



## Protective Life Corporation

Steven G. Walker

Executive Vice President, Chief Financial Officer

Dai-ichi Life Holdings Analyst Day | November 21, 2019

# Agenda

Protective Overview

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Financial Results

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2019 Financial Plan

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Acquisitions Update

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2019 Corporate Priorities

# Introduction

In addition to the information contained in this presentation, we have supplemental financial information available on our website at [www.protective.com](http://www.protective.com). The information found on our website is not a part of this presentation. 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. For more information about the risks, uncertainties, and other factors that could affect our future results, please refer to Part I, Item 1A, Risk Factors, of the Company's most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q.

Unless context otherwise requires, "we," "us," and "our" refer to the consolidated group of the Protective Life Corporation (the "Company") and its subsidiaries.

Certain information included in this presentation may contain non-GAAP financial measures. For information relating to non-GAAP financial measures (pre-tax and after-tax adjusted operating income) and the associated reconciliation to GAAP financial measures, please refer to Note 22 to our consolidated financial statements included in our most recent Annual Report on Form 10-K. The preparation of Company financial statements requires management to make estimates and assumptions that impact the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

This presentation is not intended as, and should not be construed as, earnings guidance. This presentation is dated November 21, 2019. We assume no obligation to, and do not intend to update the information contained herein after such date.



# Protective Overview

# U.S. Life Insurance Industry Outlook

***Solid profitability and robust sales drive earnings; low interest rates a headwind***

## *Opportunities*

- Good overall profitability
- Earnings and shareholders' equity to continue to benefit from lower effective tax rates
- Favorable macroenvironment: low unemployment ratio, a steady U.S. economy, and equity market recovery
- Financial flexibility remains strong; insurers continue to deploy "excess" capital

## *Challenges*

- Low interest rates a future earnings headwind
- Slowdown in the pace of global economic growth
- Regulatory/political environment
- GAAP income volatility – potential impact of FASB's update to the accounting standard for long duration contracts, Accounting Standards Update 2018-12 (Effective in 2022 for Large GAAP SEC filers)
- Increasing competition

Source: Moody's Investors Service, Sector In-Depth September 4, 2019

# Protective At A Glance



**8.9M**

policies and contracts  
in force<sup>1</sup>



**\$985B**

life insurance in force<sup>1</sup>



**\$117B**

total assets<sup>2</sup>



**57**

acquisitions in  
company history<sup>2</sup>

## 5 core segments

Life Marketing

Annuities

Acquisitions

Stable Value Products

Asset Protection



**~3,175**

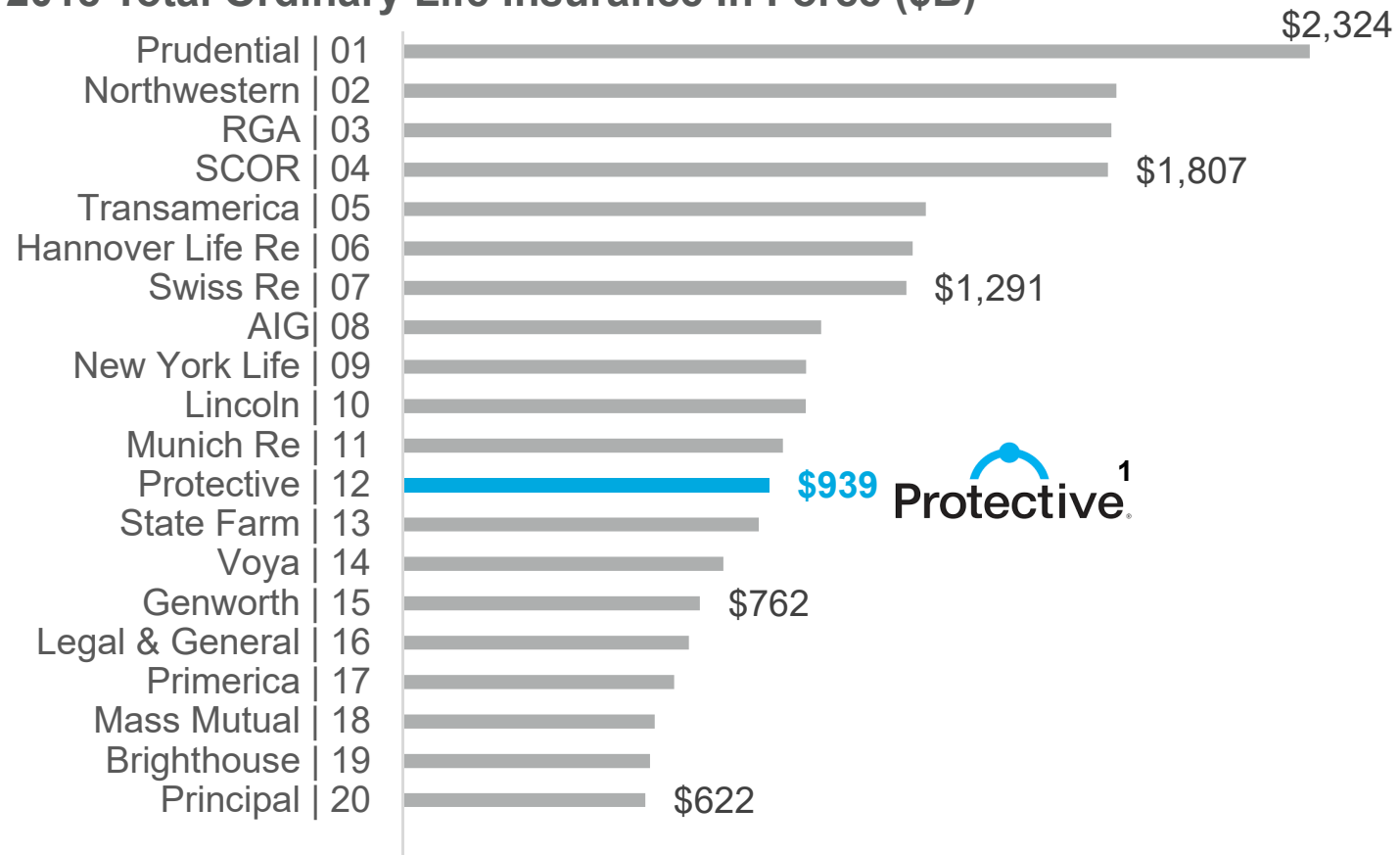
employees across  
the U.S.<sup>2</sup>

1 | December 31, 2018 + estimated June 30, 2019 Great-West life insurance in force (includes Credit, Industrial, Group and Ordinary)  
2 | June 30, 2019

