



Protective Life Corporation

Steve Walker

Executive Vice President, Chief Financial Officer

September 7, 2018

Agenda

Protective Overview

2017 Results

2018 Priorities

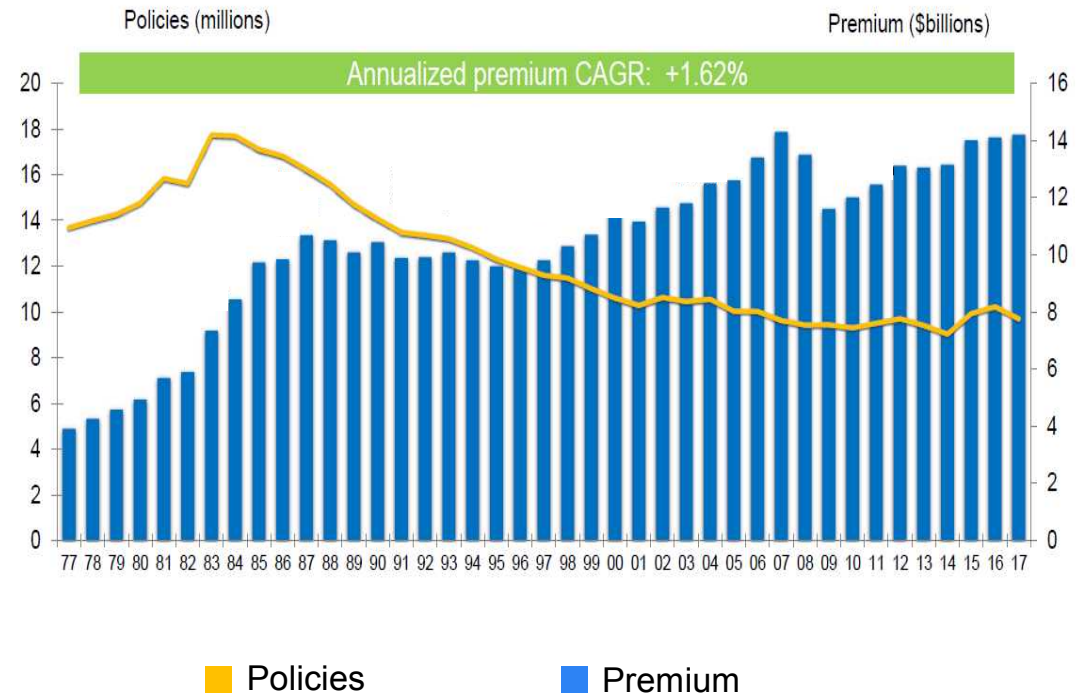


Protective Overview

U.S. Life Insurance Market

- ▶ Insurers adapting to low interest rates
- ▶ Adverse mortality in 2018 due to severe flu season
- ▶ Greater economic stability supports top line growth
- ▶ Capitalization to remain strong
- ▶ Continued focus on technology and innovation
- ▶ Focus on improving customer experience

Total U.S. Individual Life Sales



Sources: Moody's, November 13, 2017; S&P Global, January 24, 2018; Morgan Stanley, July 11, 2018; LIMRA's Individual Life Sales Survey and LIMRA estimates

Protective at a Glance

Our Business Today

- ▶ We are financially strong
- ▶ Culture and values drive us
- ▶ We are prudent at risk management
- ▶ Our global parent is supportive
- ▶ Our business and workforce are growing
- ▶ We are gaining a better understanding of our customer
- ▶ We are well positioned to capitalize on opportunities in our industry

5 core segments
Life Marketing, Acquisitions,
Annuities, Stable Value Products,
and Asset Protection Products

