

# Best's Rating Report



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# UNIFI<sup>®</sup>

## Companies

AMERITAS LIFE INSURANCE CORP.	A
FIRST AMERITAS LIFE INSURANCE CORP. OF NEW YORK	A
ACACIA LIFE INSURANCE COMPANY	A
THE UNION CENTRAL LIFE INSURANCE COMPANY	A

Lincoln, Nebraska



A

# Best's Rating Report

## Ultimate Parent: UNIFI Mutual Holding Company

### AMERITAS LIFE INSURANCE CORP.

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Lincoln, NE 68510-2234

Mailing Address: P.O. Box 81889, Lincoln, NE 68501-1889

Web: www.unificompanies.com

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AMB#: 006152

Ultimate Parent#: 051337

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NAIC#: 61301

FEIN#: 47-0098400

#### BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the consolidated Financial Strength of the company and its major affiliated life/health companies, the company is assigned a Best's Financial Strength Rating of A (Excellent). The company's Financial Size Category is Class XIII.

#### RATING UNIT MEMBERS

Ameritas Life Insurance Corp.

(AMB# 006152):

AMB#	COMPANY	BEST'S FSR	
006002	Acacia Life Insurance Company	A	g
068545	First Ameritas Life of NY	A	g
007150	Union Central Life Ins Co	A	g

#### RATING RATIONALE

**Rating Rationale:** The rating of the UNIFI companies — which includes Ameritas Life Insurance Corp. (Ameritas Life); its New York subsidiary, First Ameritas Life Insurance Corp. of New York (First Ameritas Life); Acacia Life Insurance Company (Acacia Life) and The Union Central Life Insurance Company (Union Central) — reflects the group's strong risk-adjusted capitalization, diversified operating platform, high quality balance sheet and favorable business profile. The rating also reflects the group's strong market position in group dental insurance. These strengths are tempered by the overall decline in premium revenue, the significant realized capital losses in recent years, relatively high level of loan delinquencies at Acacia Federal Savings Bank, increased competition within UNIFI's core businesses — group dental and vision, life insurance and annuities — and the modest scale within its retirement plan and variable annuity lines.

UNIFI maintains a diversified operating profile which includes life insurance, annuities, individual disability insurance, retirement plans and investment products, group dental and vision, banking and mutual funds. Ameritas Life enjoys a strong position as a top-five provider of group dental and vision, which has historically produced favorable operating results. UNIFI's competitive position within the U.S. life marketplace has generally remained steady, although recent sales growth has underperformed the industry. In the past, UNIFI had demonstrated strong growth in life sales relative to the industry. However, sales have been impacted in recent periods by the recessionary economic environment and a strategic decision to scale back sales of certain products to reduce new business strain and preserve capital. A.M. Best acknowledges that UNIFI has increased market share in certain other product lines during this time. The group has a favorable business profile complemented by a unified branding strategy, improved economies of scale and a broad product portfolio including whole life, universal life, variable universal life, indexed life, fixed annuities, indexed annuities, variable annuities, disability income, retirement plans, dental, vision and auditory insurance. UNIFI's overall capitalization is strong, on both an absolute and risk-adjusted basis, with modest financial leverage, below-average intangibles and a generally conservative investment posture supporting its relatively high quality balance sheet. In addition, A.M. Best believes that future investment losses resulting from its exposure to non-agency mortgage-backed securities will likely be significantly lower than prior periods. Union Central and Acacia Life were repositioned as subsidiaries of Ameritas Life as part of a company-wide legal entity reorganization in 2009. A.M. Best believes this has facilitated more efficient management of capital across the life/health operating companies. Union Central remains well capitalized due to capital contributions from its parent, reinsurance agreements that reduced reserve requirements and the movement of certain products to affiliate company paper to reduce new business strain.

While earnings have improved over the most recent period, UNIFI has experienced some spread compression in its fixed annuity business and higher morbidity and lower persistency in the group dental line of business due to the economic environment. A.M. Best believes the group's earnings may be pressured somewhat going forward due to modest overall sales growth as a result of the competitive challenges in many of the company's core business lines as the U.S. market continues to mature and consolidate. A.M. Best believes scale and financial flexibility are key drivers of success in the U.S. life and retirement savings arena. Although growth through past mergers has significantly enhanced UNIFI's overall business profile, the group is a middle-tier player (i.e., top 40) within the individual life and annuity market. A key to improving operating returns will be UNIFI's ability to continue to reduce unit costs within the life and annuity lines through strong organic growth and additional technological investments. UNIFI's competitive position also remains modest within its retirement plans segment. Other industry-wide issues include continued competition from other large national players in group dental, loan delinquencies at Acacia Federal Savings Bank and the overall impact of the current low interest rate environment on many of UNIFI's product lines.

**Best's Financial Strength Rating: A**

**Outlook: Stable**

#### FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
01/20/11	A	05/01/08	A g
04/13/10	A g	02/02/07	A g
01/30/09	A g		

#### KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Total Capital				
		Capital Surplus Funds	Condit'l Reserve Funds	Net Premiums Written	Net Invest Income	
2006	6,006,588	826,051	62,457	982,493	133,779	72,461
2007	6,398,880	878,120	68,603	1,088,539	137,341	77,195
2008	5,142,388	710,625	4,995	1,298,953	139,353	-71,982
2009	6,529,456	1,248,997	27,106	1,227,602	119,619	49,927
2010	7,124,569	1,330,877	49,332	1,154,125	126,856	77,948

#### BUSINESS REVIEW

UNIFI offers a broad array of insurance and financial products and services to individuals, families and businesses through its insurance subsidiaries. The company has four main business segments: Individual, Group, Financial and Retirement Plans. Due to capital requirements, regulatory and cost concerns, the company has recently announced that it is implementing changes to its long-term strategic direction. The new strategic direction includes issuing all new insurance company business through one New York company (First Ameritas) and one non-New York company (Ameritas). Management believes this will provide improved focus with a simplified, streamlined and more efficient operating structure.

UNIFI's Individual segment includes the individual life, annuity and disability income product lines offered by its core insurance entities. As a result of mergers the group's competitive position had strengthened within the mature U.S. life insurance market. However, A.M. Best notes that growth in ordinary life sales have been below industry averages in recent years. Life insurance products are well diversified and include traditional whole life, universal life, variable universal life, and indexed universal life. Annuity product lines include traditional fixed annuities, indexed annuities and variable annuities (VAs). In 2007, UNIFI introduced a VA guaranteed lifetime withdrawal benefit rider to meet the needs of Baby Boomers as they move into the retirement phase. In response to the financial crisis, the company increased the fees on its VA products, similar to many of its peers in the industry. Total insurance inforce at year-end 2010 was \$78.2 billion, an increase of 1% as a result of new face issued offset by increased lapses. The Individual segment's earnings, before realized losses, represented just under two-thirds of UNIFI's consolidated 2010 pre-tax GAAP operating income. Individual products are marketed in all 50 states using a multi-channel platform which includes career agents, general agents; brokerage general agencies (BGAs), and fee-based advisors. While UNIFI made a strategic decision to scale back somewhat on its distribution expansion plans in the Individual segment during the financial crisis, the company currently remains focused on increasing the productivity of its existing field force and expanding the number of producers.

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UNIFI's Group segment possesses a top-five market position, offering group dental and vision benefits nationwide. This unit, with a membership base exceeding 4.5 million participants, contributed 14% to UNIFI's 2010 consolidated pre-tax GAAP operating earnings. The Group segment's participating provider organization (PPO) panel has approximately 170,000 provider access points covering over 1.8 million employee lives. UNIFI's group products are sold through a multiple distribution strategy which includes its captive distribution for ALIC, a leading provider of group dental indemnity, PPO, voluntary and individual dental products and services; and its partnering distribution arrangements. Its market position has been achieved through organic growth, selective block acquisitions and multiple distribution partnering arrangements. ALIC's group dental products include its Dental Rewards product, which offers a rollover benefit maximum to its plan participants. Dental Rewards has been a highly successful product for the group and is complemented by the FUSION product, which combines dental and vision benefits. Ameritas Group has also introduced a Lasik Surgery insured benefit as a rider to the dental product, the first in the industry. Historically, the Group segment's dental line has outpaced industry sales results with double-digit growth rates. However, sales have been impacted over the most recent period due to the competitive market and economic environment. ALIC's sales growth trends have historically been strong, particularly within DPPO, where it maintains a strong and growing dental provider network. ALIC's dental franchise continues to be a major contributor to earnings, supported by its efficient cost structure, dental block consolidation expertise, flexible product design, persistency and excellent customer service. While morbidity remained high during the most recent period expense management efforts have helped to offset the relatively high level of dental claims. The group's extensive dental database, which is utilized in pricing, product development and claims management, is crucial to facilitating favorable underwriting results. These competitive advantages continue to allow ALIC and its partnerships to compete effectively in the increasingly competitive group market. Finally, captive distribution within the Group division consists of approximately 87 sales associates operating within 26 regional sales offices nationwide, and a number of strategic partnership alliances, third party administrators and brokerage general agency channels. In addition to dental and vision, ALIC has introduced an auditory offering to complement its current group product portfolio.