# Top 20 U.S. Life Insurers

**Based on Ordinary Life Insurance in force face amount**

**2018 Total Ordinary Life Insurance In Force (\$B)<sup>2</sup>**



1 | December 31, 2018 Ordinary Life Insurance + June 30, 2019 estimated Great-West Ordinary Life insurance in force business

2 | 2018 S&P Global Market Intelligence, Ordinary Life insurance in-force only

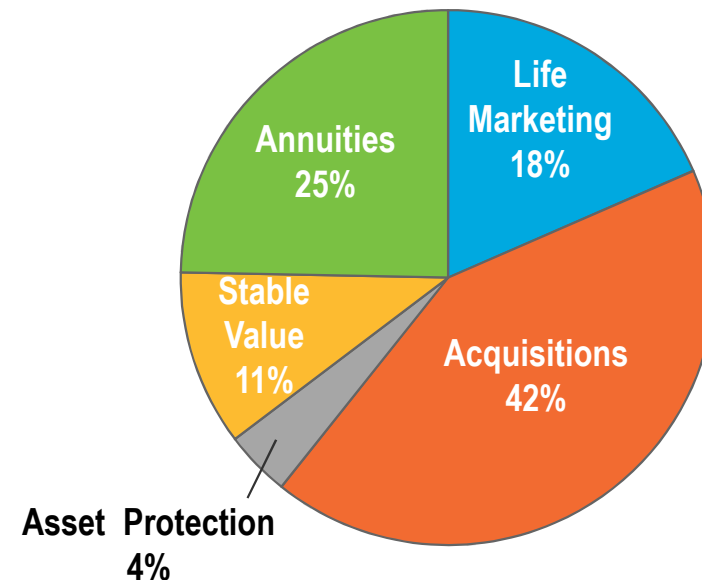


# Our Business Mix is an Advantage

- Diversified, high quality earnings
- Preference for stable insurance risk
- Realistic planning assumptions
- Clean balance sheet
- Absence of troubled legacy liabilities
- Emphasis on sound risk management

## Statutory Basis

2018 Pre-Tax Combined  
Statutory Income<sup>1</sup>

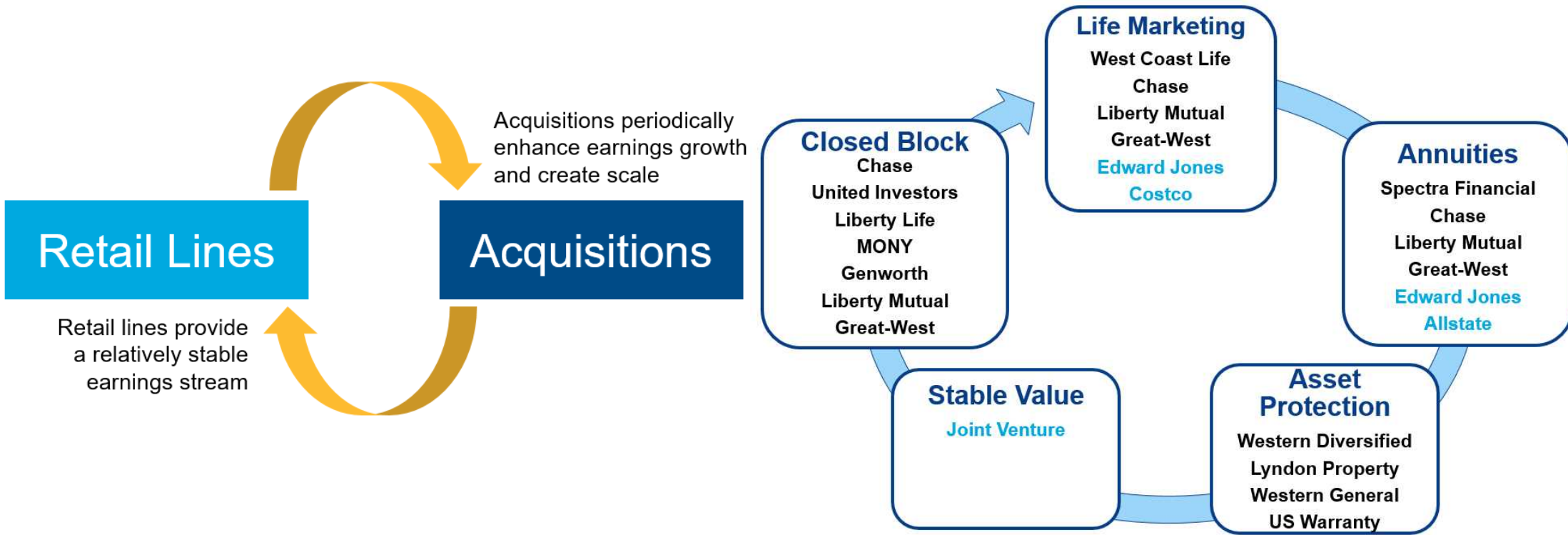


1 | Excludes the Corporate & Other segment, the initial impact of the Liberty transaction, certain market value adjustments, and income related to reinsurance surplus adjustments recorded in accordance with SSAP 61.