8.3M
policies and
contracts in force¹

\$862B
life insurance
in force¹

2,773 employees across the U.S. ¹

56 acquisitions in company history²

1. As of December 31, 2017

2. As of May 1, 2018

Business Segments, Products and Distribution

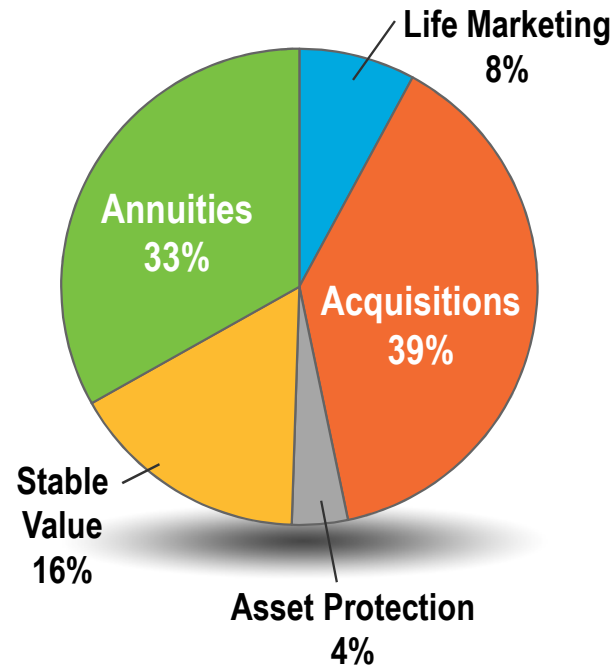
		Life Marketing	Annuities	Stable Value Products	Asset Protection	Acquisitions
Products		Universal Life and Traditional	Fixed and Variable Annuities	Wholesale Funding Agreements	Vehicle Service Contracts/ GAP	Acquired Business
Distribution	Agents	X	X			Primarily life and annuity
	Banks	X	X			
	Stockbrokers	X	X			
	P&C Agents	X	X			
	Institutional Investors			X		
	Auto Dealers				X	
	Affinity Partners	X				
	Direct to Consumers	X				

Our Business Mix is an Advantage

- ▶ Sound diversification
- ▶ High quality earnings
- ▶ Leverage virtuous cycle
- ▶ Range of risk management practices
- ▶ Realistic planning assumptions
- ▶ Preference for stable insurance risk