The Financial segment includes AFSB and Calvert. Calvert had approximately \$14.7 billion in AUM at year-end 2010, an increase from \$14.3 billion at year-end 2009 as an increase in redemptions were more than offset by an increase in sales and market appreciation. Calvert offers a broadly diversified portfolio of short-term, equity and long-term bond mutual funds. Calvert has a strong retirement emphasis with a meaningful portion of its AUM from retirement plans invested across various Calvert funds, and also offers various institutional investment products. AFSB has approximately \$1.2 billion in total assets. AFSB has been strategically shrinking its balance sheet as a result of the current economic environment. Most new loans originated by the bank are being sold with only a small number maintained on its balance sheet. The majority of the loan portfolio consists of interest-only and adjustable rate residential loans with a small amount of commercial loans. In addition, AFSB's loan portfolio is concentrated primarily in the Washington D.C. area, and as a result, its business has a high level of geographic concentration risk. The bank had recorded pre-tax operating losses in 2008 and 2009 due to increased loan loss provisions, but posted a pre-tax operating gain of \$3.9 million in 2010 due to a lower loan loss provision and higher gains on sales of loans and real estate. The company has contributed additional capital to the bank and removed non-performing assets to significantly strengthen its capital ratios in recent periods.

The Retirement Plans segment markets group annuities to the small and mid-sized 401(k) employer market (under 250 employees) and offers products on both a bundled and unbundled basis. Year-end 2010 AUM were approximately \$3.7 billion, with approximately 120,000 participants. Sales and earnings have been impacted in recent periods by the financial crisis and the uncertain economic environment. While the overall scale of this unit is currently modest, UNIFI will be increasingly focused on strengthening its business profile within the retirement savings arena. A.M. Best notes that the U.S. retirement market is maturing and represents one of the more profitable segments within the U.S. life and annuity market requiring increased scale and superior risk management capabilities to compete effectively.

## PREMIUM AND RESERVE ANALYSIS

	2010	2009	2008	2007	2006
<b>Direct Premiums (000)</b>					
Ordinary life	112,196	136,451	130,341	138,274	155,976
Group life	...	...	1	4	...
Individual annuities	176,388	158,054	250,834	190,787	370,023
Group annuities	327,351	389,787	412,352	279,611	1,707
Individual A&H	382	304	394	359	494
Group A&H	508,428	513,890	487,112	451,851	410,799
<b>Total</b>	<b>1,124,745</b>	<b>1,198,485</b>	<b>1,281,034</b>	<b>1,060,887</b>	<b>938,998</b>
<b>Reins Assumed Prens (000)</b>					
Ordinary life	540	146	344	437	6,924
Group A&H	56,375	55,067	49,334	56,448	70,931
<b>Total</b>	<b>56,915</b>	<b>55,213</b>	<b>49,678</b>	<b>56,885</b>	<b>77,855</b>
<b>Reins Ceded Prens (000)</b>					
Ordinary life	26,188	24,590	30,018	27,354	32,367
Group life	...	...	0	1	...
Individual annuities	598	603	727	867	818
Individual A&H	286	304	394	359	494
Group A&H	462	599	620	652	682
<b>Total</b>	<b>27,535</b>	<b>26,096</b>	<b>31,759</b>	<b>29,233</b>	<b>34,361</b>
<b>Net Premiums &amp; Deposits (000)</b>					
Ordinary life	88,334	113,870	102,656	113,454	132,714
Group life	...	...	0	3	...
Individual annuities	180,144	159,209	253,255	192,406	373,906
Group annuities	370,690	445,020	555,993	347,352	206,360
Individual A&H	95	...	...	...	...
Group A&H	564,341	568,358	535,826	507,647	481,048
<b>Total</b>	<b>1,203,604</b>	<b>1,286,456</b>	<b>1,447,730</b>	<b>1,160,861</b>	<b>1,194,027</b>
Deposits (incl. above)	49,479	58,853	148,777	72,322	211,534
<b>General Account Reserve Distribution (000)</b>					
Ordinary life	696,487	700,857	706,218	695,790	694,189
Supplementary contracts	10,204	10,494	10,520	10,735	10,800
Individual annuities	266,382	284,514	319,027	316,692	372,085
Group annuities	769,658	729,264	661,611	555,072	49,897
Deposit type contracts	198,502	197,409	197,433	109,239	528,397
Group A&H	2,977	3,249	3,492	4,618	4,955
<b>Total</b>	<b>1,944,210</b>	<b>1,925,787</b>	<b>1,898,301</b>	<b>1,692,146</b>	<b>1,660,325</b>

**Geographical breakdown of direct premium writings (\$000):** Nebraska, \$170,096 (14.5%); California, \$123,310 (10.5%); Texas, \$122,237 (10.4%); North Carolina, \$69,360 (5.9%); Pennsylvania, \$56,984 (4.9%); other jurisdictions, \$632,776 (53.9%).

## EARNINGS

UNIFI has a generally diversified earnings profile, consisting of the group's insurance and financial services businesses. Within insurance, earnings are well diversified between individual life & annuity and group dental & vision. The company reported consolidated GAAP net income of \$146 million in 2010 versus \$56 million in the prior year. Net income benefited from a focus on expense management, a strong market recovery and improved earnings at AFSB primarily due to a reduced loan loss provision. The Individual segment generated the majority of UNIFI's earnings in 2010 with the Group, Retirement Plans and Financial segments contributing much lesser amounts. In 2010, each segment's pre-tax operating earnings contributions were as follows: Individual (61%), Financial (18%), Group (14%), Retirement (2%) and (5%) Corporate. On a pre-tax operating basis (excluding non-recurring charges and capital gains/losses), UNIFI's 2010 consolidated GAAP results were \$162 million versus \$115 million in the prior period. The company posted a net loss of \$274 million in 2008 as net income was impacted by \$427 million of realized losses due to impairments in its investment portfolio.

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On a year-over-year basis, operating earnings for the Individual segment increased to \$99 million from \$86 million in the prior year. The increase in earnings was primarily due to cost reductions, improved disability morbidity and the aforementioned strong market recovery. The Group division's operating results improved to \$22 million from \$17 million in the prior year primarily due to expense management and a modest improvement in dental claims after experiencing a considerable increase in benefit expenses in 2009 that was partially attributable to the recessionary economic environment. The Financial segment reported earnings of \$29 million compared to \$5 million in 2009. The increase was primarily driven by a lower loan loss provision at AFSB and higher assets under management at Calvert. The Retirement Plans segment's earnings decreased to \$3.9 million from \$5.5 million in 2009 as an increase in asset based charges, interest spreads and a focus on expense management was offset by lower expense deferrals and increased amortization. Finally, the Corporate segment's results increased to \$8.6 million in 2010 from \$2 million in 2009 due to reduced expenses and an increase in income from alternative investments.

On a statutory basis, UNIFI reported a consolidated pre-tax net operating gain of \$108 million in 2010 compared to a gain of \$122 million in the prior year as the impact of expense management and lower reserve increases for the company's secondary guarantee universal life product was offset by a reduction in dividends from subsidiaries, reinsurance activity and increased sales strain in certain traditional product lines. The company's earnings were impacted in 2008 by sharp declines in the Individual and Retirement segments due to increased expenses and strain in the individual life line of business, lower income from the variable annuity product line due to lower sales and an increase in reserves for the GMDB rider. Statutory earnings were also impacted in 2008 by Regulation XXX reserve strain, hedge accounting volatility and spread compression primarily within fixed annuities. In 2009, overall earnings benefited from reduced acquisition costs associated with new sales, reduced general expenses associated with an increased focus on cost cutting initiatives, improved mortality ratios and income generated from a new reinsurance agreement in Union Central. The statutory results exclude the financial services businesses and consist of the following four statutory reporting entities: Ameritas Life, First Ameritas Life, Acacia Life, and Union Central. A.M. Best expects statutory earnings may be pressured in the near-term due to the competitive market and economic environment, but over time will benefit from organic growth, achievement of scale and further expense efficiencies.

## PROFITABILITY TESTS

Year	Ben Paid to NPW & Dep	Comm & Exp to NPW & Dep	NOG to Tot Assets	NOG to Tot Rev	Operating Return on Equity	Net Yield	Total Return
2006	68.2	17.1	1.0	4.6	6.8	5.46	11.03
2007	79.4	19.1	0.9	4.3	6.5	5.47	6.17
2008	72.1	14.5	0.0	0.1	0.1	5.48	1.31
2009	72.5	17.6	0.9	3.7	5.3	4.23	6.39
2010	81.2	17.3	1.1	5.5	5.7	3.98	4.79

## PROFITABILITY ANALYSIS

	2010	2009	2008	2007	2006
Net Operating Gain (000)					
Ordinary life	27,820	12,305	-859	17,044	18,808
Group life	...	...	0	2	...
Supplementary contracts	-337	-78	440	173	561
Individual annuities	23,461	24,873	-42,308	3,945	9,673
Group annuities	1,907	302	1,894	2,806	6,325
Individual A&H	-842	9	15	16	13
Group A&H	14,407	11,956	24,003	21,081	34,383
Other	6,951	2,494	17,631	9,912	-15,409
Total	73,367	51,861	816	54,978	54,353

## ACCIDENT AND HEALTH STATISTICS (\$000)

Year	Net Premiums Written	Net Premiums Earned	Loss Ratio	Exp. Ratio	Under-writing Results
2006	480,924	481,678	70.5	23.4	29,675
2007	508,088	507,909	70.8	24.4	24,553
2008	536,848	536,932	73.2	22.2	25,029
2009	568,913	568,600	76.7	21.9	10,121
2010	563,614	564,708	76.0	22.1	13,827
Current Year Experience:					
Group	563,519	564,613	76.0	22.0	14,669
Non-can	...	...	...	...	-852
Guaranteed renew	...	...	...	...	0
Other	95	95	70.2	20.2	9

## CAPITALIZATION

Capital and surplus for the UNIFI companies has rebounded over the past two years after declining sharply in 2008 due to significant realized and unrealized investment losses. Capital and surplus increased in 2010 primarily due to favorable operating results. In 2009, capital and surplus benefited from repositioning activities within the group, a new reinsurance agreement at Union Central and favorable operating results. As a result, the group maintains a more than adequate level of risk-adjusted capitalization for its current investment and insurance risks. On a qualitative basis, the group's strong capitalization levels are complemented by favorable financial measures such as low financial leverage, solid interest coverage, moderate intangibles-to-equity and the hidden value inherent in its ownership of Calvert. In addition, the company employs strong enterprise risk management and corporate governance programs that are deployed throughout the organization.