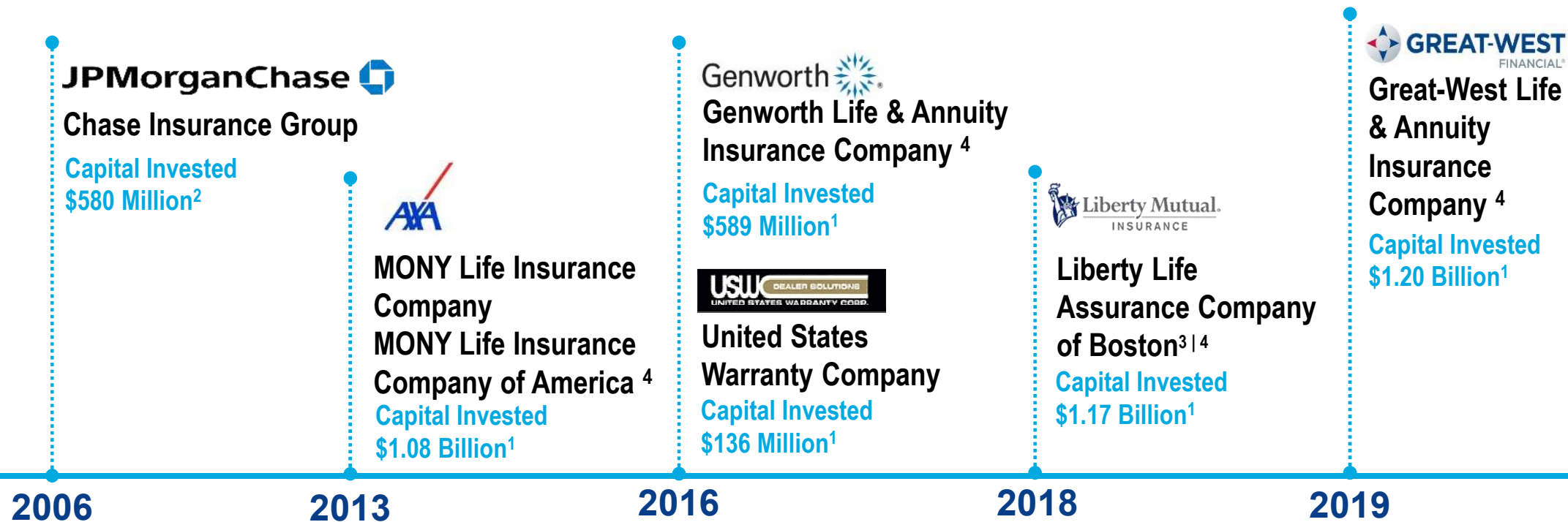


# Acquisition & Partnership Capabilities

Our Competitive Advantage



# Major Acquisitions



1 | Capital invested represents initial estimated capital invested at closing of transaction.

2 | Capital invested represents initial estimated capital invested at closing of transaction net of reinsurance.

3 | Renamed Lincoln Life Assurance Company of Boston Effective September 1, 2019. Liberty naming convention retained for this presentation.

4 | Business acquired via reinsurance transaction.



## Financial Results

## 2018 Financial Results

### GAAP Basis

- Net income of \$302 million, unfavorable to plan by \$74 million
  - Equity securities fair value unfavorable \$31 million after-tax
- After-tax adjusted operating income of \$378 million, unfavorable to plan by \$39 million
  - Mortality unfavorable \$32 million pre-tax (severe flu season)
  - 4Q equity market impact unfavorable \$32 million pre-tax
  - Partially offset by favorable investment income
- Closed Liberty Mutual acquisition two months earlier than planned
  - Earnings favorable to plan \$14 million pre-tax

\$ in millions	2018 Plan	2018 Actual
Life Marketing	\$ 38	\$ (19)
Annuities	178	167
Acquisitions	275	283
Asset Protection	20	30
Stable Value	63	102
Corp & Other	(52)	(84)
<b>Pre-Tax Adj. Op. Income</b>	<b>\$ 522</b>	<b>\$ 479</b>
Tax	(105)	(101)
<b>After-Tax Adj. Op. Income</b>	<b>\$ 417</b>	<b>\$ 378</b>
Realized Gains (Losses)	(41)	(76)
<b>Net Income</b>	<b>\$ 376</b>	<b>\$302</b>

## 2Q19 YTD Financial Results

### GAAP Basis

- Net income of \$246 million, favorable to plan by \$82 million
  - Favorable MTM on equity securities, lower than planned impairments and modco gains
- After-tax adjusted operating income of \$222 million, favorable to plan by \$23 million
  - Mortality unfavorable \$14 million pre-tax
  - 2019 equity market performance favorable \$21 million pre-tax
  - Investment income/spread favorable \$23 million pre-tax
- Closed Great-West acquisition one month earlier than planned
  - Operating loss of \$3.7 million for June, driven by non-recurring transaction costs

\$ in millions	2Q19 YTD Plan	2Q19 YTD Actual
Life Marketing	\$ (8)	\$ 1
Annuities	82	99
Acquisitions	160	145
Asset Protection	15	19
Stable Value	35	50
Corp & Other	(38)	(40)
<b>Pre-Tax Adj. Op. Income</b>	<b>\$ 246</b>	<b>\$ 274</b>
Tax	(47)	(52)
<b>After-Tax Adj. Op. Income</b>	<b>\$ 199</b>	<b>\$222</b>
Realized Gains (Losses)	(35)	24
<b>Net Income</b>	<b>\$ 164</b>	<b>\$246</b>

# Operating In A Low Interest Rate Environment

## *Impacts*

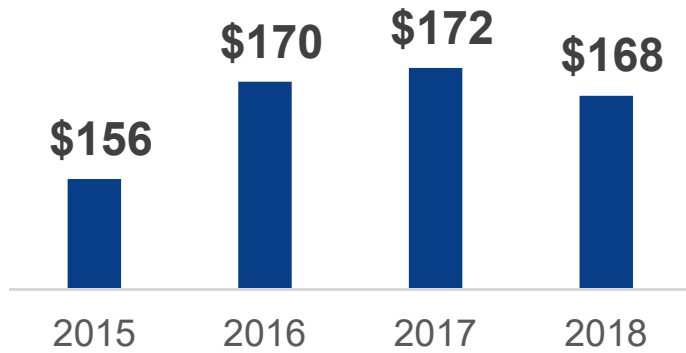
- No material impact to Protective Balance Sheet
  - Lower reinvestment rate assumption
    - Dropped approximately 50 basis points since last year on longer duration products
  - Negative earnings impact from 3Q19 unlocking of assumptions
  - Lower investment income forecast going forward on interest sensitive products
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## *Management Actions*

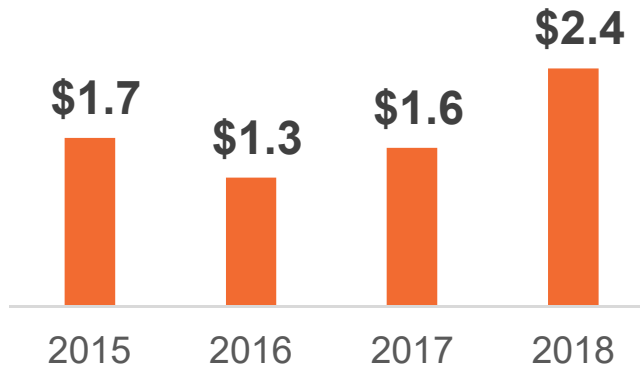
- Adjusting crediting rates on new business
- Committed to high asset quality
  - Not taking incremental asset risk in search of yield
- Managing sales mix and expense levels
- Seeking fee-based products that are less sensitive to interest rates