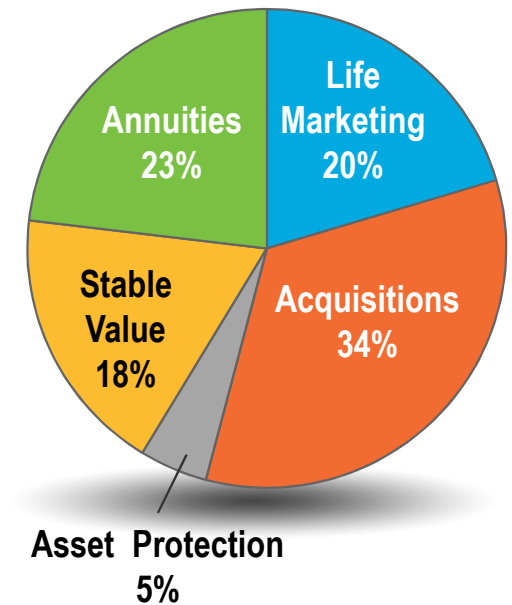
GAAP Basis

Pre-Tax Adjusted
Operating Income¹
\$643 million



Statutory Basis

Pre-Tax Consolidated
Statutory Income²
\$603 million



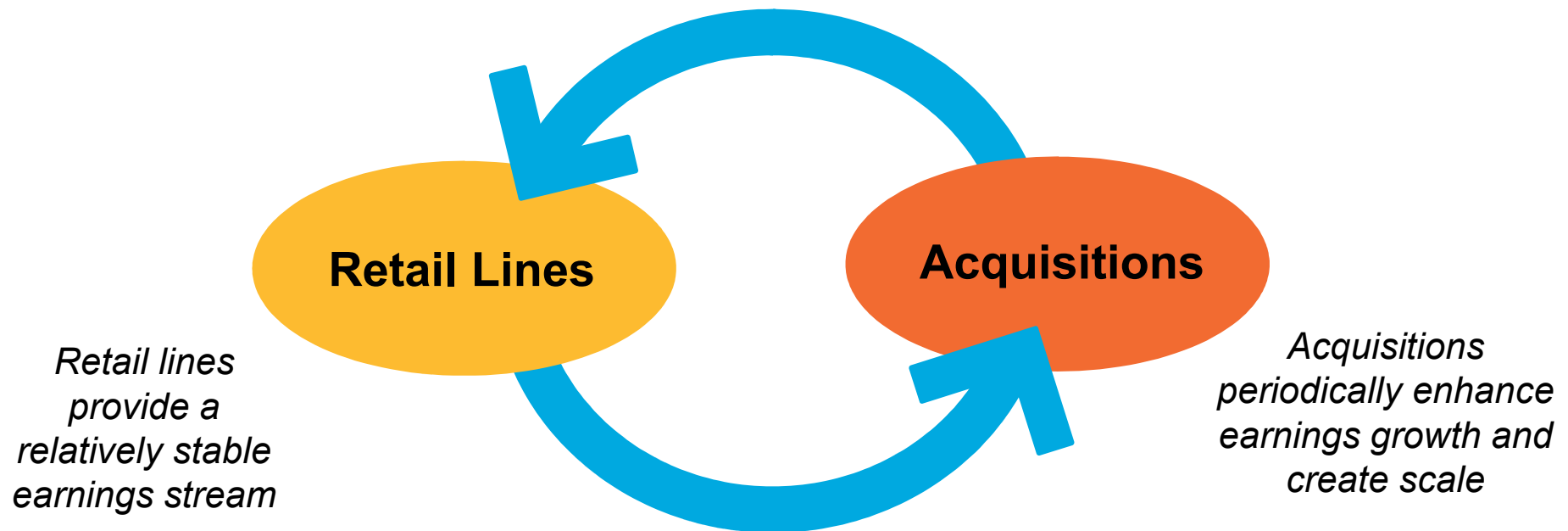
2017 results

1. Excludes the Corporate & Other segment

2. Excludes the Corporate & Other segment and excludes the income recorded under the Genworth reinsurance transaction which is fully offset by reinsurance surplus adjustments recorded in accordance with SSAP 61

We Know What We Do Well

- ▶ Our distinctive business model allows us to allocate capital rationally between retail growth and acquisition opportunities



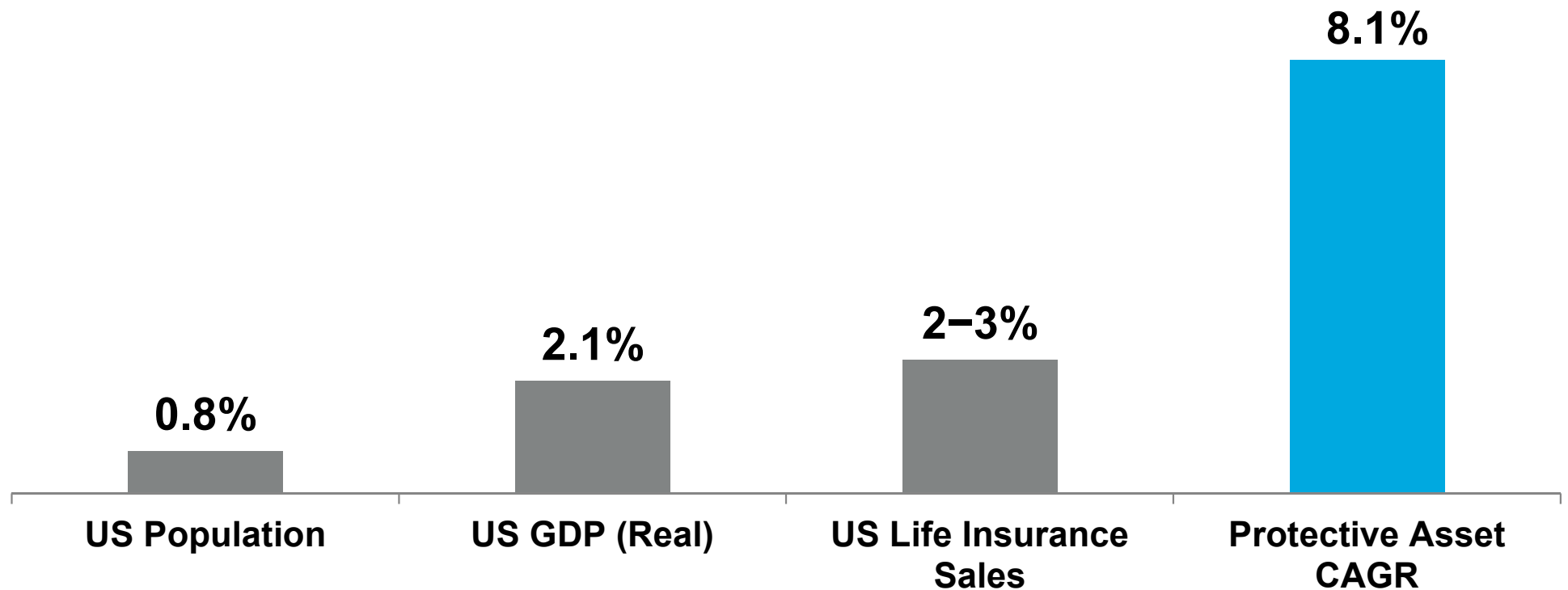
Acquisitions Strategy Remains Consistent

- ▶ Life insurance properties are the primary, but not exclusive focus
 - In force / runoff mortality blocks
 - Selected annuity business (usually part of a broader mortality-focused transaction)
 - New retail channels / markets / product lines / distribution technology
 - Asset Protection / Vehicle Service Contract franchises (scale and/or new capabilities)
- ▶ Rigorous due diligence and pricing discipline
 - Understanding downside risks; generating risk-adjusted returns to meet / exceed hurdle rates
- ▶ Simpler structures without complex financial engineering
- ▶ Size: \$500 million - \$1 billion+, measured by invested capital¹

1. For traditional life/annuity transactions; Asset Protection transactions typically involve materially smaller amounts of invested capital

