

Product Development Symposium

Term Topics
Sessions 5B, 6A
May 7, 2004

Presented by:

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Return of Premium Term

- Summary
 - Marketing
 - Pricing
 - Reserves
 - Standard Nonforfeiture Law
 - Informal Company Survey
 - NAIC LHATF Survey
 - Miscellaneous

Return of Premium Term

- Marketing
 - Great Sales Pitch
 - Higher Premiums
 - Higher Commissions
 - Traditionally Used in Mortgage Term
 - High policyholder Internal Rate of Return

Return of Premium Term

Marketing

“Wouldn't you like to get
your money back when
you don't die?”

Return of Premium Term
Marketing

“Did you know that less than
5% of all term life insurance
policies are ever used for
their death benefits?”

Return of Premium Term
Marketing

“No cost (ROP) Term”

Return of Premium Term
Marketing

“Imagine getting a money-
back guarantee on your
Term Life Insurance.”

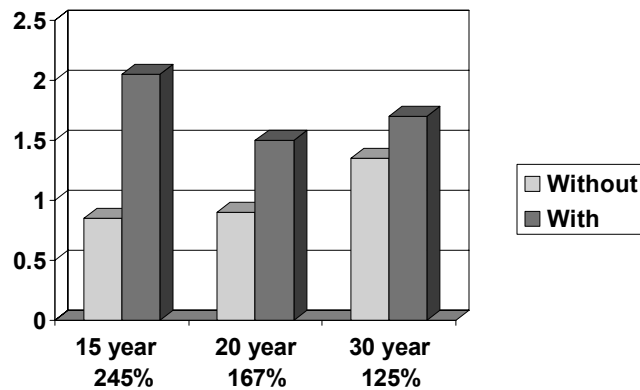
Return of Premium Term
Marketing

“Coverage when you need it,
money back when you
don't.”

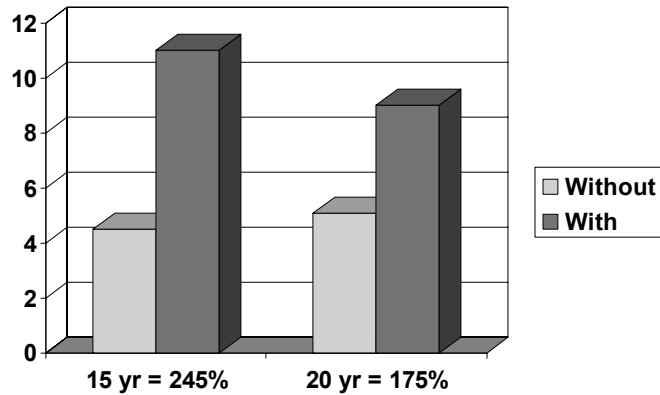
Return of Premium Term Marketing

“Win-Win-Win”
Death benefit – conversion -
ROP

Return of Premium Term Premium Rates 35-M-Pr



Return of Premium Term Premium Rates 55-M-Pr



Return of Premium Term Marketing

“...male, age 35... equates to a
8.59% rate of return
guaranteed...20% tax
bracket...jumps to a
guaranteed 10.74%”

Return of Premium Term Marketing

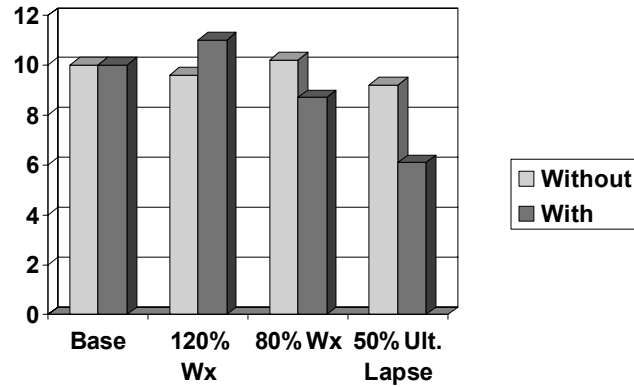
“...female, age 45... equates to
a 11.52% rate of return,
14.40% if she were in a
20% tax bracket...”

Return of Premium Rider

- Pricing
 - Persistency Risk
 - Base Profits vs. Rider
 - Impact of NIER
 - Additional Reserves
 - Cash Value

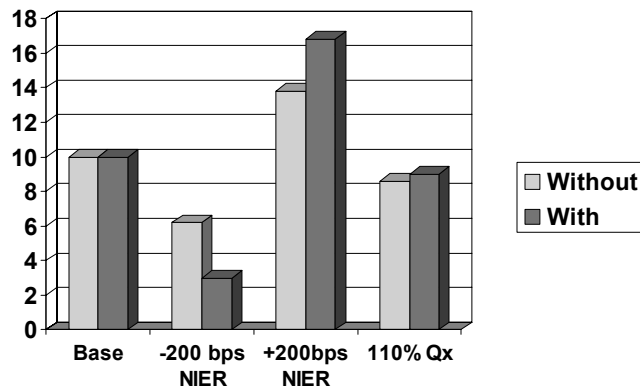
Return of Premium Rider

Persistency Risk Profit Margin



Return of Premium Rider

Sensitivities: NIER & Mortality



Return of Premium Rider Regulation

- Reserves
 - XXX Model Regulation
 - Unusual Pattern of Guaranteed Cash Surrender Values
 - Endowment
- SNFL

Return of Premium Rider NAIC LHATF Survey

- New York Insurance Department Letter
 - Substantial Risk if Lapses are low
 - SNFL requires nonforfeiture values
 - Reserves should reflect endowment
- Survey (1/29/04)
 - Individual policy with rider
 - 7 of 8 states required SNFL demonstration
 - 1 of 8 states reviewed marketing materials
 - Generally regulators okay with concept

Return of Premium Survey Informal Survey

- 15 Company Responses
 - 3 Companies have ROP Rider
 - 7 Companies plan to offer within 2 years
 - 5 Companies do not have current plans
- Products too new for lapse study

Return of Premium Survey Miscellaneous

- Reinsurance
- Tax Implications
- Other Rider
 - Recapture Premiums, if convert
 - Disability Income
 - Critical Illness
- Comparison to UL