



# **Protective Life Corporation**

2Q13 Earnings Results

Conference Call Presentation

August 1, 2013

# Introduction

*In addition to the information contained in this presentation, we have certain supplemental financial information available on our website [www.protective.com](http://www.protective.com). Also, this presentation and the accompanying conference call discussions include 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 press release and 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](http://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 and accompanying webcast are not intended as, and should not be construed as, earnings guidance. This presentation is dated August 1, 2013. We assume no obligation to, and do not intend to update the information contained herein after such date.*

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## 2Q13 Financial Highlights

- Net income of \$103 million, or \$1.27 per share
  - 40% increase in net income per share over 2Q12
- Operating earnings of \$78 million, or \$0.96 per share
  - 13% increase in operating earnings per share over 2Q12
- Strong sales in all retail segments
- Estimated RBC is 525% - 530%
- Good progress toward closing the MONY acquisition
- On track to achieve our 2013 financial plan

# Earnings Per Share Review – Consolidated Results

(\$ per diluted share)

	<u>2Q13</u>	<u>2Q12</u>
<b>Operating Income</b>	\$ 0.96	\$ 0.85
Realized investment gains (losses) and related amortization		
Investments	(0.96)	0.37
Derivatives	1.27	(0.31)
Net realized investment gains	<u>0.31</u>	<u>0.06</u>
<b>Net Income available to PLC's common shareowners</b>	<u><u>\$ 1.27</u></u>	<u><u>\$ 0.91</u></u>

(\$ in millions; net of income tax)

<b>After-tax Operating Income</b>	\$ 77.7	\$ 70.9
Realized investment gains (losses) and related amortization		
Investments	(77.5)	31.2
Derivatives	103.0	(25.9)
Net realized investment gains	<u>25.5</u>	<u>5.3</u>
<b>Net Income available to PLC's common shareowners</b>	<u><u>\$ 103.2</u></u>	<u><u>\$ 76.2</u></u>

## Net Realized Investment/Derivative Gain/Loss

	Per Share	
	2Q13	2Q12
Net realized gain on securities	\$ 0.17	\$ 0.13
Modco net realized gain	0.15	0.06
Impairments	(0.03)	(0.11)
Derivatives related to VA contracts	0.07	0.08
Mortgage/real estate losses	(0.04)	(0.05)
Other	(0.01)	(0.05)
Net realized investment/derivative gain/loss	\$ 0.31	\$ 0.06

# Reconciliation of PLC's Shareowners' Equity Per Share

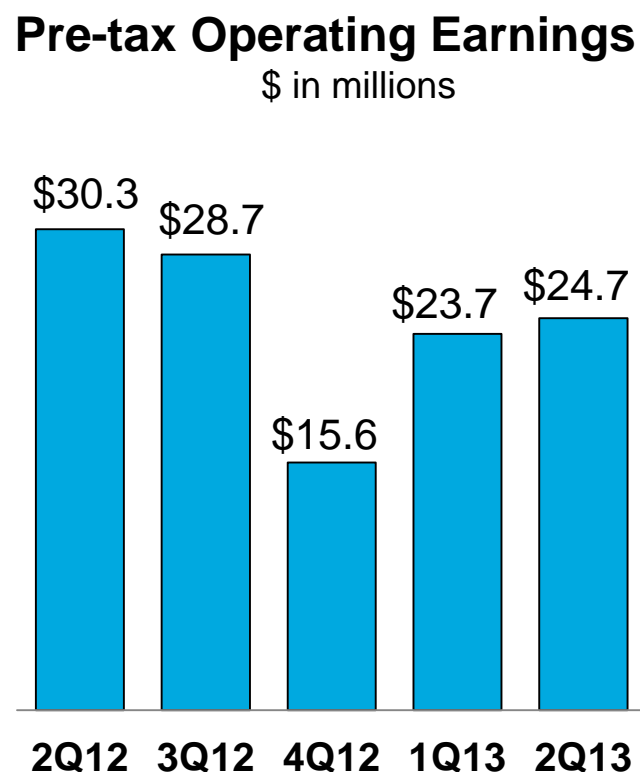
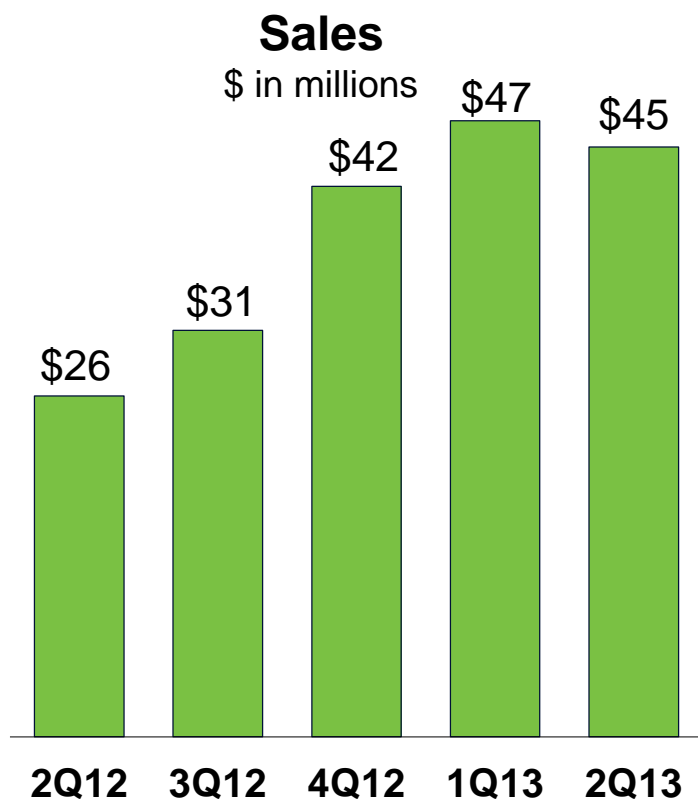
(\$ per common share outstanding)	June 30, 2013	Dec 31, 2012
Total PLC's shareowners' equity	\$ 48.91	\$ 59.06
Less: Accumulated other comprehensive income	10.21	22.22
<b>Total PLC's shareowners' equity excluding accumulated other comprehensive income</b>	<b>\$ 38.70</b>	<b>\$ 36.84</b>