Delivering Growth in a Low Growth Environment

Annual Growth Rates Since 2009



Sources: US Census Bureau, Bureau of Economic Analysis, LIMRA, Bloomberg, and Protective Statutory Statements 2009-2017



2017 Results

2017 Financial Results

GAAP Basis

- ▶ After-tax adjusted operating income of \$1,153 million, favorable to plan by \$803 million
- ▶ Favorable one time tax benefit of \$767 million due to tax reform¹
- ▶ After-tax operating income before tax reform \$386 million², favorable to plan by \$36 million
 - Favorable net investment income/spread of \$92 million versus plan pre-tax
 - Unfavorable mortality of \$32 million pre-tax
- ▶ Net income of \$1,107 million, favorable to plan by \$794 million

\$ in millions	2016 Actual	2017 Actual	2017 Plan
Life Marketing	\$ 40	\$ 51	\$ 66
Annuities	213	213	184
Acquisitions	261	250	276
Asset Protection	16	24	29
Stable Value	61	105	47
Corp & Other	(88)	(136)	(79)
Pre-Tax Adj. Op. Income	\$ 503	\$ 507	\$ 523
Tax	(169)	646	(173)
After-Tax Adj. Op. Income	\$ 334	\$ 1,153	\$ 350
Realized Gains (Losses)	59	(46)	(37)
Net Income	\$ 393	\$ 1,107	\$ 313

1. After deducting the increase in operating expenses from the reversal of deferred tax liability due to tax reform.

2. Equal to after-tax adjusted operating income of \$1,153 million less the impact from tax reform of \$767 million

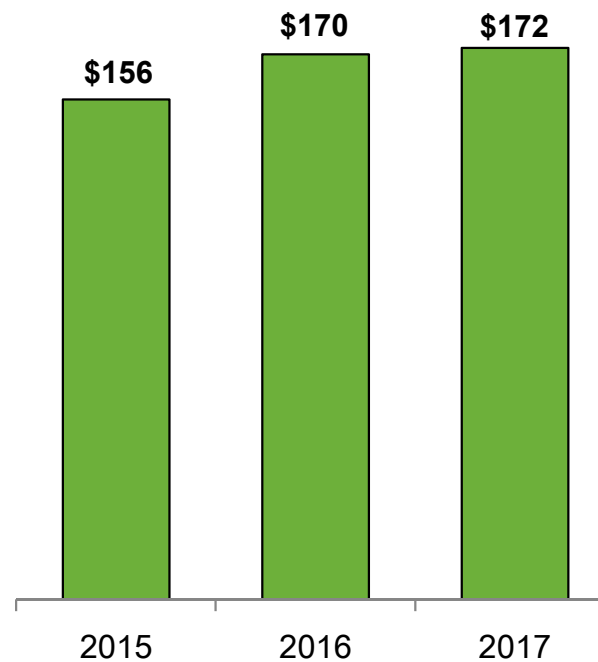
Life Marketing

Segment Overview & Highlights

- ▶ Marketing fixed universal life, indexed universal life, variable universal life, bank-owned life insurance, and level premium term insurance products on a national basis
- ▶ Strong life sales in 2017
- ▶ Focused on emerging analytics and digital platforms
- ▶ Release of new underwriting platform in 2017