# Retail Business Sales Trends

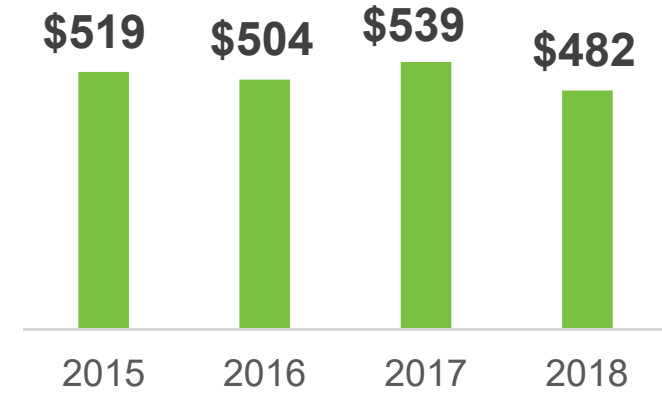
Life Sales (\$M)



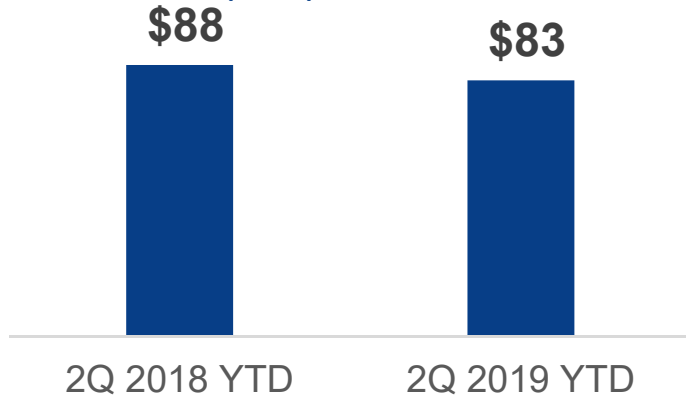
Annuity Sales (\$B)



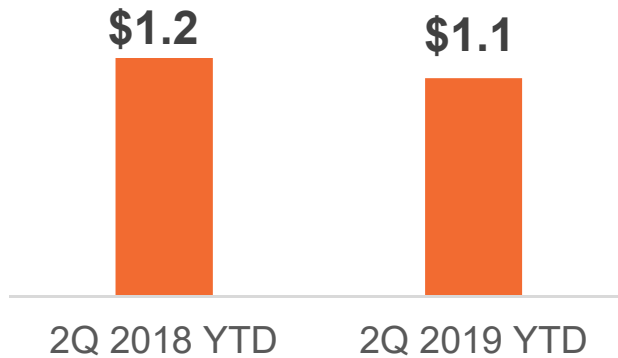
APD Sales (\$M)



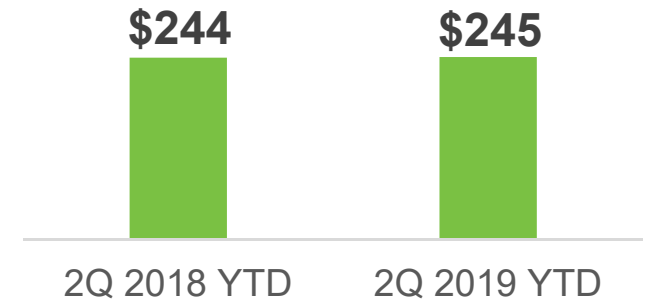
Life Sales (\$M)



Annuity Sales (\$B)



APD Sales (\$M)





# 2019 Financial Plan



## We Have A Robust Financial Modeling Discipline

- We have a robust modeling capability
  - Based on seriatim (policy by policy) projection
  - We update model data with actual detail by line of business each quarter and re-project current in-force
- Each quarter we analyze information about variations from the plan
- We adjust our business activity to execute our plan
- ‘Current state’ assumptions underpin model projections
  - Current market reinvestment rates
  - Current capital, accounting, and reserve standards

## 2019 Financial Plan

*We expect to deliver 2019 full year results consistent with our plan.*

	2018 Actual	2019 Plan
After-Tax Adj. Operating Income	\$378M	\$425M
Net Income	\$302M	\$351M
RBC Ratio	459%	423%
Debt to Capital <sup>1</sup>	19%	23%
Dividend to Dai-ichi <sup>2</sup>	\$140M	-
Capital > 400% RBC	\$0.6B	\$0.3B

1 | Debt to Capital excludes non-recourse captive financings

2 | Dividend to parent of 50% of net income in 2020 & 2021



## Acquisitions Update

## Liberty & Great-West | Transformative Impact

- **Liberty Life Assurance Company of Boston**

- Announced January 19, 2018  
Closed May 1, 2018
- New business opportunities:  
Access to Liberty Agent distribution channel  
#1 position in bank sold Life sales
- ~250 employees joined Protective
- \$13.2B Reserves
- ~525K policies in force
- Initial estimated capital investment:  
\$1.17 billion—second largest in Protective’s  
history

- **Great-West Life & Annuity Insurance Company**

- Announced January 24, 2019  
Closed June 1, 2019
- New business opportunities:  
Competitive position in Corporate-owned life  
insurance and Bank-owned life insurance  
#2 position in bank sold Life sales  
Fee-based annuities through RIA channel
- ~240 employees joined Protective
- ~\$21.0B Reserves
- ~350K policies in force (as of 6/30)
- Initial estimated capital investment:  
\$1.20 billion—largest in Protective’s history

***Combined transactions expected to represent  
~35% of GAAP earnings, ~30% of total assets by 2020***



# Acquired Distribution Channel Expansion

## 2018 Distribution Channels

<u>Life</u>	<u>Annuity</u>
BGA <sup>1</sup>	Banks
Affinity/Direct	Broker Dealers
	P&C
	BGA <sup>1</sup>

## 2019 Distribution Channels

<u>Life</u>	<u>Annuity</u>
BGA <sup>1</sup>	Banks
Affinity/Direct	Broker Dealers
P&C	P&C
Bank	BGA <sup>1</sup>