A.M. Best believes that the repositioning of Union Central and Acacia Life under Ameritas Life has made it easier to facilitate the allocation of capital within the organization. While Union Central's capital position was impacted by significant impairments in its non-agency backed securities in 2008, UNIFI made a number of strategic decisions to ensure that the company remained well capitalized including \$225 million of capital contributions. A.M. Best notes that the other two main insurance operating entities, Ameritas Life and Acacia Life, are both very well capitalized. Going forward, A.M. Best expects UNIFI to maintain sound capitalization, which is enhanced by the group's financial flexibility as a mutual holding company, good liquidity and diversified business profile.

## LEVERAGE TESTS

Year	C&S to Liabilities	Surplus Relief	Reins Leverage	NPW & Dep to Capital	Change in NPW & Dep	Change in Capital
2006	51.1	0.8	8.0	1.3	22.6	6.9
2007	53.9	0.4	7.6	1.2	-2.8	6.6
2008	36.3	0.5	10.4	2.0	24.7	-24.4
2009	63.9	0.3	5.5	1.0	-11.1	78.3
2010	68.7	0.2	5.7	0.9	-6.4	8.2

Current BCAR: 372

## SOURCES OF CAPITAL GROWTH (\$000)

Year	Net Gain	Realized Capital Gains	Unrealized Capital Gains	Change AVR	Other Changes	Change in C&S
2006	54,353	18,107	118,716	7,363	-134,028	64,511
2007	54,978	22,217	-4,637	-6,146	-14,342	52,069
2008	816	-72,798	-37,589	63,607	-121,531	-167,496
2009	51,861	-1,934	63,619	-22,111	446,936	538,372
2010	73,367	4,581	20,816	-22,226	5,342	81,879

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## CAPITAL TRENDS (\$000)

Year	Year end C&S	Surplus Notes	Stockholder Divs	Policyholder Divs	Asset Valuation Reserve	Interest Maintenance Reserve
2006	826,051	...	500	10,202	62,457	2,786
2007	878,120	...	...	10,157	68,603	2,323
2008	710,625	...	87,000	9,995	4,995	...
2009	1,248,997	...	25,000	8,245	27,106	1,400
2010	1,330,877	...	...	8,969	49,332	3,551

## INVESTMENTS AND LIQUIDITY

UNIFI's investment portfolio is managed on a consolidated basis by Summit Investment Advisors, a UNIFI company. The general account portfolio is concentrated primarily in fixed-income securities (approximately 75% on a consolidated basis) and mortgage loans (12%), with the balance invested in common and preferred stock, real estate, alternative investments, policyholder loans and cash and cash equivalents. The fixed income portfolio is comprised of just under one-fourth structured securities, and includes investments in residential, commercial and other asset-backed securities that are primarily backed by home equity loans. While the overall level of these securitized investments are relatively modest, the company impaired a significant amount of these securities in 2008 and 2009 due to declines in market values of non-agency mortgage-backed securities, which is the result of increasing delinquency rates and falling home prices. While the amount of asset impairments improved in 2010, A.M. Best believes the company may experience additional investment losses in this sector, but that they will likely be modest compared to prior years. Relative to similarly-rated peers, UNIFI has below-average exposure to high-yield bonds as a percentage of statutory capital, reflecting its conservative investment philosophy, financial discipline and superior capitalization. Interest rate risk from the MBS portfolio is actively managed by focusing on purchases of issues with 15-year collateral, the monitoring of market values and active asset/liability management. Exposure to subprime and Alt-A loans is moderate, though concentrated primarily within Union Central.

UNIFI's mortgage portfolio is geographically diversified and comprised mainly of commercial loans on office, retail and industrial buildings. Lending activity is driven by conservative underwriting standards and the historical performance has been above average, with only a modest amount of loan delinquencies as of year-end 2010. Mortgage loan exposure as a percentage of statutory capital is in line with similarly-rated peers for UNIFI's insurance lines. Acacia Federal Savings Bank (AFSB), with total assets of approximately \$1.2 billion, has a sizable mortgage loan portfolio concentrated in interest-only and adjustable rate residential mortgage loans, with a modest amount of commercial mortgage loans located primarily in the Washington D.C. area. From an enterprise perspective, this exposure creates some geographic concentration risk in the local Washington real estate market. While earnings have improved over the most recent period, A.M. Best notes that the bank posted net operating losses in 2008 and 2009 due to increased loan loss provisions. A.M. Best believes AFSB's may need the support of its parent, Acacia, in the near-term as capital ratios may decline due to the potential for increased delinquencies and loan loss provisioning.

The group's overall liquidity is buttressed by positive net cash flows from its diversified business mix and access to a committed but unused bank line at Ameritas. In addition, Ameritas, Acacia and Union Central are members of the Federal Home Loan Bank system which provides the potential for additional borrowing capacity at a relatively low cost of funds. Finally, liquidity is further enhanced through UNIFI's mutual holding company structure; its lack of financial leverage; and lower product risk profile.

## LIQUIDITY TESTS

Year	Operating Cash Flow (\$000)	Quick Liquidity	Current Liquidity	Non-Inv Grade Bonds to Capital	Delinq & Foreclsd Mtg to Capital	Mtg & Cred Ten Lns & RE to Cap	Afil Invest to Capital
2006	-106,928	64.8	83.4	6.6	...	47.1	11.0
2007	65,716	62.4	81.6	7.3	...	46.1	12.4
2008	30,624	57.3	72.8	12.4	...	62.9	16.2
2009	523,222	55.1	70.2	7.3	...	35.2	58.4
2010	119,682	59.1	74.9	6.6	...	33.2	56.6

## INVESTMENT YIELDS

Year	Net Yield	Bonds	Stocks	Mortgages	Cash & Short Term	Real Estate Gross	Real Estate Net	Invest. Exp. Ratio
2006	5.46	5.73	1.98	6.99	5.05	20.56	3.61	12.67
2007	5.47	5.58	1.95	6.84	5.87	21.69	4.53	13.47
2008	5.48	5.76	3.17	6.98	3.19	23.40	5.05	11.80
2009	4.23	5.58	0.66	6.42	0.63	24.16	7.23	13.83
2010	3.98	5.60	0.42	6.44	0.13	26.15	5.03	14.49

## INVESTMENT DATA

Current Year Distribution of Bonds by Maturity

	Years					Yrs-Avg Maturity
	0-1	1-5	5-10	10-20	20+	
Government	4.3	2.8	2.7	0.7	0.0	4
Gov't Agencies & Muni	1.6	5.9	3.2	0.6	0.3	5
Industrial & Misc	6.6	25.7	41.2	3.1	0.4	6
Hybrid Securities	0.0	0.0	0.3	...	0.7	18
Total	12.5	34.4	47.3	4.4	1.4	6

	2010	2009	2008	2007	2006
<b>Bonds (000)</b>	1,680,007	1,622,431	1,611,483	1,620,658	1,609,120
US Government	7.5	8.9	10.4	12.3	14.6
Foreign Government	...	0.0	0.0	0.1	0.1
Foreign - All Other	18.8	19.1	17.5	17.2	16.8
State/Special Rev. - US	11.9	13.2	12.1	12.4	12.7
Public Utilities - US	...	...	6.3	5.9	6.2
Industrial & Misc - US	60.6	57.7	53.7	52.1	49.5
Hybrid Securities	1.1	1.1	...	...	...
Private Issues	22.7	23.2	23.2	25.6	25.3
Public Issues	77.3	76.8	76.8	74.4	74.7

Bond Quality (%)	2010	2009	2008	2007	2006
Class 1	58.3	60.0	65.9	67.4	67.7
Class 2	36.4	34.3	28.8	28.4	28.7
Class 3	4.1	4.4	4.2	3.3	2.9
Class 4	0.8	1.1	0.8	0.8	0.5
Class 5	0.3	0.1	0.3	0.2	0.1
Class 6	0.0	0.0	0.1	...	0.0

	2010	2009	2008	2007	2006
<b>Mortgages (000)</b>	403,270	378,816	386,556	370,356	341,542
Commercial	100.0	100.0	100.0	100.0	100.0

	2010	2009	2008	2007	2006
<b>Real Estate (000)</b>	55,166	70,169	63,762	65,863	76,639
Property Occupied by Co	44.6	37.2	42.9	43.1	37.2
Property Held for Inc	55.4	44.8	57.1	56.9	49.5
Property Held for Sale	...	18.0	...	...	13.3

	2010	2009	2008	2007	2006
<b>Stocks (000)</b>	935,430	868,601	236,707	328,477	282,999
Unaffiliated Common	18.8	17.0	62.5	63.1	72.4
Affiliated Common	79.8	81.4	20.7	21.8	17.4
Unaffiliated Preferred	0.3	0.2	10.5	9.7	3.2
Affiliated Preferred	1.1	1.4	6.3	5.3	7.1