## Unrealized Gains (Losses) on Investments

(\$ in millions)	June 30, 2013	Dec 31, 2012
Gross unrealized gains	\$ 1,946	\$ 3,250
Gross unrealized (losses)	(412)	(141)
<b>Net unrealized gains before tax &amp; DAC</b>	<b>\$ 1,534</b>	<b>\$ 3,109</b>

# Life Marketing Highlights

- Sales up 73% vs. 2Q12
- Term mortality is 87% of expected
- Unfavorable \$4.2 million reinsurance accrual



# Annuities

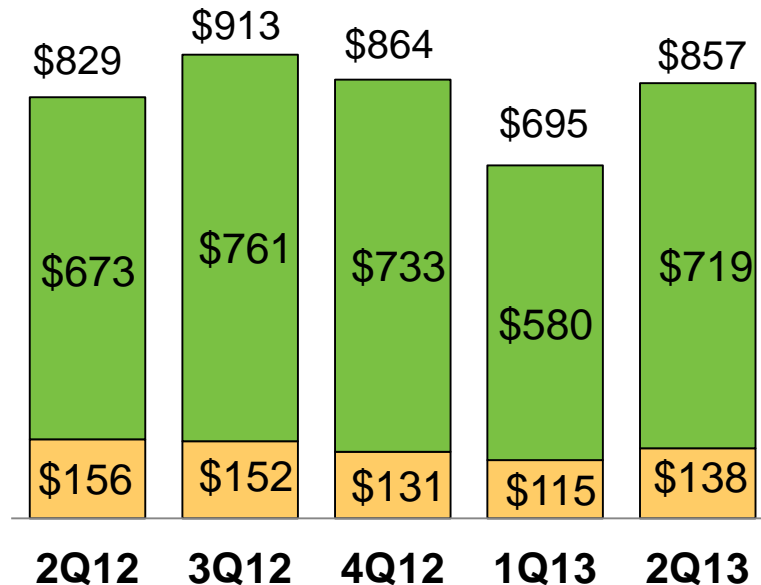
## Highlights

- Strong VA fee income
- Account balance up 19% from 2Q12
- Unfavorable guaranty fund allocation of \$3.3 million
- SPIA mortality \$2.4 million unfavorable to plan