## 2020 Distribution Channels

<u>Life</u>	<u>Annuity</u>
BGA <sup>1</sup>	Banks
Affinity/Direct	Broker Dealers
P&C	P&C
Bank	BGA <sup>1</sup>
<b>Executive Benefits Group Insurance</b>	<b>Advisory</b>

1| Broker General Agent



## **2019 Corporate Priorities**

# 2019 Corporate Priorities

**Investing in Talent & Culture**



**Integrating Acquisitions**



**Improving Life Earnings & Profitability**



**Enhancing Customer Experience**



**Building Enterprise-wide Capabilities**



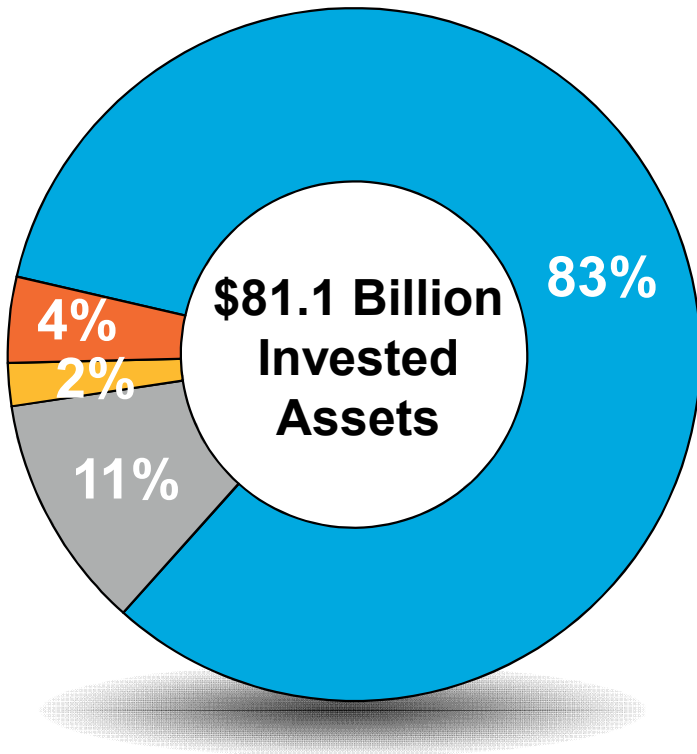
# Summary

- We have a **unique business model** and franchise
  - Experienced Leadership team and talented workforce are engaged and energized
- Our focus is on **growth**
  - Healthy retail sales plans leveraging new distribution and partnerships
  - Ability to leverage our distinctive M&A franchise
  - New capabilities to support growth and improve the customer experience
- We have deployed excess capital to create a **transformational opportunity**
  - We are focused on the successful integration of the 2 largest deals in our history
  - Significant earnings growth is possible over the next 3 years
- We have a **strong balance sheet and bright future**
  - High quality asset portfolio, diversified product portfolio, with disciplined asset-liability management
  - Strong financial strength metrics, high ratings, with a supportive global parent



# APPENDIX

# Investment Portfolio Overview



As of June 30, 2019

## \$67 Billion of Fixed Maturities

Asset Type	%
Corporate Securities	71%
RMBS <sup>1</sup>	7%
CMBS <sup>2</sup>	4%
ABS <sup>3</sup>	3%
Governments / Agencies	3%
States, Munis, & Other	12%

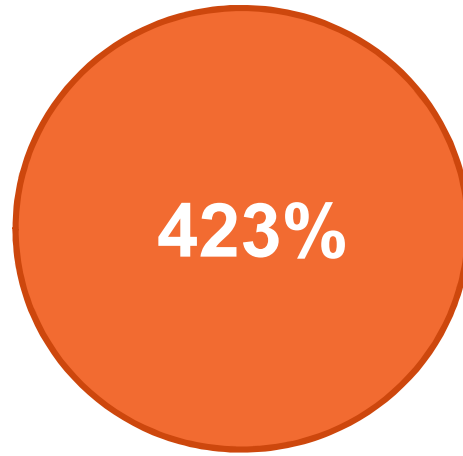
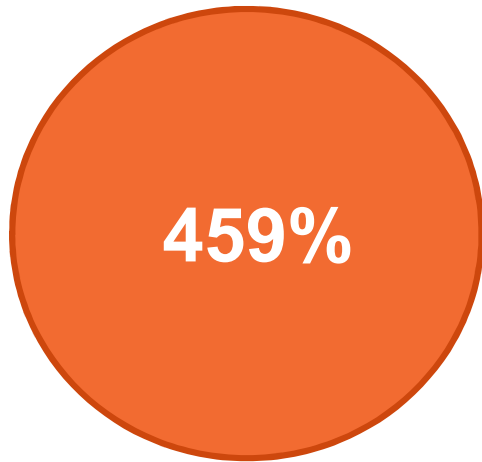
1 | Residential mortgage-backed securities  
 2 | Commercial mortgage-backed securities  
 3 | Asset-backed securities

# Strong, Growing Capital Position

## RBC Ratio

2018 Year-End

2019 Plan

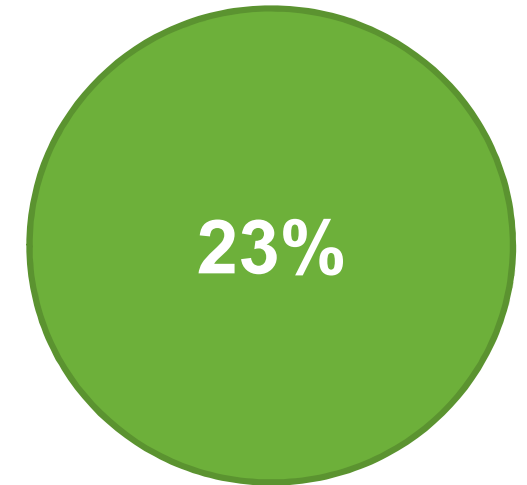
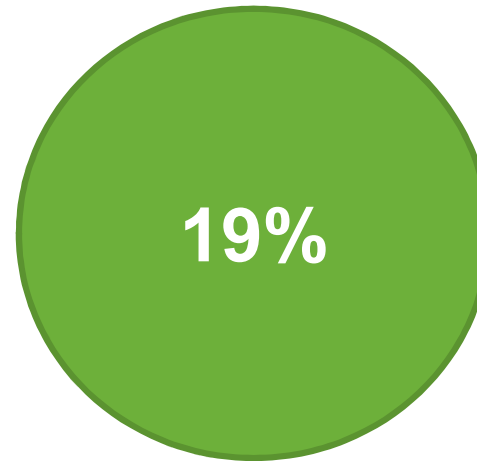