	2010	2009	2008	2007	2006
<b>Other Inv Assets (000)</b>	225,958	218,975	280,139	234,691	228,905
Cash	0.0	-3.4	-3.8	-4.4	5.2
Short-Term	18.5	16.3	18.8	10.7	12.3
Schedule BA Assets	37.5	35.4	42.7	45.2	36.1
All Other	43.9	51.6	42.3	48.5	46.4

# Best's Rating Report



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## HISTORY

Date Incorporated: 04/06/1887 Date Commenced: 05/06/1887

### Domicile: NE

This company was incorporated under the laws of Nebraska on April 6, 1887 as a stock life company. In 1941, a plan of mutualization was adopted, and by December 1949, all shares were retired. The company was originally incorporated as Bankers Life Insurance Company of Nebraska, and in 1988 the present title was adopted. Effective January 1, 1998, the company converted from a mutual insurance company structure to a stock life insurance company by adopting the mutual holding company structure. All of the shares of the capital stock of Ameritas Life were issued to and are owned by an intermediate stock holding company, Ameritas Holding Company. The current structure should provide the group with greater financial flexibility in its capital management which includes access to additional capital from public markets. Evidence of operational flexibility includes mergers of mutual holding companies and subsidiary reorganizations. On January 1, 1999, the Ameritas Mutual Insurance Holding Company was merged with the Acacia Mutual Holding Corporation and renamed as Ameritas Acacia Mutual Holding Company. On January 1, 2006, the Ameritas Acacia Mutual Holding Company merged with The Union Central Mutual Holding Company and was renamed UNIFI Mutual Holding Company. During 2009, Acacia Life and Union Central were made subsidiaries of Ameritas Life.

**Mergers:** Ameritas Variable Life Insurance Company, Nebraska, 2007. LifeRe Insurance Company, Texas, 2008.

## MANAGEMENT

**Officers:** President, Chief Executive Officer and Chairperson, JoAnn M. Martin; Presidents, Steven J. Valerius (Individual Division), Kenneth L. VanCleave (Group Division); Executive Vice President and Treasurer, William W. Lester (Corporate); Executive Vice President, Tim L. Stonehocker; Senior Vice President and Chief Financial Officer, Robert C. Barth; Senior Vice President and Chief Investment Officer, James Mikus; Senior Vice President and Chief Information Officer, Nancy A. Dalessio; Senior Vice President and Secretary, Robert-John H. Sands (Corporate); Senior Vice President and Actuary, Dale D. Johnson (Corporate); Senior Vice Presidents, Karen M. Gustin (Group Marketing, National Accounts & Block Acquisition), Arnold D. Henkel (Individual Strategic Alliances), Robert P. Kocher (Retirement Income & Business Development), Bruce E. Mieth (Group Customer Connections & Operations), Lisa A. Mullen (Individual Financial Operations), Kevin W. O'Toole (Individual Distribution), Janet L. Schmidt (Human Resources), James D. Schulz (Retirement Plans), Paul G. Westling (Individual Operations), Susan K. Wilkinson (Planning & Risk Management).

**Directors:** James P. Abel, James R. Krieger, JoAnn M. Martin, Francis V. Mastrianna, Tonn M. Ostergard, Kim M. Robak, Paul C. Schorr IV.

## REINSURANCE

The company maintains reinsurance treaties with several reinsurance companies for ceding excess for its insurance line. Maximum net retention is \$2,000,000 with retention graded down for ages over 66 and ratings over table A for individual contracts. Business is also ceded for group contracts. For disability income, \$5,000 of the monthly benefit is retained.

## REGULATORY

An examination of the financial condition was made as of December 31, 2008 by the Insurance Department of Nebraska. The 2010 annual independent audit of the company was conducted by Deloitte & Touche, LLP. The annual statement of actuarial opinion is provided by Linda A. Whitmire, Vice President & Financial Actuary.

**Territory:** The company is licensed in the District of Columbia, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

**Reserve basis:** (Current ordinary business): (Current ordinary business): 2001 CSO 4%; Net Level, CRVM, GL43 VACARVM (Current deferred annuity business): A-2000 4.5% (Current SPIA business): Group 94 GAR 3.75%, Ind A2000 3.00%.

## FINANCIAL INFORMATION BALANCE SHEET (\$000) - December 31, 2010

Assets		Liabilities	
*Total bonds	1,680,007	+Net policy reserves	1,745,709
*Total preferred stocks	12,387	Policy claims	34,791
*Total common stocks	923,043	Deposit type contracts	198,502
Mortgage loans	403,270	Interest maint reserve	3,551
Real estate	55,166	Comm taxes expenses	31,205
Contract loans	98,341	Asset val reserve	49,332
Cash & short-term inv	41,837	Contingency reserve	250
Other invested assets	84,814	Other liabilities	-5,163
Premis and consids due	18,386		
Accrued invest income	24,828	Tot liab w/o sep accts	2,058,176
Other assets	46,974	Separate account bus	3,735,517
		Total Liabilities	5,793,693
Tot assets w/o sep accts	3,389,053	Common stock	2,500
Separate account bus	3,735,517	Paid in & contrib surpl	457,438
		Unassigned surplus	861,826
		Other surplus	9,113
Assets	7,124,569	Total	7,124,569

\*Securities are reported on the bases prescribed by the National Association of Insurance Commissioners. +Analysis of reserves; Life \$676,731; annuities \$1,036,040; supplementary contracts with life contingencies \$10,204; accidental death benefits \$199; disability active lives \$860; disability disabled lives \$2,717; miscellaneous reserves \$15,979; accident & health \$2,977.

## SUMMARY OF OPERATIONS (\$000)

Premiums:		Death benefits	33,738
Ordinary life	86,548	Matured endowments	600
Individual annuities	175,789	Annuity benefits	18,220
Group annuities	327,351	Disability benefits	311
Acc & health group	564,341	Surrender benefits	491,063
Acc & health other	95	Acc & health benefits	428,992
Total premiums	1,154,125	Int on policy funds	2,683
Supplementary contracts	672	Supplementary contracts	1,680
Net investment income	126,856	Incr life reserves	17,603
Amort interest maint res	983	Incr a & h reserves	-272
Comm & exp reins ceded	2,823	Commissions	53,720
Other income	33,059	Comm exp reins assumed	55
Mgt and/or service fee	6,394	Insur taxes lic & fees	15,199
		General ins expenses	142,202
		Net transf to sep acct	35,708
		Misc operating expense	-326
Total	1,324,913	Total	1,241,176

Gain from operations before FIT & div to policyholders.....	83,737
Dividends to policyholders: life.....	8,969
Gains from operations after dividends to policyholders.....	74,768
Federal income taxes incurred.....	1,401
Net gain from operations after FIT and dividends.....	73,367

## CASH FLOW ANALYSIS (\$000)

Funds Provided	Funds Applied
Long-term bond proceeds	203,925
Stock proceeds	75,536
Other invest proceeds	73,198
Other cash provided	24,523
Total	1,707,821
Benefits paid	986,021
Comm, taxes, expenses	211,338
Long-term bonds acquired	256,366
Stocks acquired	108,870
Other cash applied	131,668
Incr cash & short-term	13,538
Total	1,707,821

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## SEPARATE ACCOUNT DATA

	2010	2009	2008	2007	2006
Sep Acct Assets	3,735,517	3,257,507	2,457,888	3,694,975	3,378,847
% Growth	14.7	32.5	-33.5	9.4	19.4
S/A Assets/Adm Assets	52.4	49.9	47.8	57.7	56.3
Sep Acct Reserves	3,663,857	3,186,316	2,389,646	3,604,435	2,493,180
% Ordinary Life	15.7	16.7	18.2	20.6	27.9
% Individual Annuities	44.3	46.2	51.1	52.3	72.1
% Group Annuities	40.1	37.1	30.7	27.1	...
Deposit Type Liabilities	...	...	...	...	792,670
Other Liabilities	71,660	71,191	68,242	90,541	92,997
S/A Prens & Deposits	496,774	548,302	602,252	480,315	504,872
% Ordinary Life	12.0	11.7	12.8	18.2	20.5
% Individual Annuities	34.0	27.3	40.6	38.7	70.4
% Group Annuities	53.9	61.0	46.6	43.1	9.1
Sep Acct Fees & Charges	27,077	21,944	26,687	31,131	27,432
% Ordinary Life	16.3	18.0	19.5	20.4	20.4
% Individual Annuities	50.9	53.1	56.3	58.6	60.0
% Group Annuities	32.7	28.9	24.2	21.0	19.5
Fees & Chgs to Assets%	0.8	0.8	0.9	0.9	0.9
Sep Acct Ben & Wdrwls	385,877	318,900	425,427	381,022	275,169
% Ordinary Life	13.9	15.4	12.8	15.2	18.9
% Individual Annuities	49.4	56.4	58.0	62.2	81.1
% Group Annuities	36.7	28.2	29.2	22.6	...
Ben & Wdrwl to Assets%	11.0	11.2	13.8	10.8	8.9

## ORDINARY LIFE STATISTICS

Year	Ord. Lapse Ratio	Average Ord. Policy (in dollars)	Avg. Prem (\$/M)	1st Yr Prem / Total	1st Yr Comm / 1st Yr Prem	Gen. Exp. / Policies In Force
2006	5.9	308,294	167,449	7.24	22.4	27.2
2007	5.5	301,517	171,190	6.69	16.0	30.4
2008	7.6	264,169	170,042	6.64	13.9	34.5
2009	8.8	345,729	170,209	7.31	25.1	24.5
2010	7.1	367,691	169,110	6.43	10.4	26.3

Year	# Policies Issued (000)	# Policies in Force (000)	First Year Premium (000)	Gen'l Exp / Reserves (%)	Return on Reserves (%)
2006	4	134	34,983	2.73	2.51
2007	3	121	22,126	3.26	2.28
2008	3	116	18,151	3.76	-0.11
2009	3	110	34,279	4.88	1.64
2010	1	104	11,656	3.04	3.73

## INDIVIDUAL ANNUITY STATISTICS

Year	NPW & Dep (000)	Res & Dep Liab (000)	Exp to Res & Dep Liab (%)*	Comm & Exp to NPW & Dep (%)	Benefits & Wdrwls to NPW & Dep (%)	Benefits & Wdrwls to Res & Dep Liab (%)*
2006	373,906	2,202,640	0.6	6.9	88.7	15.0
2007	192,406	2,233,073	0.9	15.0	162.9	14.0
2008	253,255	1,569,369	1.2	11.3	123.9	19.9
2009	159,209	1,783,348	1.0	14.9	147.0	13.0
2010	180,144	1,915,951	0.8	12.9	129.9	12.1

\* Includes Separate Account reserves.