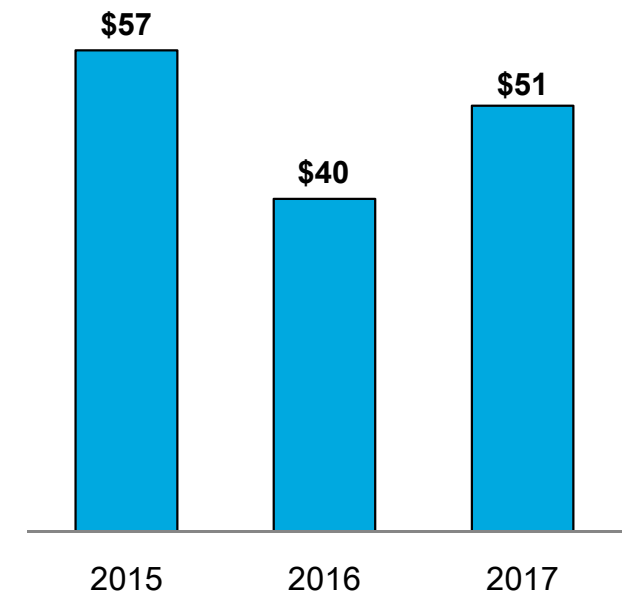
Sales

\$ in millions



Pre-Tax Adjusted Operating Income

\$ in millions



2015 income results are for February 1, 2015 – December 31, 2015

2015 sales results are for January 1, 2015 – December 31, 2015

Annuities

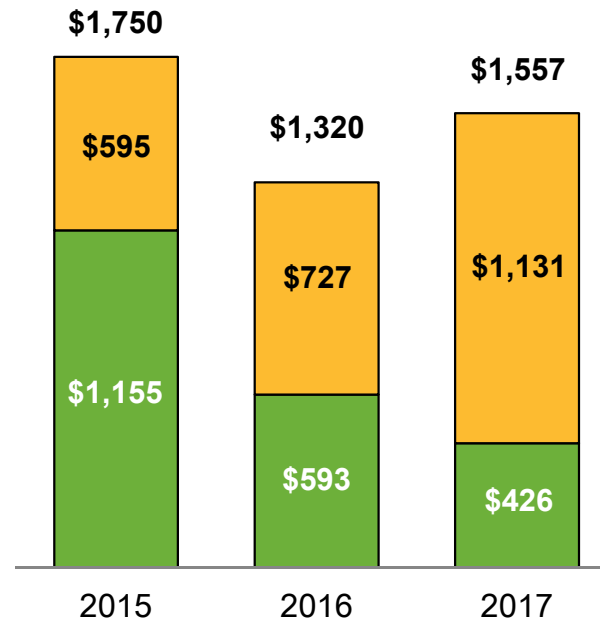
Segment Overview & Highlights

- ▶ Shifting our emphasis to fixed and indexed products
- ▶ Sales results were up year-over-year despite regulatory uncertainty and industry sales down 8% year-over-year
- ▶ Renewed and expanded captive P&C agent relationship

Sales

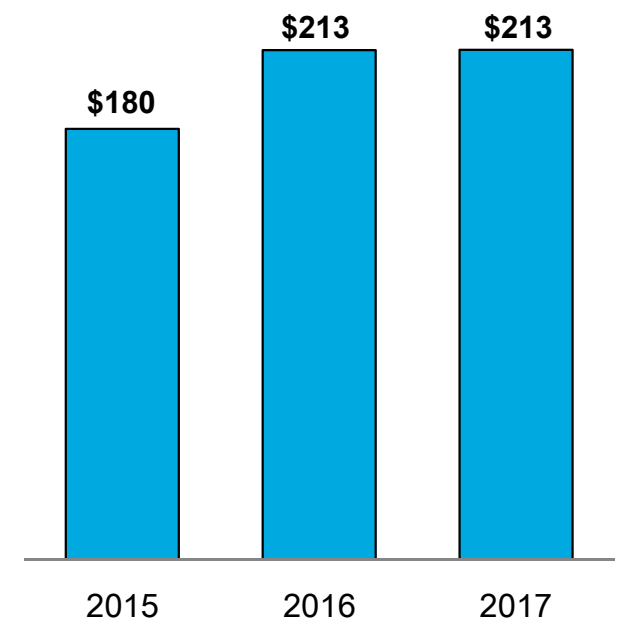
\$ in millions

■ VA ■ Fixed



Pre-Tax Adjusted Operating Income

\$ in millions



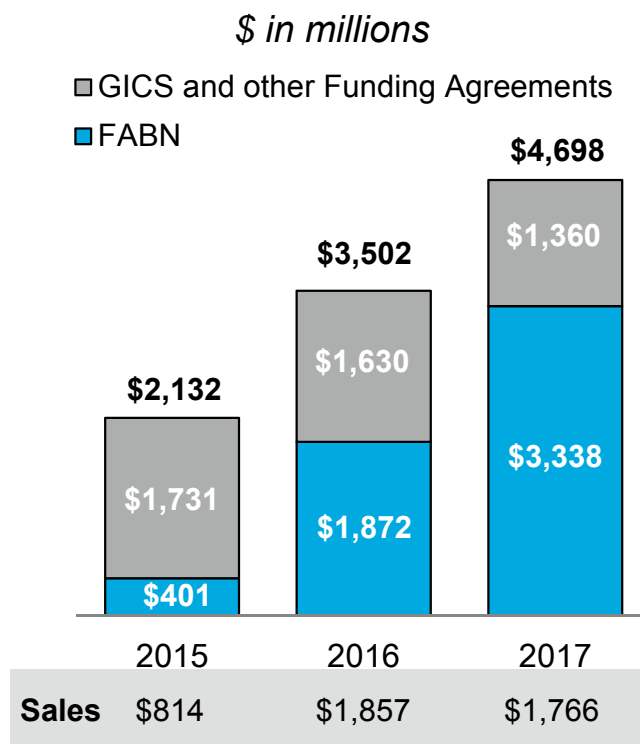
Based on LIMRA Preliminary Industry Report, February 21, 2018
 2015 income results are for February 1, 2015 – December 31, 2015
 2015 sales results are for January 1, 2015 – December 31, 2015