Target: 400%  
Risk Limit: 350%

## Debt/Capital Ratio

2018 Year-End

2019 Plan



Target: 25%  
Risk Limit: 30%

## Highly Rated

	Protective Life Corporation	Protective Life Insurance Company
	Senior Debt	Financial Strength
Standard & Poor's	A-	AA-
Moody's	Baa1	A1
Fitch	BBB+	A+
A.M. Best	a-	A+

As of November 21, 2019



# 2018 Segment Financial Results

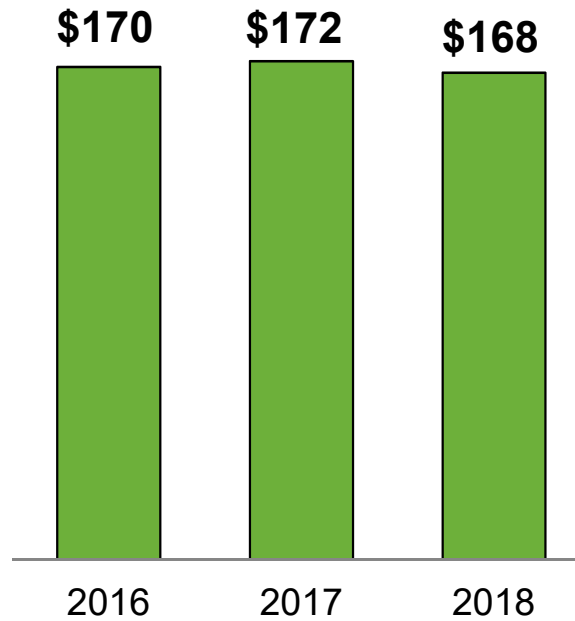
# Life Marketing Results

## Segment Highlights

- Sales flat with the market
- Focused on emerging analytics and digital platforms
- Liberty Mutual represents significant opportunity for sales growth
- Earnings variance to plan
  - Mortality
  - UL experience
  - Reinsurance impacts

## Sales

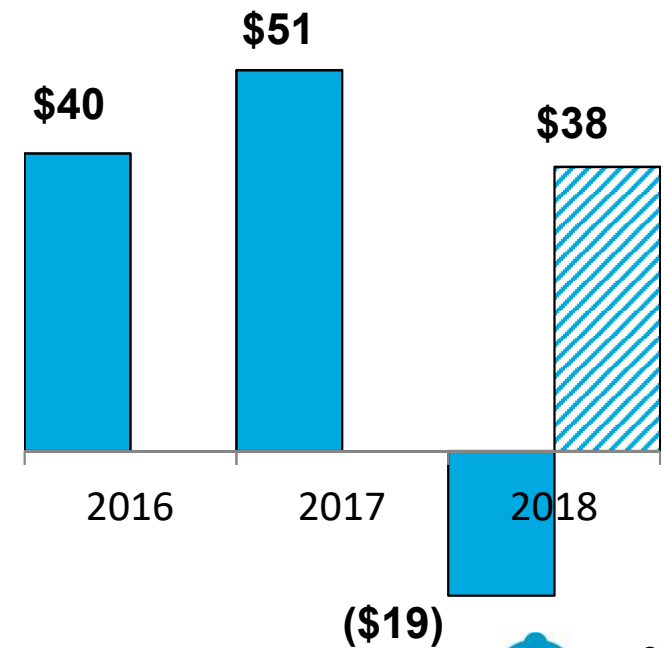
*\$ in millions*



## Pre-Tax Adjusted Operating Income (Loss)

*\$ in millions*

■ Actual □ Plan



# Annuities Results

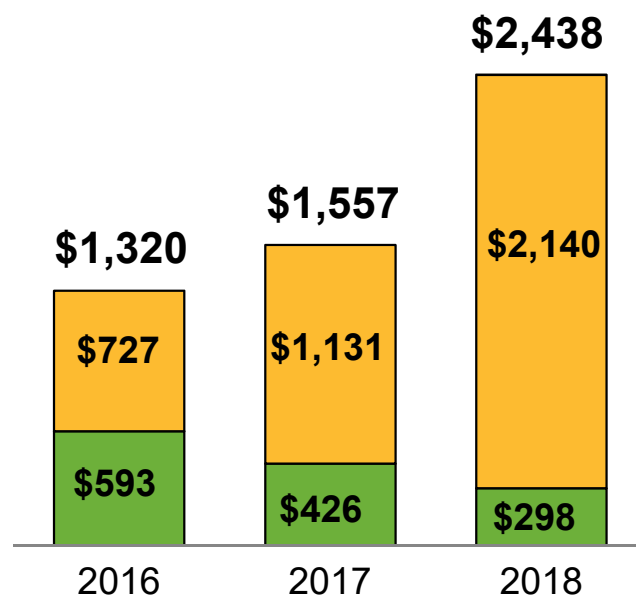
## Segment Highlights

- Shifted our emphasis to fixed and indexed products
- Sales increased 57% in 2018
  - Overall industry annuity sales up 14%, fixed annuities up 25%, and variable annuity sales up 2% year over year<sup>1</sup>
- Continued to expand P&C and Bank channels
- Earnings variance to plan
  - Negatively impacted by 4Q market decline