## GROUP ANNUITY STATISTICS

Year	NPW & Dep (000)	Res & Dep Liab (000)	Exp to Res & Dep Liab (%)*	Comm & Exp to NPW & Dep (%)	Benefits & Wdrwls to NPW & Dep (%)	Benefits & Wdrwls to Res & Dep Liab (%)*
2006	206,360	1,294,200	0.6	5.0	15.1	2.4
2007	347,352	1,568,378	0.7	4.1	37.2	8.2
2008	555,993	1,523,481	0.9	3.1	38.8	14.1
2009	445,020	2,041,710	0.8	4.5	32.5	7.1
2010	370,690	2,370,140	0.8	6.4	56.2	8.8

\* Includes Separate Account reserves.

## TOTAL ANNUITY ACTUARIAL RESERVES & DEPOSIT TYPE LIABILITIES BY WITHDRAWAL CHARACTERISTICS

Year	Total Annuity Res & Dep Liab (000)	Min or No Surrender Charge (%)*	With Surrender Charge 5% or more (%)*	With MVA (%)*	No Surrender Allowed (%)*
2006	3,550,713	69.8	15.9	12.3	2.0
2007	3,854,188	71.6	13.4	13.3	1.7
2008	3,146,992	75.2	2.2	19.7	2.9
2009	3,876,428	79.2	1.6	17.8	1.4
2010	4,335,832	80.0	0.7	17.9	...

\* Includes Separate Account reserves.

## NEW LIFE BUSINESS ISSUED (\$000)

Year	Whole Life & Endow.	Term	Credit	Group	Industrial	Total Insurance Issued	Non-Par (%)	Par (%)
2006	984,626	361,076	...	...	...	1,345,702	100	...
2007	780,891	214,717	...	1,425	...	997,033	100	...
2008	662,916	47,434	...	...	...	710,350	100	...
2009	919,941	15,256	...	...	...	935,196	100	...
2010	332,575	12,687	...	...	...	345,262	100	...

## LIFE INSURANCE IN FORCE (\$000)

Year	Whole Life Endow. & Add	Term	Credit	Group	Industrial	Total Insurance In Force
2006	15,694,867	6,806,595	...	...	...	22,501,462
2007	14,233,624	6,512,438	...	550	...	20,746,612
2008	14,827,440	4,863,771	...	...	...	19,691,211
2009	13,232,433	5,457,677	...	...	...	18,690,110
2010	12,572,924	4,972,390	...	...	...	17,545,314



# Best's Rating Report

## Ultimate Parent: UNIFI Mutual Holding Company

### FIRST AMERITAS LIFE INSURANCE CORP. OF NEW YORK

400 Rella Boulevard, Suite 304  
Suffern, NY 10901

Mailing Address: P.O. Box 81889, Lincoln, NE 68501-1889  
Web: [www.unificompanies.com](http://www.unificompanies.com)

Tel.: 800-222-6968  
AMB#: 068545  
Ultimate Parent#: 051337

Fax: 845-357-3612  
NAIC#: 60033  
FEIN#: 13-3758127

#### BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the consolidated Financial Strength of the life/health members of UNIFI Companies, which operate under a group structure, this group member is assigned a Best's Financial Strength Rating of A (Excellent). The company is assigned the Financial Size Category of Class XIII which is the Financial Size Category of the parent.

#### RATING RATIONALE

**Rating Rationale:** The published rating of First Ameritas Life Insurance Corp. of New York reflects its status as the group's New York marketing arm and the fact that it has common senior management and shares the same product portfolios, investment management and back-office support as its parent, Ameritas Life Insurance Corp.

The following text is derived from the report of Ameritas Life Insurance Corp.

The rating of the UNIFI companies — which includes Ameritas Life Insurance Corp. (Ameritas Life); its New York subsidiary, First Ameritas Life Insurance Corp. of New York (First Ameritas Life); Acacia Life Insurance Company (Acacia Life) and The Union Central Life Insurance Company (Union Central) — reflects the group's strong risk-adjusted capitalization, diversified operating platform, high quality balance sheet and favorable business profile. The rating also reflects the group's strong market position in group dental insurance. These strengths are tempered by the overall decline in premium revenue, the significant realized capital losses in recent years, relatively high level of loan delinquencies at Acacia Federal Savings Bank, increased competition within UNIFI's core businesses — group dental and vision, life insurance and annuities — and the modest scale within its retirement plan and variable annuity lines.

UNIFI maintains a diversified operating profile which includes life insurance, annuities, individual disability insurance, retirement plans and investment products, group dental and vision, banking and mutual funds. Ameritas Life enjoys a strong position as a top-five provider of group dental and vision, which has historically produced favorable operating results. UNIFI's competitive position within the U.S. marketplace has generally remained steady, although recent sales growth has underperformed the industry. In the past, UNIFI had demonstrated strong growth in life sales relative to the industry. However, sales have been impacted in recent periods by the recessionary economic environment and a strategic decision to scale back sales of certain products to reduce new business strain and preserve capital. A.M. Best acknowledges that UNIFI has increased market share in certain other product lines during this time. The group has a favorable business profile complemented by a unified branding strategy, improved economies of scale and a broad product portfolio including whole life, universal life, variable universal life, indexed life, fixed annuities, indexed annuities, variable annuities, disability income, retirement plans, dental, vision and auditory insurance. UNIFI's overall capitalization is strong, on both an absolute and risk-adjusted basis, with modest financial leverage, below-average intangibles and a generally conservative investment posture supporting its relatively high quality balance sheet. In addition, A.M. Best believes that future investment losses resulting from its exposure to non-agency mortgage-backed securities will likely be significantly lower than prior periods. Union Central and Acacia Life were repositioned as subsidiaries of Ameritas Life as part of a company-wide legal entity reorganization in

2009. A.M. Best believes this has facilitated more efficient management of capital across the life/health operating companies. Union Central remains well capitalized due to capital contributions from its parent, reinsurance agreements that reduced reserve requirements and the movement of certain products to affiliate company paper to reduce new business strain.

While earnings have improved over the most recent period, UNIFI has experienced some spread compression in its fixed annuity business and higher morbidity and lower persistency in the group dental line of business due to the economic environment. A.M. Best believes the group's earnings may be pressured somewhat going forward due to modest overall sales growth as a result of the competitive challenges in many of the company's core business lines as the U.S. market continues to mature and consolidate. A.M. Best believes scale and financial flexibility are key drivers of success in the U.S. life and retirement savings arena. Although growth through past mergers has significantly enhanced UNIFI's overall business profile, the group is a middle-tier player (i.e., top 40) within the individual life and annuity market. A key to improving operating returns will be UNIFI's ability to continue to reduce unit costs within the life and annuity lines through strong organic growth and additional technological investments. UNIFI's competitive position also remains modest within its retirement plans segment. Other industry-wide issues include continued competition from other large national players in group dental, loan delinquencies at Acacia Federal Savings Bank and the overall impact of the current low interest rate environment on many of UNIFI's product lines.

**Best's Financial Strength Rating: A g**

**Outlook: Stable**

#### FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
01/20/11	A g	05/01/08	A g
04/13/10	A g	02/02/07	A g
01/30/09	A g		

#### KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Total Capital				
		Capital Surplus Funds	Condit'l Reserve Funds	Net Premiums Written	Net Invest Income	Net Income
2006	35,520	19,912	92	25,352	1,556	728
2007	37,557	20,679	111	26,398	1,503	723
2008	37,809	19,832	114	27,357	1,600	-555
2009	40,493	19,261	109	30,193	1,668	-425
2010	71,024	46,877	158	29,931	1,900	-1,686

#### BUSINESS REVIEW

The following text is derived from the report of Ameritas Life Insurance Corp.

UNIFI offers a broad array of insurance and financial products and services to individuals, families and businesses through its insurance subsidiaries. The company has four main business segments: Individual, Group, Financial and Retirement Plans. Due to capital requirements, regulatory and cost concerns, the company has recently announced that it is implementing changes to its long-term strategic direction. The new strategic direction includes issuing all new insurance company business through one New York company (First Ameritas) and one non-New York company (Ameritas). Management believes this will provide improved focus with a simplified, streamlined and more efficient operating structure.

