

## Life Insurer Financial Analysis

Company	Midland National
<b>Ratings</b>	
A.M. Best Company (Best's Rating, 15 ratings)	A+
Standard & Poor's (Financial Strength, 20 ratings)	A+
Moody's (Financial Strength, 21 ratings)	
Fitch Ratings (Financial Strength, 21 ratings)	
<b>Asset Analysis</b>	
Total Admitted Assets	26,496,854
Total Liabilities	25,104,985
Separate Accounts	1,624,722
Total Surplus & AVR	1,544,929
As % of General Account Assets	6.2%
Invested Assets	24,133,105
Bonds (%)	89.3%
Stocks (%)	1.9%
Mortgages (%)	0.9%
Real Estate (%)	0.1%
Policy Loans (%)	1.3%
Cash & Short-Term (%)	1.6%
Other Invested Assets (%)	<u>4.9%</u>
	100.0%
Net Yield on Mean Invested Assets	
2009 (Industry Average 4.63%)	5.20%
2008 (Industry Average 5.40%)	4.31%
2007 (Industry Average 5.63%)	5.27%
2006 (Industry Average 5.54%)	6.07%
2005 (Industry Average 5.52%)	5.34%
5 Year Average (Industry Average 5.34%)	5.24%
Total Investment Return	
2009 (Industry Average 4.72%)	4.93%
2008 (Industry Average 3.36%)	3.75%
2007 (Industry Average 5.74%)	5.46%
2006 (Industry Average 6.06%)	6.17%
2005 (Industry Average 5.80%)	5.50%
5 Year Average (Industry Average 5.14%)	5.16%
Asset Growth	
2009 Total Admitted Assets	26,496,854
1-Year Growth	4.3%
3-Year Compound Growth	6.9%
2009 Total Surplus & AVR	1,544,929
1-Year Growth	8.3%
3-Year Compound Growth	10.3%

Data for Year-End 2009 from the life insurance companies' statutory annual statements. All dollar amounts are in thousands. All ratings shown are current as of June 15, 2010.

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### Asset Quality Analysis

Non-Investment Grade Bonds (Class 3 - 6)	
Non-Investment Grade Bonds/Total Bonds	6.0%
Non-Investment Grade Bonds/Surplus & AVR	84.5%
Non-Performing Bonds (Class 6)	
Non-Performing Bonds/Total Bonds	0.1%
Non-Performing Bonds/Surplus & AVR	1.8%
Non-Performing Mortgages & Real Estate	
Non-Performing Mort & R.E./ Total Mort & R.E.	3.5%
Non-Performing Mort & R.E./Surplus & AVR	0.5%
Non-Performing Assets/Surplus & AVR	
Bonds In or Near Default	1.8%
Problem Mortgages	0.5%
Real Estate Acquired by Foreclosure	<u>0.0%</u>
Total Non-Performing Assets/Surplus & AVR	2.3%
As a Percent of Invested Assets	0.1%

### Bond Portfolio Analysis

Total Bonds Book Value	21,551,402
Total Bonds Market Value	20,482,286
Bonds Market Value/BookValue	95.0%
Quality	
Class 1: Highest Quality	74.8%
Class 2: Higher Quality	19.3%
Class 3: Medium Quality	2.7%
Class 4: Low Quality	1.2%
Class 5: Lower Quality	1.9%
Class 6: In or Near Default	0.1%
Weighted Bond Class	1.4
Maturity	
1 Year or Less	4.7%
1 to 5 Years	15.8%
5 to 10 Years	24.8%
10 to 20 Years	25.9%
Over 20 Years	28.8%
Weighted Bond Maturity (Years)	13.4

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### Operating Income Analysis

Total Income	3,408,256
Total General Expenses	154,763
Total General Expenses/Total Income	4.5%
Earnings Before Policy Dividends & Taxes	202,046
Policy Dividends	981
Policy Dividends/Earnings	<u>0.5%</u>
Pretax Earnings from Operations	201,065
Federal Income Taxes	117,738
Income Taxes/Pretax Earnings	<u>58.6%</u>
Net Earnings from Operations	83,327
Net Realized Capital Gains	<u>-114,580</u>
Net Income	-31,253
As % of Admitted Assets	-0.1%
Unrealized Capital Gains	88,056

### Premium Growth

2009 Total Premium Income	2,267,273
1-Year Growth	3.2%
3-Year Compound Growth	-1.5%
2009 Ordinary Life Premium	640,189
1-Year Growth	18.3%
3-Year Compound Growth	1.9%

### Profitability

Return on Assets	0.3%
Return on Equity	6.7%
2009 Lapse Ratio	6.8%
3-Year Average Lapse Ratio	6.1%
Net Investment Income	1,087,136
Required Interest	554,345
Interest Margin	96.1%
Ordinary Life Expenses/Premiums	10.3%
General Expenses/Total Income	4.5%
Commissions & General Expenses/Total Income	10.3%

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### Analysis of Face Amount of Insurance

Total Insurance In Force	121,653,415
Ordinary Life	99.6%
Group Life	0.4%
Other	0.0%
 Total Reinsurance Ceded	 73,699,184
% of In Force Ceded	
Ordinary Life	60.8%
Group Life	0.0%
Other	0.0%
 Ordinary Life Policies In Force	 741,543
Average Policy Size (in dollars)	163,430
Ordinary Life Policies Issued in 2009	36,701
Average Policy Size (in dollars)	306,655

### Analysis by Line of Business

Net Premiums Written	2,267,273
Individual	
Life	28.2%
Annuities	55.6%
Health	0.0%
Group	
Life	0.2%
Annuities	16.0%
Health	0.0%
Credit Life & Health	0.0%
Other Lines	0.0%
 Net Earnings from Operations	 83,327
Individual	
Life	59.1%
Annuities	42.2%
Health	0.0%
Group	
Life	-4.8%
Annuities	3.6%
Health	0.0%
Credit Life & Health	0.0%
Other Lines	0.0%

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