Stable Value Products

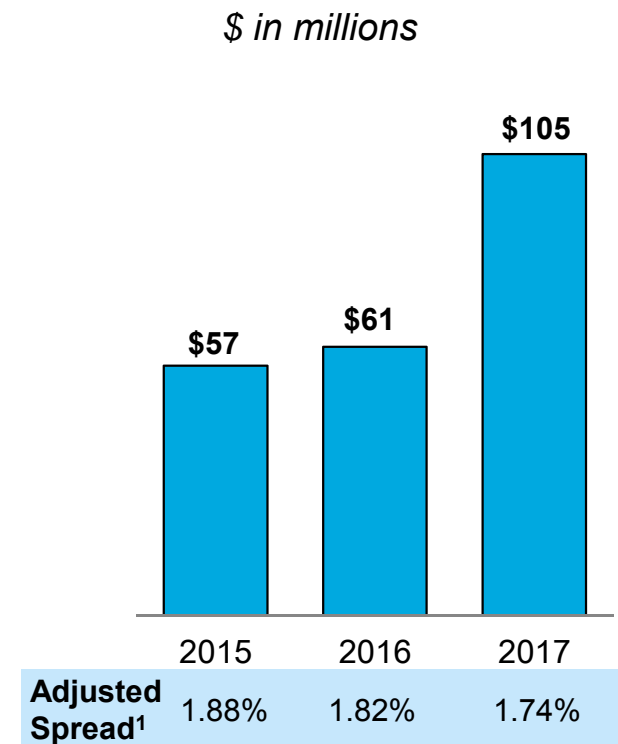
Segment Overview & Highlights

- ▶ 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 and product cash flows
- ▶ Results benefited from:
 - Strong participating income
 - FABN program growth
 - Favorable adjusted spread

Ending Account Balances and Sales



Pre-Tax Adjusted Operating Income



2015 income results are for February 1, 2015 – December 31, 2015

2015 sales results are for January 1, 2015 – December 31, 2015

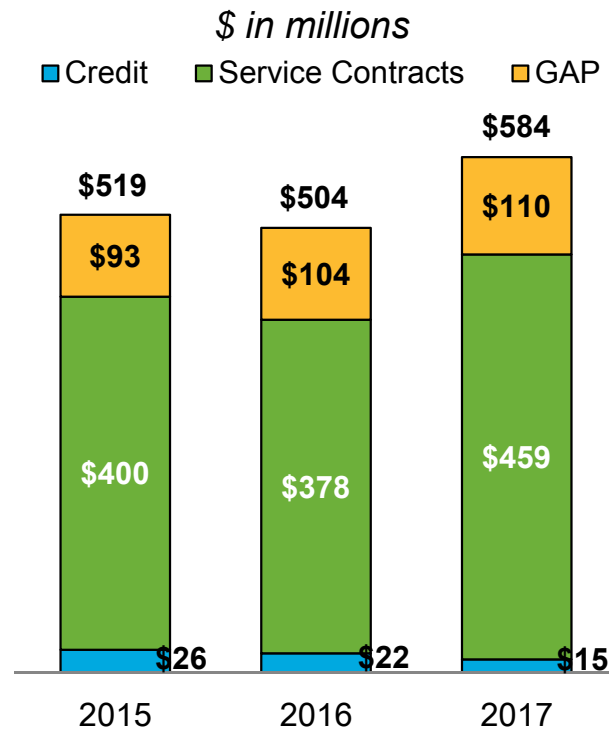
1. Adjusted Spread excludes participating mortgage loan income and other income