## Sales

\$ in millions

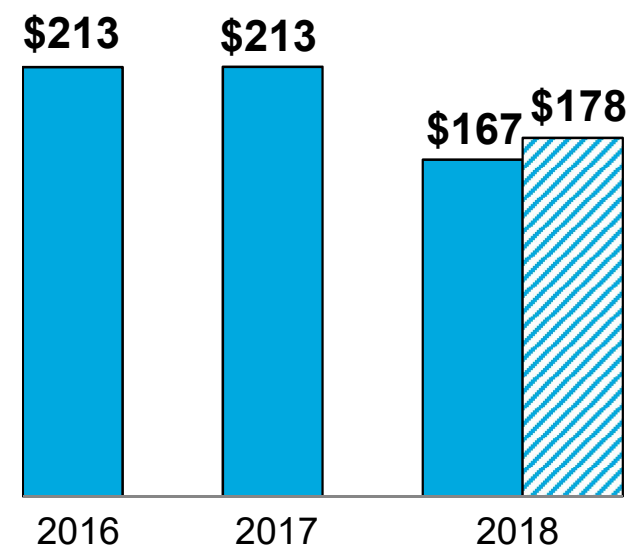
■ VA ■ Fixed



## Pre-Tax Adjusted Operating Income

\$ in millions

■ Actual ■ Plan



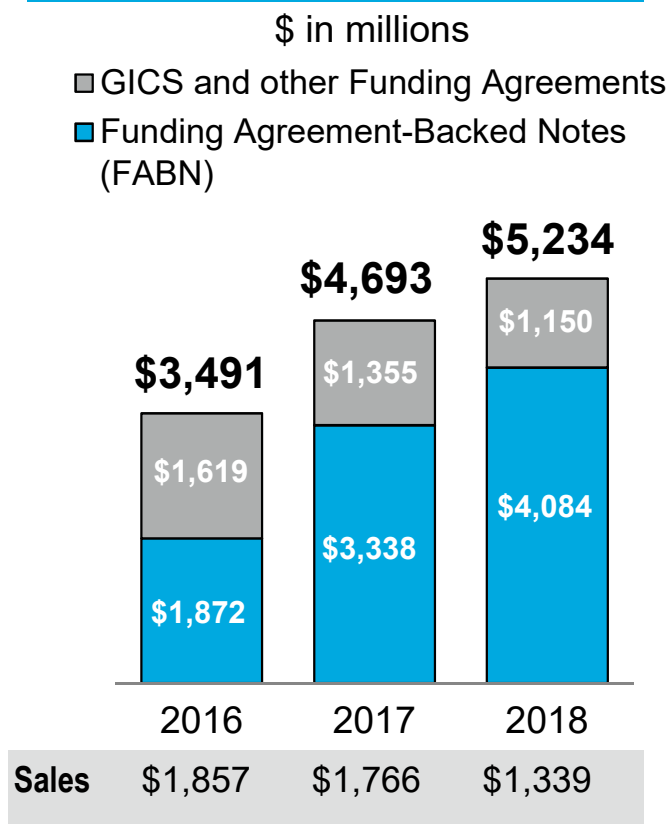
<sup>1</sup> | Based on LIMRA Secure Retirement Institute, February 20, 2019.

# Stable Value Products Results

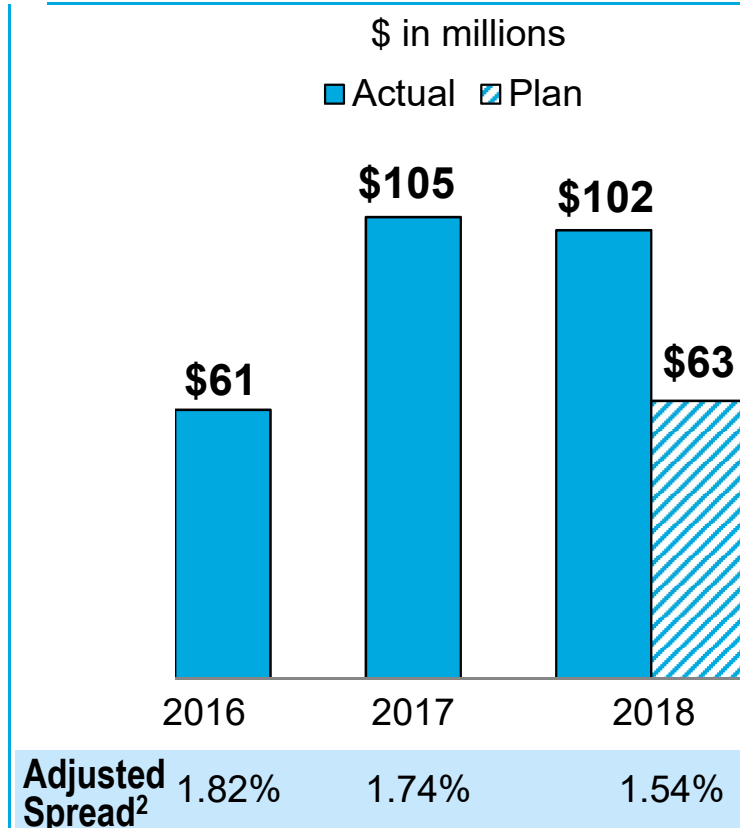
## Segment Highlights

- Sells fixed and floating rate funding agreements directly to institutional investors
- Market GICs to 401k and other qualified retirement plans
- Used opportunistically to complement asset liability management, increased with balance sheet growth
- Earnings variance to plan
  - Strong participating income
  - Balance exceeded plan due to FABN program growth
  - Adjusted spread favorable to plan

## Ending Account Balances<sup>1</sup> and Sales



## Pre-Tax Adjusted Operating Income



1 | Excludes PGAAP premiums on stable value account balances which are included in the US GAAP Balance Sheet

2 | Adjusted Spread excludes participating mortgage loan income.