## Sales

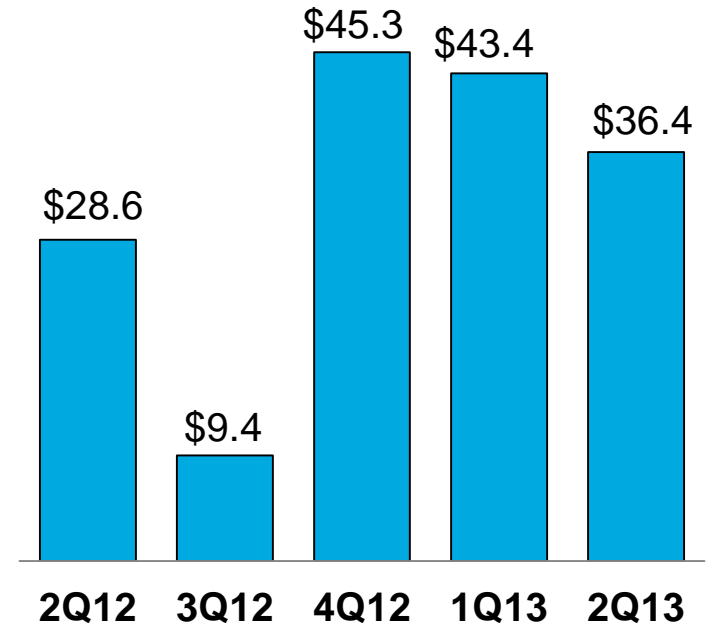
\$ in millions

Fixed Variable



## Pre-tax Operating Earnings

\$ in millions



Account Balance  
\$ in billions

Quarter	2Q12	3Q12	4Q12	1Q13	2Q13
Account Balance (\$ in billions)	\$15.9	\$16.8	\$17.5	\$18.4	\$18.9



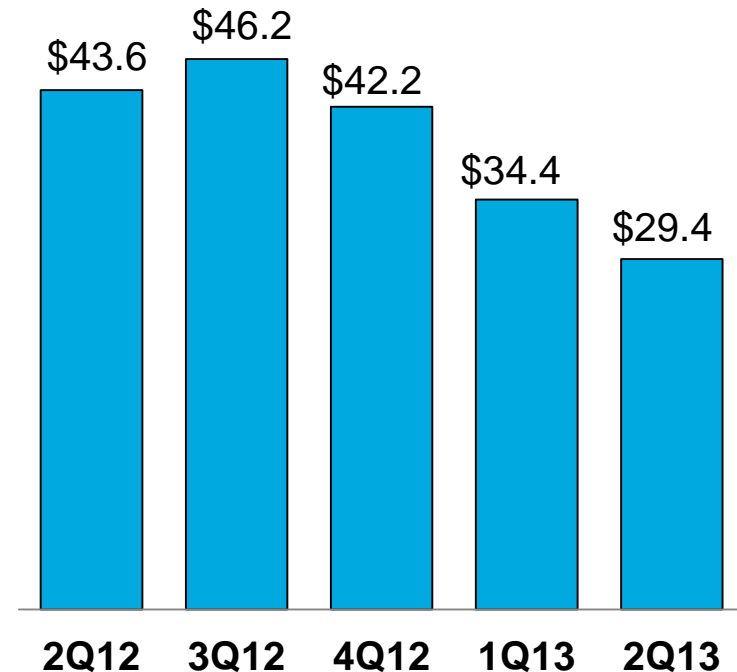
# Acquisitions

## Highlights

- **Major Variances to Prior Year**
  - **\$8.5 million unfavorable variance on mortality, interest & other benefits**
    - Includes unreported death claims of \$5 million
  - **Higher Modco interest on realized gains of \$0.8 million**
  - **Earnings reduced \$1.0 million due to 1Q13 reinsurance increase**
- **Focused on closing MONY transaction later this year**

### Pre-tax Operating Earnings

\$ in millions

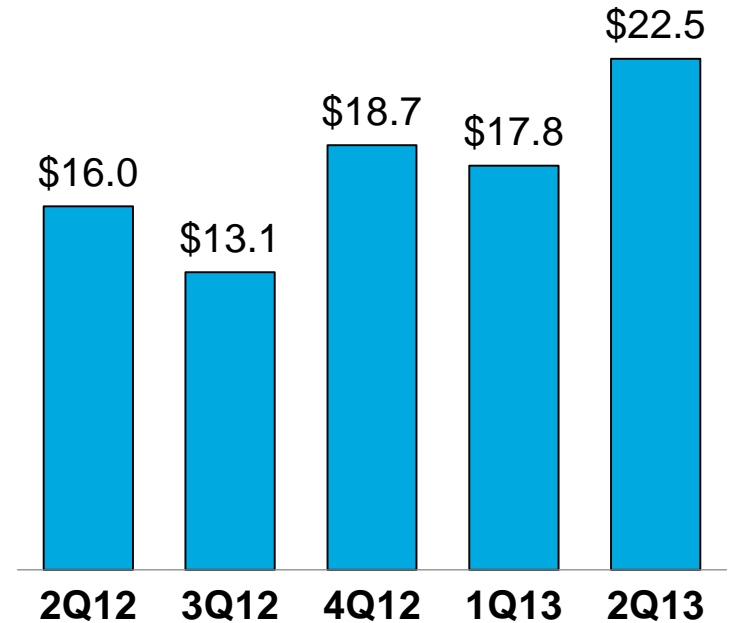


# Stable Value Products

## Highlights

- Continued strong spreads
- Sales of \$205 million
- Participating income of \$5.5 million