Asset Protection

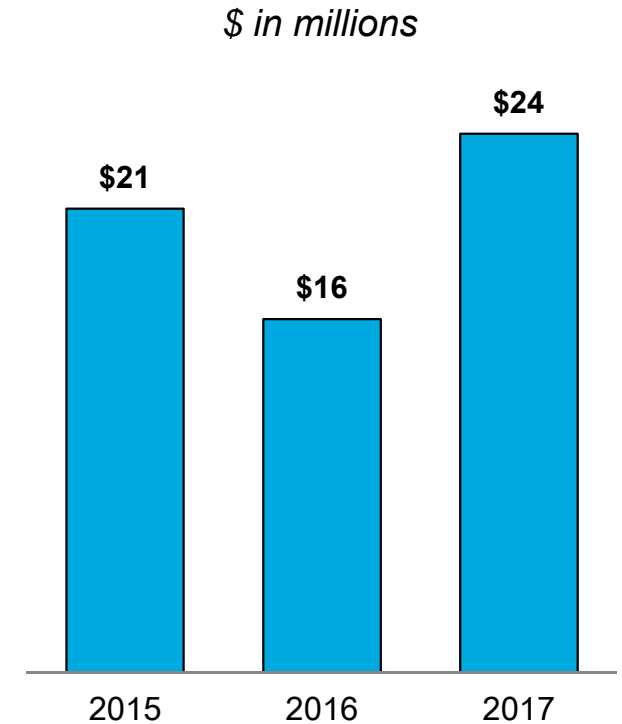
Segment Overview & Highlights

- ▶ One of the top providers of extended service contracts on automobiles, recreational vehicles, watercraft and powersports in the marketplace
- ▶ Successful integration of US Warranty acquisition
- ▶ Favorable service contract loss ratios
- ▶ GAP business remains challenged

Sales



Pre-Tax Adjusted Operating Income



2015 income results are for February 1, 2015 – December 31, 2015

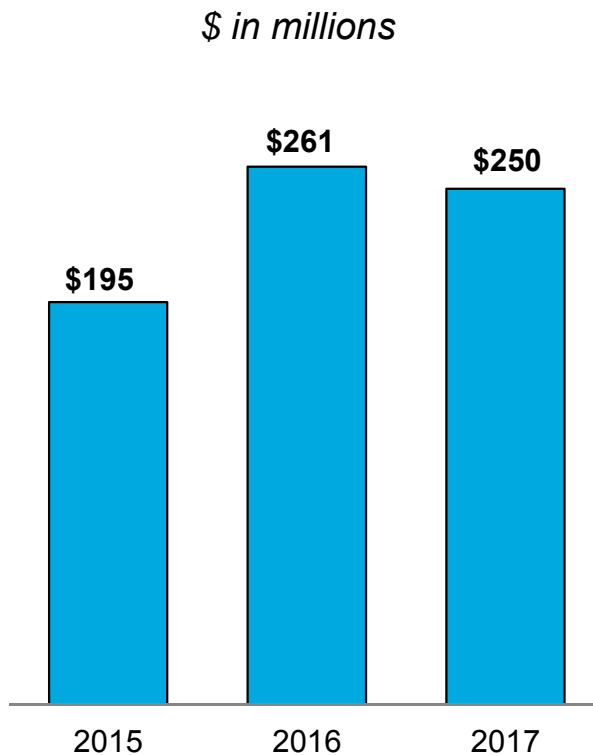
2015 sales results are for January 1, 2015 – December 31, 2015

Acquisitions

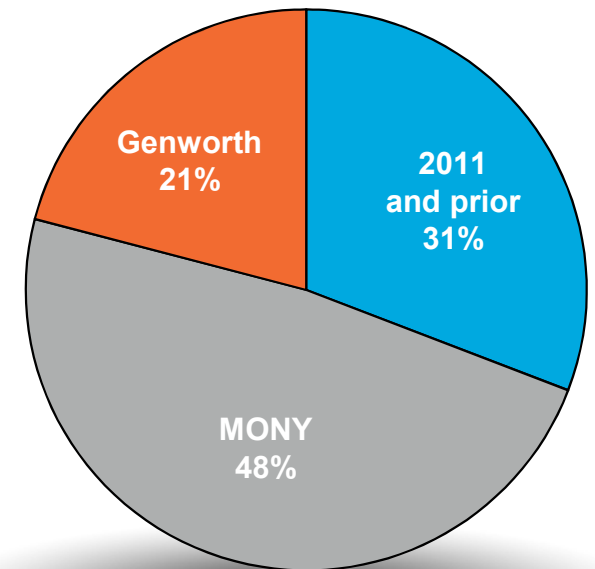
Segment Overview & Highlights

- ▶ Acquiring and servicing policies obtained from other companies
- ▶ Completed 56 acquisition transactions¹
- ▶ Disciplined, proven methodology
- ▶ Active end to 2017 as the teams focused on signing the Liberty Mutual Transaction
- ▶ M&A pipeline has been consistently active