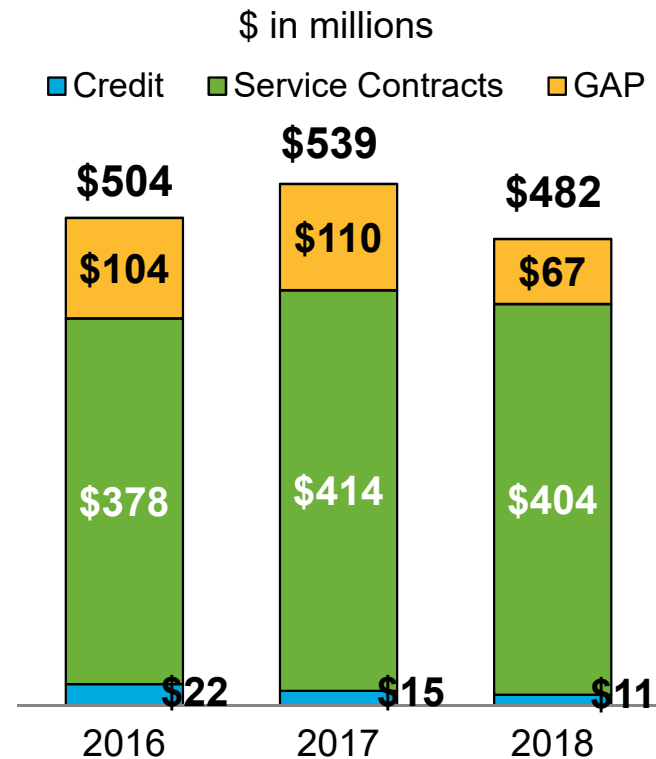


# Asset Protection Results

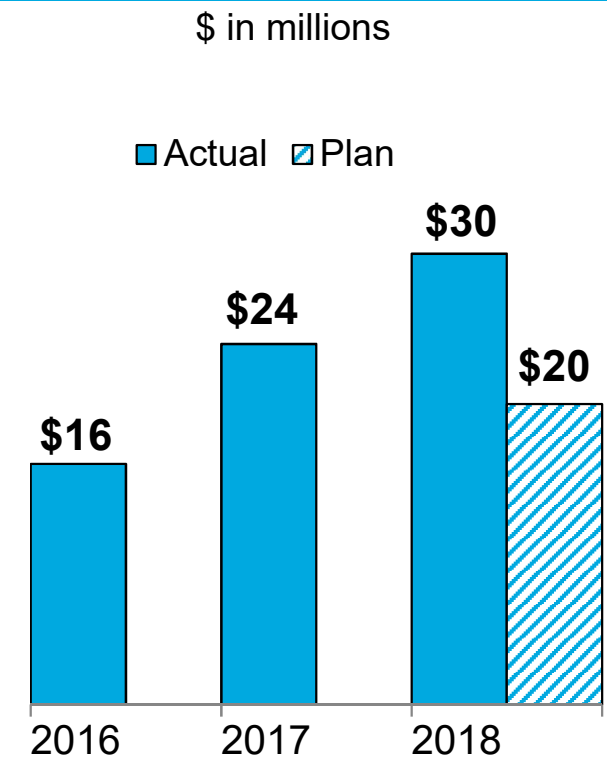
## Segment Highlights

- Top provider of extended service contracts on automobiles, recreational vehicles (“RV”), watercraft and powersports in the marketplace
- Successfully integrated US Warranty Acquisition
- Shifting mix from risk taking to fee-based products
- Earnings variance to plan
  - Favorable service contract loss ratios

## Sales



## Pre-tax Adjusted Operating Income



# Acquisitions Results

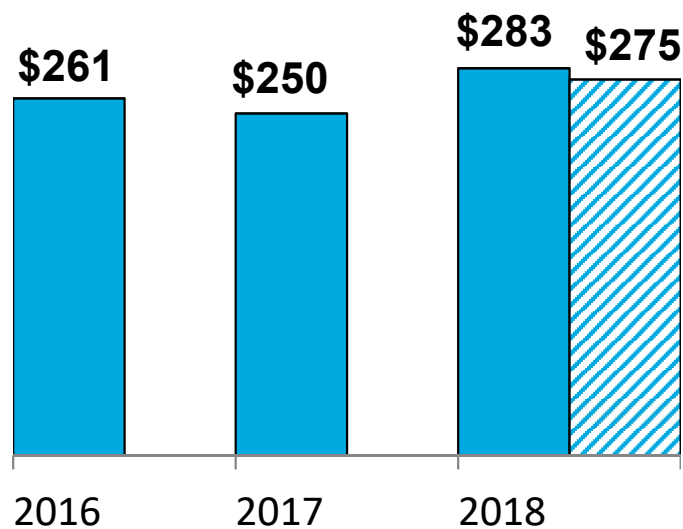
## Segment Highlights

- Active end to 2018 as the teams focused on signing the Great-West Transaction
- M&A pipeline has been active
- Earnings variance to plan
  - Closed Liberty transaction 2 months earlier than planned
  - Favorable investment income

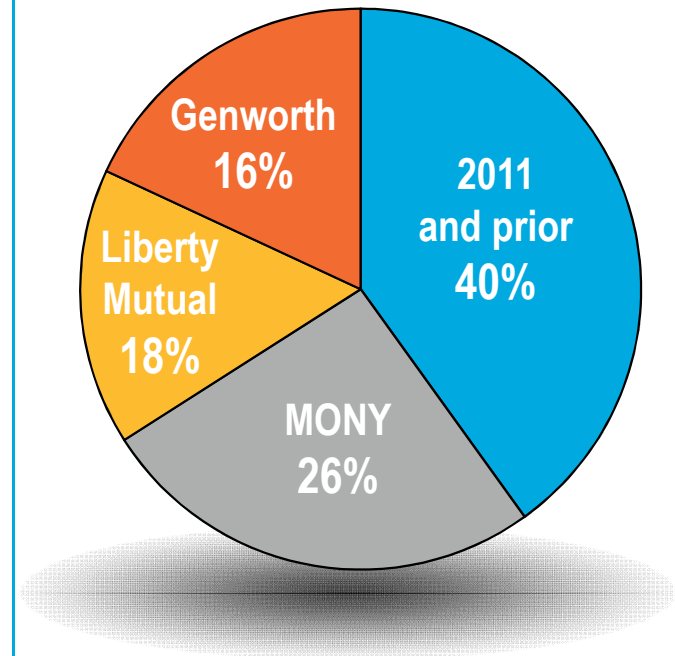
## Pre-tax Adjusted Operating Income

\$ in millions

■ Actual    ▨ Plan



## Contributions to 2018 Pre-tax Adjusted Operating Income



## Forward-Looking Statements

This Presentation contains forward-looking statements. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties, risks and contingencies, many of which are beyond the Company's control and many of which are subject to change. Such statements include statements regarding the belief or current expectations of the management of the Company concerning its future financial condition and results of operations, including its expected operating and non-operating relationships, ability to meet debt service obligations and financing plans, product sales, distribution channels, retention of business, investment yields and spreads, investment portfolio, ability to manage asset-liability cash flows and strategic and financial targets. This Presentation also contains statements of strategic and financial targets ("targets") of Dai-ichi Life Holdings, Inc. ("Dai-ichi Life"). Such targets are for internal strategic purposes only and are not estimates or projections of the future financial condition or results of operations of Dai-ichi Life, the Company or their affiliates. Such targets are subject to change and are not necessarily indicative of how Dai-ichi Life may conduct its business. Any such forward-looking statements or targets are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements and targets as a result of various factors. Any forward-looking statements reflect the Company's views and assumptions as of the date of this Presentation and the Company disclaims any obligation to update forward-looking information. For additional information concerning risks, uncertainties and other factors that could affect the Company's future results, please refer to the section entitled Risk Factors of the Company's most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q.

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