## Pre-tax Operating Earnings \$ in millions



## Account Balances \$ in millions



	2Q12	3Q12	4Q12	1Q13	2Q13
Spread	2.33%	2.01%	3.06%	2.81%	3.53%
Adjusted Spread*	1.98%	2.00%	2.60%	2.55%	2.67%

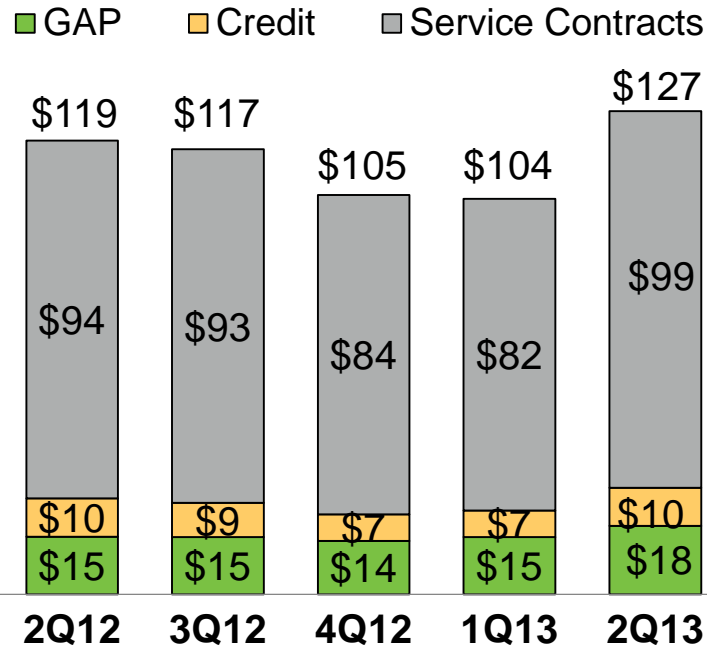
\*Excludes participating mortgage loan/bank loan fee income

# Asset Protection Division

- Highlights**
- Sales up 6% vs. 2Q12
  - Favorable impact of lower expenses

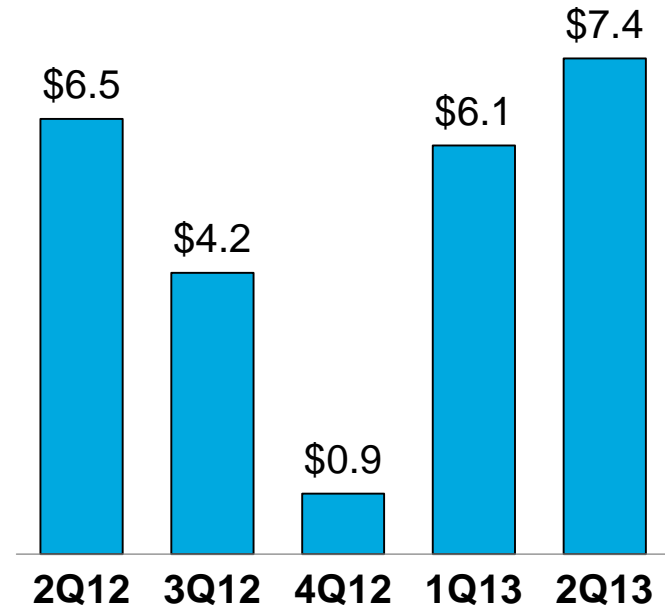
## Sales

\$ in millions



## Pre-tax Operating Earnings

\$ in millions



# 2013 Performance and Reforecast

\$ in millions; except per amounts	2013 YTD Actual	2013 Orig. Plan	2013 Reforecast	Variance	Description
Life Marketing	\$ 48	\$ 111	\$ 106	\$ (5)	Reinsurance accrual
Annuities	80	151	164	13	Improved spreads and fee income
Acquisitions	64	159	139	(20)	Unfavorable mortality, unreported claims, reinsurance effect
APD	14	25	26	1	Lower expenses
Stable Value	40	55	73	18	Strong spreads
Corp & Other	(21)	(48)	(43)	5	Strong investment income
<b>Pre-Tax Operating Income</b>	<b>\$ 225</b>	<b>\$ 453</b>	<b>\$ 465</b>	<b>\$ 12</b>	
Tax	76	151	154	3	
<b>After-Tax Operating Income</b>	<b>\$ 149</b>	<b>\$ 302</b>	<b>\$ 311</b>	<b>\$ 9</b>	
Avg. Outst. Shares	80.9	79.6	81.5	1.9	Suspended share repurchase
<b>Operating EPS</b>	<b>\$1.84</b>	<b>\$3.80</b>	<b>\$3.82</b>	<b>\$0.02</b>	

Reforecast is YTD actual and our forecast for 3Q13 and 4Q13.