UNIFI's Individual segment includes the individual life, annuity and disability income product lines offered by its core insurance entities. As a result of mergers the group's competitive position had strengthened within the mature U.S. life insurance market. However, A.M. Best notes that growth in ordinary life sales have been below industry averages in recent years. Life insurance products are well diversified and include traditional whole life, universal life, variable universal life, and indexed universal life. Annuity product lines include traditional fixed annuities, indexed annuities and variable annuities (VAs). In 2007, UNIFI introduced a VA guaranteed lifetime withdrawal benefit rider to meet the needs of Baby Boomers as they move into the retirement phase. In response to the financial crisis, the company increased the fees on its VA products, similar to many of its peers in the industry. Total insurance inforce at year-end 2010 was \$78.2 billion, an increase of 1% as a result of new face issued offset by increased lapses. The Individual segment's

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# Best's Rating Report



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earnings, before realized losses, represented just under two-thirds of UNIFI's consolidated 2010 pre-tax GAAP operating income. Individual products are marketed in all 50 states using a multi-channel platform which includes career agents, general agents; brokerage general agencies (BGAs), and fee-based advisors. While UNIFI made a strategic decision to scale back somewhat on its distribution expansion plans in the Individual segment during the financial crisis, the company currently remains focused on increasing the productivity of its existing field force and expanding the number of producers.

UNIFI's Group segment possesses a top-five market position, offering group dental and vision benefits nationwide. This unit, with a membership base exceeding 4.5 million participants, contributed 14% to UNIFI's 2010 consolidated pre-tax GAAP operating earnings. The Group segment's participating provider organization (PPO) panel has approximately 170,000 provider access points covering over 1.8 million employee lives. UNIFI's group products are sold through a multiple distribution strategy which includes its captive distribution for ALIC, a leading provider of group dental indemnity, PPO, voluntary and individual dental products and services; and its partnering distribution arrangements. Its market position has been achieved through organic growth, selective block acquisitions and multiple distribution partnering arrangements. ALIC's group dental products include its Dental Rewards product, which offers a rollover benefit maximum to its plan participants. Dental Rewards has been a highly successful product for the group and is complemented by the FUSION product, which combines dental and vision benefits. Ameritas Group has also introduced a Lasik Surgery insured benefit as a rider to the dental product, the first in the industry. Historically, the Group segment's dental line has outpaced industry sales results with double-digit growth rates. However, sales have been impacted over the most recent period due to the competitive market and economic environment. ALIC's sales growth trends have historically been strong, particularly within DPPO, where it maintains a strong and growing dental provider network. ALIC's dental franchise continues to be a major contributor to earnings, supported by its efficient cost structure, dental block consolidation expertise, flexible product design, persistency and excellent customer service. While morbidity remained high during the most recent period expense management efforts have helped to offset the relatively high level of dental claims. The group's extensive dental database, which is utilized in pricing, product development and claims management, is crucial to facilitating favorable underwriting results. These competitive advantages continue to allow ALIC and its partnerships to compete effectively in the increasingly competitive group market. Finally, captive distribution within the Group division consists of approximately 87 sales associates operating within 26 regional sales offices nationwide, and a number of strategic partnership alliances, third party administrators and brokerage general agency channels. In addition to dental and vision, ALIC has introduced an auditory offering to complement its current group product portfolio.

The Financial segment includes AFSB and Calvert. Calvert had approximately \$14.7 billion in AUM at year-end 2010, an increase from \$14.3 billion at year-end 2009 as an increase in redemptions were more than offset by an increase in sales and market appreciation. Calvert offers a broadly diversified portfolio of short-term, equity and long-term bond mutual funds. Calvert has a strong retirement emphasis with a meaningful portion of its AUM from retirement plans invested across various Calvert funds, and also offers various institutional investment products. AFSB has approximately \$1.2 billion in total assets. AFSB has been strategically shrinking its balance sheet as a result of the current economic environment. Most new loans originated by the bank are being sold with only a small number maintained on its balance sheet. The majority of the loan portfolio consists of interest-only and adjustable rate residential loans with a small amount of commercial loans. In addition, AFSB's loan portfolio is concentrated primarily in the Washington D.C. area, and as a result, its business has a high level of geographic concentration risk. The bank had recorded pre-tax operating losses in 2008 and 2009 due to increased loan loss provisions, but posted a pre-tax operating gain of \$3.9 million in 2010 due to a lower loan loss provision and higher gains on sales of loans and real estate. The company has contributed additional capital to the bank and removed non-performing assets to significantly strengthen its capital ratios in recent periods.

The Retirement Plans segment markets group annuities to the small and mid-sized 401(k) employer market (under 250 employees) and offers products on both a bundled and unbundled basis. Year-end 2010 AUM were approximately \$3.7 billion, with approximately 120,000 participants. Sales and earnings have been impacted in recent periods by the financial crisis and the uncertain economic environment. While the overall scale of this unit is

currently modest, UNIFI will be increasingly focused on strengthening its business profile within the retirement savings arena. A.M. Best notes that the U.S. retirement market is maturing and represents one of the more profitable segments within the U.S. life and annuity market requiring increased scale and superior risk management capabilities to compete effectively.

## PREMIUM AND RESERVE ANALYSIS

Direct Premiums (000)	2010	2009	2008	2007	2006
Ordinary life	7,512	7,265	4,301	3,524	2,386
Individual annuities	48	474	1,040	11	439
Group A&H	<u>22,121</u>	<u>22,242</u>	<u>21,602</u>	<u>22,340</u>	<u>22,053</u>
Total	29,681	29,981	26,944	25,874	24,877
Reins Assumed Prens (000)	2010	2009	2008	2007	2006
Group A&H	987	917	989	1,039	1,009
Total	987	917	989	1,039	1,009
Reins Ceded Prens (000)	2010	2009	2008	2007	2006
Ordinary life	672	625	493	400	400
Group A&H	65	80	82	115	134
Total	736	705	576	515	534
Net Premiums & Deposits (000)	2010	2009	2008	2007	2006
Ordinary life	6,840	6,639	3,808	3,124	1,986
Individual annuities	48	474	1,040	11	439
Group annuities	100	...	...	401	501
Group A&H	<u>23,043</u>	<u>23,080</u>	<u>22,508</u>	<u>23,263</u>	<u>22,927</u>
Total	30,032	30,193	27,357	26,799	25,853
Deposits (incl. above)	100	...	...	401	501
General Account Reserve Distribution (000)	2010	2009	2008	2007	2006
Ordinary life	14,996	11,355	8,834	6,834	4,764
Individual annuities	3,116	3,252	2,811	4,132	5,007
Deposit type contracts	0	0	2	201	273
Group A&H	<u>205</u>	<u>256</u>	<u>492</u>	<u>1,008</u>	<u>1,033</u>
Total	18,317	14,863	12,139	12,174	11,076

**Geographical breakdown of direct premium writings (\$000):** New York, \$27,809 (90.4%); other jurisdictions, \$2,958 (9.6%).

## EARNINGS

The following text is derived from the report of Ameritas Life Insurance Corp.

UNIFI has a generally diversified earnings profile, consisting of the group's insurance and financial services businesses. Within insurance, earnings are well diversified between individual life & annuity and group dental & vision. The company reported consolidated GAAP net income of \$146 million in 2010 versus \$56 million in the prior year. Net income benefited from a focus on expense management, a strong market recovery and improved earnings at AFSB primarily due to a reduced loan loss provision. The Individual segment generated the majority of UNIFI's earnings in 2010 with the Group, Retirement Plans and Financial segments contributing much lesser amounts. In 2010, each segment's pre-tax operating earnings contributions were as follows: Individual (61%), Financial (18%), Group (14%), Retirement (2%) and (5%) Corporate. On a pre-tax operating basis (excluding non-recurring charges and capital gains/losses), UNIFI's 2010 consolidated GAAP results were \$162 million versus \$115 million in the prior period. The company posted a net loss of \$274 million in 2008 as net income was impacted by \$427 million of realized losses due to impairments in its investment portfolio.

On a year-over-year basis, operating earnings for the Individual segment increased to \$99 million from \$86 million in the prior year. The increase in earnings was primarily due to cost reductions, improved disability morbidity and the aforementioned strong market recovery. The Group division's operating results improved to \$22 million from \$17 million in the prior year primarily due to expense management and a modest improvement in dental

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claims after experiencing a considerable increase in benefit expenses in 2009 that was partially attributable to the recessionary economic environment. The Financial segment reported earnings of \$29 million compared to \$5 million in 2009. The increase was primarily driven by a lower loan loss provision at AFSB and higher assets under management at Calvert. The Retirement Plans segment's earnings decreased to \$3.9 million from \$5.5 million in 2009 as an increase in asset based charges, interest spreads and a focus on expense management was offset by lower expense deferrals and increased amortization. Finally, the Corporate segment's results increased to \$8.6 million in 2010 from \$2 million in 2009 due to reduced expenses and an increase in income from alternative investments.

On a statutory basis, UNIFI reported a consolidated pre-tax net operating gain of \$108 million in 2010 compared to a gain of \$122 million in the prior year as the impact of expense management and lower reserve increases for the company's secondary guarantee universal life product was offset by a reduction in dividends from subsidiaries, reinsurance activity and increased sales strain in certain traditional product lines. The company's earnings were impacted in 2008 by sharp declines in the Individual and Retirement segments due to increased expenses and strain in the individual life line of business, lower income from the variable annuity product line due to lower sales and an increase in reserves for the GMDB rider. Statutory earnings were also impacted in 2008 by Regulation XXX reserve strain, hedge accounting volatility and spread compression primarily within fixed annuities. In 2009, overall earnings benefited from reduced acquisition costs associated with new sales, reduced general expenses associated with an increased focus on cost cutting initiatives, improved mortality ratios and income generated from a new reinsurance agreement in Union Central. The statutory results exclude the financial services businesses and consist of the following four statutory reporting entities: Ameritas Life, First Ameritas Life, Acacia Life, and Union Central. A.M. Best expects statutory earnings may be pressured in the near-term due to the competitive market and economic environment, but over time will benefit from organic growth, achievement of scale and further expense efficiencies.

