## Account Balances




| Sales | $799 | $622 | $495 | $92 | $256 |
|---|---|---|---|---|---|

- **Used to complement asset/liability management and product cash flows**
- **Efficient operation**
- **History of adapting to changing market conditions / opportunities**
- **“Real-time” interaction with Investment and ALM teams**
- **Re-entering the funding agreement backed notes market**

Note: Sales represent January 1, 2015 – June 30, 2015

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# Summary

# Summary

- **We are confident we can deliver our planned results for 2015**
- **Ahead in 2016 and beyond**
  - Continue to prudently allocate capital
    - Seek good returns on new organic business
    - Pursue an accretive acquisition
  - Maintain discipline in investments and asset/liability management
  - Invest in innovation for future growth of our retail business lines
  - Contribute, collaborate, and grow with Dai-ichi Group

# Forward-Looking Statements

*This presentation includes “forward-looking statements” which express expectations of future events and/or results. All statements based on future expectations rather than on historical facts are forward-looking statements that involve a number of risks and uncertainties, and the Company cannot give assurance that such statements will prove to be correct. The factors which could affect the Company’s future results include, but are not limited to, general economic conditions and the following known risks and uncertainties: (1) uncertainty following the merger could adversely affect our business or operations; (2) the Company is exposed to the risks of natural and man-made disasters, pandemics, malicious acts, terrorist acts, and climate change, which could adversely affect its operations and results; (3) a disruption affecting the electronic systems of the Company or those on whom the Company relies could adversely affect the Company’s business, financial condition and results of operations; (4) confidential information maintained in the Company’s systems could be compromised or misappropriated, damaging the Company’s business and reputation and adversely affecting its financial condition and results of operations; (5) the Company’s results and financial condition may be negatively affected should actual experience differ from management’s assumptions and estimates; (6) the Company may not realize its anticipated financial results from its acquisitions strategy; (7) the Company may not be able to achieve the expected results from its recent acquisition; (8) assets allocated to the MONY Closed Block benefit only the holders of certain policies, and adverse performance of the Closed Block assets or adverse experience of the Closed Block liabilities may negatively affect the Company; (9) the Company is dependent upon the performance of others; (10) the Company’s risk management policies, practices, and procedures could leave it exposed to unidentified or unanticipated risks, which could negatively affect its business or result in losses; (11) the Company’s strategies for mitigating risks arising from its day-today operations may prove ineffective resulting in a material adverse effect on its results of operations and financial condition; (12) interest rate fluctuations and sustained periods of low interest rates could negatively affect its interest earnings and spread income, or otherwise impact its business; (13) the Company’s investments are subject to market and credit risks and these risks could be heightened during periods of extreme volatility or disruption in financial and credit markets; (14) equity market volatility could negatively impact the Company’s business; (15) the Company’s use of derivative financial instruments within its risk management strategy may not be effective or sufficient; (16) credit market volatility or disruption could adversely impact the Company’s financial condition or results from operations; (17) the Company’s ability to grow depends in large part upon the continued availability of capital; (18) the Company may be adversely affected by a ratings downgrade or other negative action by a ratings organization; (19) the Company could be forced to sell investments at a loss to cover policyholder withdrawals; (20) disruption of the capital and credit markets could negatively affect the Company’s ability to meet its liquidity and financing needs; (21) difficult general economic conditions could materially adversely affect the Company’s business and results of operations; (22) the Company may be required to establish a valuation allowance against its deferred tax assets, which could materially adversely affect its results of operations, financial condition, and capital position; (23) the Company could be adversely affected by an inability to access its credit facility; (24) the Company could be adversely affected by an inability to access FHLB lending; (25) the Company’s financial condition or results of operations could be adversely impacted if its assumptions regarding the fair value and future performance of its investments differ from actual experience; (26) the amount of statutory capital the Company has and must hold to maintain its financial strength and credit ratings and meet other requirements can vary significantly from time to time and is sensitive to a number of factors outside its control; (27) the Company operates as a holding company and depends on the ability of its subsidiaries to transfer funds to it to meet its obligations and pay dividends; (28) the Company is highly regulated and subject to routine audits, examinations and actions by regulators, law enforcement agencies and self-regulatory agencies; (29) changes to tax law or interpretations of existing tax law could adversely affect the Company and its ability to compete with non-insurance products or reduce the demand for certain insurance products; (30) the Company, like other financial services companies, is frequently the targets of legal proceedings, including class action litigation, which could result in substantial judgments; (31) the Company, as a publicly held company generally, and a participant in the financial services industry in particular, may be the target of law enforcement investigations and the focus of increased regulatory scrutiny; (32) new accounting rules or changes to existing accounting rules, or the grant of permitted accounting practices to competitors could negatively impact the Company; (33) the Company’s use of reinsurance introduces variability in its statements of income; (34) the Company’s reinsurers could fail to meet assumed obligations, increase rates, or otherwise be subject to adverse developments that could affect the Company; (35) the policy claims of the Company’s insurance subsidiaries may fluctuate from period to period resulting in earnings volatility; (36) the Company operates in a mature, highly competitive industry, which could limit its ability to gain or maintain its position in the industry and negatively affect profitability; (37) the Company’s ability to maintain competitive unit costs is dependent upon the level of new sales and persistency of existing business; and (38) the Company may not be able to protect its intellectual property and may be subject to infringement claims. Please refer to Risk Factors and Cautionary Factors that may Affect Future Results, which can be found in Part I, Item 1A of the Company’s most recent report on Form 10-K for more information about these factors.*

## Investor Contact

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## Disclaimer



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