Pre-Tax Adjusted Operating Income



Contributions to 2017 Pre-tax Adjusted Operating Income

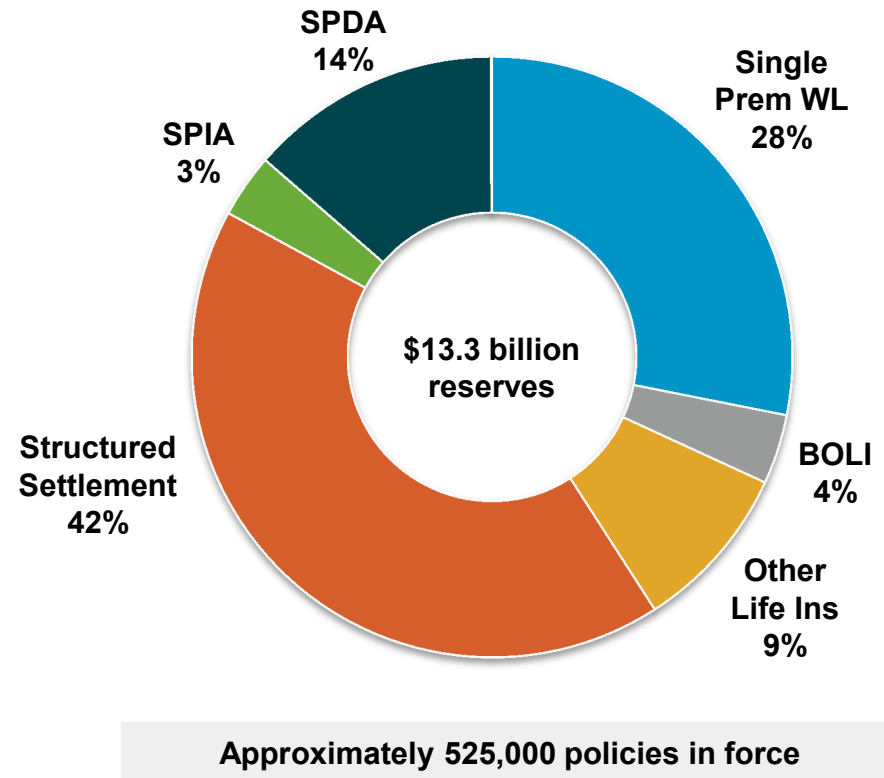


2015 income results are for February 1, 2015 – December 31, 2015

17 ¹ includes transactions whose income is classified into other business segments

Liberty Mutual Transaction

- ▶ May 1, 2018: Protective, Liberty Mutual Group Inc. (“Liberty Mutual”), and Lincoln National Corporation (“Lincoln”) closed the transaction previously announced in January 2018
 - Protective acquired approximately 250 employees as part of the transaction
 - Includes access to Liberty Mutual’s distribution for new business sales opportunities (P&C Captive Agent and Bank Channels)
- ▶ Summary metrics for Protective’s reinsurance transaction:
 - Life and annuity reserves transferred to PLICO/PLAIC: \$13.3 billion¹
 - Initial estimated invested capital: \$1.2 billion
- ▶ Largest acquisition in Protective’s history, measured by invested capital



¹ Non-NY business was reinsured to Protective Life Insurance Company (“PLICO”); NY business was reinsured to Protective Life and Annuity Insurance Company (“PLAIC”). Estimated statutory reserves as of December 31, 2017

High Quality Acquisition Opportunity for Protective

- ▶ Capital deployment of approximately \$1.2 billion
- ▶ Predictable and steady cash flows
 - Capital regenerates quickly
 - Assets are well-matched to liabilities; little reinvestment risk
 - Asset quality similar to Protective's
 - Strong GAAP and STAT income
- ▶ Seasoned, stable blocks of business
 - Well-aligned with Protective's acquisition strategy
 - In Protective's "acquisition sweet spot"
- ▶ Diversifies Protective's business mix, lowers earnings volatility, and broadens capacity to support growth
- ▶ Increases economies of scale as business transitions to Protective
- ▶ No financing needed; well within Protective's available capital



2018 Priorities

Our 2018 Priorities



**Investing in Talent
and Culture**



**Customer
Experience**



**Acquisition
Integration**



**Focused Experimentation
& Building Capabilities**



Growing Annuities

Leveraging Digital Technology



Risk Management

Data-driven initiatives to understand our customers

- Customer analytics
- Health & wellness



Customer Experience

Omni-channel communication tools and service support platforms

- Web chat, co-browsing, video
- Customer guides
- Enables affinity distribution



Efficient Operations

Digitally-enabled functionality to simplify business

- EZ App
- Accelerated underwriting
- E-signature
- Online claim portal
- RPA

Summary

- ▶ Our focus is on
 - Healthy retail sales momentum in our chosen market and product segments
 - Ability to leverage our distinctive M&A franchise
 - New capabilities to support growth and improve the customer experience
 - Leadership team and workforce are talented and engaged
- ▶ We have a track record of delivering **earnings growth** and have a **positive outlook** for 2018
- ▶ We have a **strong balance sheet**
 - High quality asset portfolio, low risk product portfolio, with disciplined asset-liability management
- ▶ Protective's **financial strength is robust**
 - High capital adequacy with strategic deployment, low debt/capital ratio with strong coverage metrics, and excellent liquidity
 - A strong and supportive parent



Questions