## PROFITABILITY TESTS

Year	Ben Paid to NPW & Dep	Comm & Exp to NPW & Dep	NOG to Tot Assets	NOG to Tot Rev	Operating Return on Equity	Net Yield	Total Return
2006	87.7	23.6	2.0	2.7	3.9	4.60	4.60
2007	68.7	26.0	1.9	2.5	3.5	4.47	4.52
2008	73.7	31.9	-1.5	-1.9	-2.7	4.64	4.62
2009	61.3	36.2	-0.9	-1.2	-1.9	4.77	4.57
2010	63.6	37.3	-3.0	-5.3	-5.1	3.71	3.69

## PROFITABILITY ANALYSIS

	2010	2009	2008	2007	2006
<u>Net Operating Gain (000)</u>					
Ordinary life	-2,498	-1,520	-1,522	-575	-1,028
Supplementary contracts	...	...	3	5	9
Individual annuities	-68	-26	-42	-97	3
Group annuities	-124	...	...	...	...
Individual A&H	-136	...	...	...	...
Group A&H	817	767	739	1,117	1,421
Other	324	410	266	258	324
<b>Total</b>	<b>-1,684</b>	<b>-368</b>	<b>-555</b>	<b>707</b>	<b>728</b>

## ACCIDENT AND HEALTH STATISTICS (\$000)

Year	Net Premiums Written	Net Premiums Earned	Loss Ratio	Exp. Ratio	Under-writing Results
2006	22,913	22,897	72.1	19.4	1,952
2007	23,356	23,288	72.2	21.3	1,496
2008	22,461	23,024	75.0	20.7	1,106
2009	23,077	23,316	75.8	21.1	789
2010	23,038	23,094	76.4	20.8	677
Current Year Experience:					
Group	23,038	23,094	76.4	19.9	886
Non-can	...	...	...	...	-209

## CAPITALIZATION

The following text is derived from the report of Ameritas Life Insurance Corp.

Capital and surplus for the UNIFI companies has rebounded over the past two years after declining sharply in 2008 due to significant realized and unrealized investment losses. Capital and surplus increased in 2010 primarily due to favorable operating results. In 2009, capital and surplus benefited from repositioning activities within the group, a new reinsurance agreement at Union Central and favorable operating results. As a result, the group maintains a more than adequate level of risk-adjusted capitalization for its current investment and insurance risks. On a qualitative basis, the group's strong capitalization levels are complemented by favorable financial measures such as low financial leverage, solid interest coverage, moderate intangibles-to-equity and the hidden value inherent in its ownership of Calvert. In addition, the company employs strong enterprise risk management and corporate governance programs that are deployed throughout the organization.

A.M. Best believes that the repositioning of Union Central and Acacia Life under Ameritas Life has made it easier to facilitate the allocation of capital within the organization. While Union Central's capital position was impacted by significant impairments in its non-agency backed securities in 2008, UNIFI made a number of strategic decisions to ensure that the company remained well capitalized including \$225 million of capital contributions. A.M. Best notes that the other two main insurance operating entities, Ameritas Life and Acacia Life, are both very well capitalized. Going forward, A.M. Best expects UNIFI to maintain sound capitalization, which is enhanced by the group's financial flexibility as a mutual holding company, good liquidity and diversified business profile.

## LEVERAGE TESTS

Year	C&S Liabilities	Surplus Relief	Reins Leverage	NPW & Dep to Capital	Change in NPW & Dep	Change in Capital
2006	132.6	0.3	9.8	1.3	0.7	13.4
2007	126.9	0.3	9.9	1.3	3.7	3.9
2008	113.4	0.3	11.6	1.4	2.1	-4.1
2009	92.9	0.4	13.2	1.6	10.4	-2.9
2010	198.6	0.1	5.0	0.6	-0.5	142.8

Current BCAR: 372

## SOURCES OF CAPITAL GROWTH (\$000)

Year	Net Gain	Realized Capital Gains	Unrealized Capital Gains	Change AVR	Other Changes	Change in C&S
2006	728	...	...	15	1,633	2,376
2007	707	16	...	-19	63	767
2008	-555	...	...	-3	-289	-847
2009	-368	-57	...	5	-151	-571
2010	-1,684	-2	...	-49	29,352	27,617

## CAPITAL TRENDS (\$000)

Year	Year end C&S	Surplus Notes	Stockholder Divs	Policyholder Divs	Asset Valuation Reserve	Interest Maintenance Reserve
2006	19,912	...	...	...	92	...
2007	20,679	...	...	35	111	...
2008	19,832	...	...	109	114	...
2009	19,261	...	...	189	109	...
2010	46,877	...	...	137	158	...

## INVESTMENTS AND LIQUIDITY

The following text is derived from the report of Ameritas Life Insurance Corp.

UNIFI's investment portfolio is managed on a consolidated basis by Summit Investment Advisors, a UNIFI company. The general account portfolio is concentrated primarily in fixed-income securities (approximately 75% on a consolidated basis) and mortgage loans (12%), with the balance invested in common and preferred stock, real estate, alternative investments, policyholder loans and cash and cash equivalents. The fixed income portfolio is comprised of just under one-fourth structured securities, and includes investments in residential, commercial and other asset-backed securities that are primarily backed by home equity loans. While the overall level of these securitized investments are relatively modest, the company impaired a

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significant amount of these securities in 2008 and 2009 due to declines in market values of non-agency mortgage-backed securities, which is the result of increasing delinquency rates and falling home prices. While the amount of asset impairments improved in 2010, A.M. Best believes the company may experience additional investment losses in this sector, but that they will likely be modest compared to prior years. Relative to similarly-rated peers, UNIFI has below-average exposure to high-yield bonds as a percentage of statutory capital, reflecting its conservative investment philosophy, financial discipline and superior capitalization. Interest rate risk from the MBS portfolio is actively managed by focusing on purchases of issues with 15-year collateral, the monitoring of market values and active asset/liability management. Exposure to subprime and Alt-A loans is moderate, though concentrated primarily within Union Central.

UNIFI's mortgage portfolio is geographically diversified and comprised mainly of commercial loans on office, retail and industrial buildings. Lending activity is driven by conservative underwriting standards and the historical performance has been above average, with only a modest amount of loan delinquencies as of year-end 2010. Mortgage loan exposure as a percentage of statutory capital is in line with similarly-rated peers for UNIFI's insurance lines. Acacia Federal Savings Bank (AFSB), with total assets of approximately \$1.2 billion, has a sizable mortgage loan portfolio concentrated in interest-only and adjustable rate residential mortgage loans, with a modest amount of commercial mortgage loans located primarily in the Washington D.C. area. From an enterprise perspective, this exposure creates some geographic concentration risk in the local Washington real estate market. While earnings have improved over the most recent period, A.M. Best notes that the bank posted net operating losses in 2008 and 2009 due to increased loan loss provisions. A.M. Best believes AFSB's may need the support of its parent, Acacia, in the near-term as capital ratios may decline due to the potential for increased delinquencies and loan loss provisioning.

The group's overall liquidity is buttressed by positive net cash flows from its diversified business mix and access to a committed but unused bank line at Ameritas. In addition, Ameritas, Acacia and Union Central are members of the Federal Home Loan Bank system which provides the potential for additional borrowing capacity at a relatively low cost of funds. Finally, liquidity is further enhanced through UNIFI's mutual holding company structure; its lack of financial leverage; and lower product risk profile.

## LIQUIDITY TESTS

Year	Operating Cash Flow (\$000)	Quick Liquidity	Current Liquidity	Non-Inv Bonds to Capital	Delnq & Foreclsd Mtg to Capital	Mtg & Cred Ten Lns & RE to Cap	Affil Invest to Capital
2006	-2,333	175.2	199.3	...	...	0.5	...
2007	1,925	180.0	202.9	...	...	0.1	...
2008	126	162.7	183.1	...	...	0.0	...
2009	1,097	133.6	152.2	2.6	...	...	...
2010	31,345	276.1	303.6	...	...	2.5	...

## INVESTMENT YIELDS

Year	Net Yield	Bonds	Stocks	Mortgages	Cash & Short Term	Real Estate Gross	Real Estate Net	Invest. Exp. Ratio
2006	4.60	4.95	...	7.78	4.07	...	...	6.96
2007	4.47	5.07	...	6.07	4.53	...	...	11.95
2008	4.64	5.50	6.40	6.93	2.09	...	...	12.15
2009	4.77	5.61	...	...	0.23	...	...	9.33
2010	3.71	4.82	...	...	0.15	...	...	8.09

## INVESTMENT DATA

Current Year Distribution of Bonds by Maturity

	Years					Yrs-Avg Maturity
	0-1	1-5	5-10	10-20	20-	
Government	21.5	6.6	1.8	0.4	0.1	2
Gov't Agencies & Muni	1.8	7.8	2.9	0.2	...	4
Industrial & Misc	3.0	20.3	31.6	1.4	...	6
Hybrid Securities	...	...	...	...	0.8	25
Total	26.3	34.6	36.3	1.9	0.8	4

	2010	2009	2008	2007	2006
Bonds (000)	50,274	33,637	31,137	31,263	29,620
US Government	11.8	16.3	17.8	16.1	16.9
Foreign - All Other	12.1	9.3	4.7	7.0	6.6
State/Special Rev. - US	15.9	9.6	12.1	10.8	11.4
Public Utilities - US	...	...	5.3	5.3	6.5
Industrial & Misc - US	59.2	63.4	60.1	60.7	58.6
Hybrid Securities	1.0	1.4	...	...	...
Private Issues	8.2	8.0	6.7	5.9	8.8
Public Issues	91.8	92.0	93.3	94.1	91.2

Bond Quality (%)	2010	2009	2008	2007	2006
Class 1	73.9	73.7	83.6	86.5	90.8
Class 2	26.1	24.8	16.4	13.5	9.2
Class 3	...	1.4	...	...	...