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## Key Items to Note in Reforecast Assumptions

- **No buybacks in 2013**
- **No fair value changes or DAC unlocking**
- **Stable Value spread of 270 bp**
- **No impact from the MONY/MLOA acquisition**

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## Summary

- **Our capital position is strong**
- **The retail business segments are healthy**
- **We are making progress to close the MONY transaction late this year**
- **We are on track to deliver our 2013 financial plan**

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## Notes on Forecasting and Modeling Imprecision and Limitations

*The financial forecasts and models in this presentation reflect the company's current best estimates. It should be understood that the data shown are the mid-points of a range of likely potential outcomes. The forecasts and models are not intended to be, and are not, earnings guidance. Actual results will vary from the forecast and modeled results based on a variety of factors, including variations in the many assumptions underlying the forecasts and models (some of which are described above); the timing of when projected expenses and costs are actually incurred; and general variations arising from the conversion of statutory pricing data to GAAP accounting. Please see the important information about Forward-Looking Statements included in this presentation for additional qualifications and limitations.*

# 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) we are exposed to the risks of natural and man-made catastrophes, pandemics, malicious acts, terrorist acts, and climate change; (2) our strategies for mitigating risks arising from our day-to-day operations may prove ineffective; (3) we operate in a mature, highly competitive industry, which could limit our ability to gain or maintain our position in the industry and negatively affect profitability; (4) we operate as a holding company and depend on the ability of our subsidiaries to transfer funds to us to meet our obligations and pay dividends; (5) the policy claims of our insurance subsidiaries may fluctuate from period to period resulting in earnings volatility; (6) we may be adversely affected by a ratings downgrade or other negative action by a ratings organization; (7) our results may be negatively affected should actual experience differ from management’s assumptions and estimates, which by their nature are imprecise and subject to changes and revisions over time; (8) our financial condition and results of operations could be adversely affected if our assumptions regarding the fair value and future performance of our investments differ from actual experience; (9) our use of reinsurance introduces variability in our statements of income; (10) we could be forced to sell investments at a loss to cover policyholder withdrawals; (11) interest rate fluctuations and sustained periods of low interest rates could negatively affect our interest earnings and spread income, or otherwise impact our business; (12) equity market volatility could negatively impact our business; (13) our use of derivative financial instruments within our risk management strategy may not be effective or sufficient; (14) we are highly regulated and subject to numerous legal restrictions; (15) changes in tax law or interpretations of existing tax law could adversely affect us; (16) we may be required to establish a valuation allowance against our deferred tax assets; (17) we, like other financial services companies, in the ordinary course of business, are frequently the targets of litigation, including class action litigation, which could result in substantial judgments; (18) we, 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; (19) our ability to maintain competitive unit costs is dependent upon the level of new sales and persistency of existing business; (20) our 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; (21) we may not realize our anticipated financial results from our acquisition strategy; (22) we are dependent upon the performance of others; (23) our risk management policies, practices, and procedures could leave us exposed to unidentified or unanticipated risks; (24) our reinsurers could fail to meet assumed obligations, increase rates, or otherwise be subject to adverse developments; (25) a disruption affecting the electronic systems of the Company or those on whom the Company relies could adversely affect our business, financial condition and results of operations; (26) exposure to the risks of natural and man-made catastrophes, pandemics, malicious acts, terrorist acts and climate change, could adversely affect our operations and results; (27) our ability to grow depends in large part upon the continued availability of capital; (28) new accounting rules or changes to existing accounting rules could impact our reported earnings; (29) credit market volatility or disruption could adversely impact us; (30) disruption of the capital and credit markets could negatively affect the Company’s ability to meet its liquidity and financing needs; (31) difficult general economic conditions could materially adversely affect our business and results of operations; (32) we may not be able to protect our intellectual property and may be subject to infringement claims; (33) we could be adversely affected by an inability to access our credit facility; and (34) the amount of statutory capital we have and must hold to maintain our financial strength and credit ratings and meet other requirements can vary significantly and is sensitive to a number of factors beyond our control. 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 and Part II, Item 1A of the Company’s most recent report on Form 10-Q for more information about these factors.*





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