	2010	2009	2008	2007	2006
Mortgages (000)	1,197	...	2	30	96
Commercial	100.0	...	100.0	100.0	100.0

	2010	2009	2008	2007	2006
Stocks (000)	...	...	478	478	...
Unaffiliated Preferred	...	...	100.0	100.0	...

	2010	2009	2008	2007	2006
Other Inv Assets (000)	15,874	2,305	3,096	3,110	3,250
Cash	88.6	22.7	19.2	39.0	48.8
Short-Term	8.4	62.9	69.2	51.3	42.8
All Other	3.0	14.4	11.6	9.7	8.3

## HISTORY

Date Incorporated: 04/01/1993 Date Commenced: 05/17/1994

Domicile: NY

Merger: Ameritas Bankers Assurance Company, New York, 1997.

## MANAGEMENT

**Officers:** Chairperson, JoAnn M. Martin; President and Chief Executive Officer, Kenneth L. VanCleave; Executive Vice President and Treasurer, William W. Lester (Corporate); Executive Vice President, Tim L. Stonehocker; Senior Vice President and Chief Financial Officer, Robert C. Barth; Senior Vice President and Chief Investment Officer, James Mikus; Senior Vice President and Actuary, Dale D. Johnson (Corporate); Senior Vice Presidents, Karen M. Gustin (Group Marketing, National Accounts & Block Acquisition), Arnold D. Henkel (Individual Strategic Alliances), Bruce E. Mieth (Group Customer Connections & Operations), Kevin W. O'Toole (Individual Distribution), Robert-John H. Sands, James D. Schulz (Retirement Plans), Steven J. Valerius (Individual Division), Paul G. Wesling (Individual Operations), Susan K. Wilkinson (Planning & Risk Management).

**Directors:** John P. Carsten, Robert K. Crandall, Karen M. Gustin, Robert G. Lange, Robert J. Lanik, William W. Lester, JoAnn M. Martin, David J. Myers, James E. Rembolt, Tim L. Stonehocker, Kenneth L. VanCleave.

## REINSURANCE

The company maintains reinsurance treaties with several reinsurance companies for ceding excess risks for its individual insurance line. Maximum net retention on any one life is \$500,000. Business is also ceded for group contracts. For disability income, \$5,000 of the monthly benefit is retained.

## REGULATORY

An examination of the financial condition is being made as of December 31, 2009 by the Insurance Department of New York. The 2010 annual independent audit of the company was conducted by Deloitte & Touche, LLP. The annual statement of actuarial opinion is provided by Linda A. Whitmire, Vice President & Financial Actuary.

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**Territory:** The company is licensed in New York.

**Reserve basis:** (Current ordinary business): 2001 CSO 4%; Net Level and CRVM, GL43 VACARVM.

## FINANCIAL INFORMATION BALANCE SHEET (\$000) - December 31, 2010

Assets		Liabilities	
*Total bonds	50,274	+Net policy reserves	18,317
Mortgage loans	1,197	Policy claims	1,263
Contract loans	474	Deposit type contracts	0
Cash & short-term inv	15,400	Comm taxes expenses	389
Premis and consids due	2,223	Staff pension & ins fund	1,479
Accrued invest income	577	Asset val reserve	158
Other assets	575	Payable to affiliate	1,555
		Other liabilities	683
Tot assets w/o sep accts	70,720		
Separate account bus	304	Tot liab w/o sep accts	23,843
		Separate account bus	304
		Total Liabilities	24,147
		Common stock	2,000
		Paid in & contrib surpl	36,800
		Unassigned surplus	8,077
Assets	71,024	Total	71,024

\*Securities are reported on the bases prescribed by the National Association of Insurance Commissioners. +Analysis of reserves; Life \$14,600; annuities \$3,116; accidental death benefits \$3; disability active lives \$33; disability disabled lives \$28; miscellaneous reserves \$333; accident & health \$205.

## SUMMARY OF OPERATIONS (\$000)

Premiums:		Death benefits	160
Ordinary life	6,840	Disability benefits	16
Individual annuities	48	Surrender benefits	1,287
Acc & health group	23,043	Acc & health benefits	17,638
Total premiums	29,931	Int on policy funds	0
Net investment income	1,900	Incr life reserves	3,505
Amort interest maint res	-7	Incr a & h reserves	-51
Comm & exp reins ceded	59	Commissions	2,100
Other income	22	Insur taxes lie & fees	893
		General ins expenses	8,255
		Net trans to sep acct	-3
		Other disbursements	3
Total	31,906	Total	33,802
Gain from operations before FIT & div to policyholders.....			-1,897
Dividends to policyholders: life.....			137
Gains from operations after dividends to policyholders.....			-2,034
Federal income taxes incurred.....			-350
Net gain from operations after FIT and dividends.....			-1,684

## CASH FLOW ANALYSIS (\$000)

Funds Provided		Funds Applied	
Gross cash from oper	32,930	Benefits paid	19,331
Capital surplus paid in	30,000	Comm, taxes, expenses	12,057
Other cash provided	2,604	Long-term bonds acquired	19,109
		Other cash applied	1,610
		Incr cash & short-term	13,427
Total	65,534	Total	65,534

## SEPARATE ACCOUNT DATA

	2010	2009	2008	2007	2006
Sep Acct Assets	304	282	281	389	428
% Growth	7.7	0.3	-27.7	-9.0	8.6
S/A Assets/Adm Assets	0.4	0.7	0.7	1.0	1.2
Sep Acct Reserves	304	282	281	389	428
% Ordinary Life	26.8	24.4	17.6	20.3	17.0
% Individual Annuities	73.2	75.6	82.4	79.7	83.0
S/A Premis & Deposits	10	11	15	23	30
% Ordinary Life	100.0	93.5	71.6	59.6	69.6
% Individual Annuities	...	6.5	28.4	40.4	30.4
Sep Acct Fees & Charges	3	3	4	4	4
% Ordinary Life	17.7	15.0	12.9	12.9	14.2
% Individual Annuities	82.3	85.0	87.1	87.1	85.8
Fees & Chgs to Assets%	1.0	1.0	1.1	1.1	1.0
Sep Acct Ben & Wdrwls	7	44	23	87	43
% Ordinary Life	...	...	...	10.9	84.8
% Individual Annuities	100.0	100.0	100.0	89.1	15.2
Ben & Wdrwl to Assets%	2.4	15.6	6.8	21.2	10.4

## NEW LIFE BUSINESS ISSUED (\$000)

Year	Whole Life & Endow.	Term	Credit	Group	Industrial	Total Insurance Issued	Non-Par (%)	Par (%)
2006	45,293	816	...	...	...	46,109	0	100
2007	54,482	3,778	...	...	...	58,260	0	100
2008	128,955	2,035	...	...	...	130,990	0	100
2009	176,086	2,732	...	...	...	178,818	...	100
2010	130,296	19,319	...	...	...	149,615	57	43

## LIFE INSURANCE IN FORCE (\$000)

Year	Whole Life Endow. & Adds	Term	Credit	Group	Industrial	Total Insurance In Force
2006	81,138	260,813	...	...	...	341,951
2007	128,387	254,383	...	...	...	382,770
2008	226,280	252,840	...	...	...	479,120
2009	330,814	227,126	...	...	...	557,939
2010	348,844	224,217	...	...	...	573,061

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## Ultimate Parent: UNIFI Mutual Holding Company

### ACACIA LIFE INSURANCE COMPANY

Washington, DC

Mailing Address: 5900 O Street, Lincoln, NE 68501-2234

Exec. Office: 7315 Wisconsin Avenue, Bethesda, MD 20814

Web: [www.unificompanies.com](http://www.unificompanies.com)

Tel.: 800-444-1889

Fax: 301-280-1161

AMB#: 006002

NAIC#: 60038

Ultimate Parent#: 051337

FEIN#: 53-0022880

#### BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the consolidated Financial Strength of the life/health members of UNIFI Companies, which operate under a group structure, this group member is assigned a Best's Financial Strength Rating of A (Excellent). The company is assigned the Financial Size Category of Class XIII which is the Financial Size Category of the parent.

#### RATING RATIONALE

**Rating Rationale:** The company's published rating reflects the fact that it is an important part of the group's current business strategy and has historically been a major contributor to the group's overall earnings. Acacia Life's operations are integrated with those of its parent, including the same investment management and back-office support.

The following text is derived from the report of Ameritas Life Insurance Corp.

The rating of the UNIFI companies — which includes Ameritas Life Insurance Corp. (Ameritas Life); its New York subsidiary, First Ameritas Life Insurance Corp. of New York (First Ameritas Life); Acacia Life Insurance Company (Acacia Life) and The Union Central Life Insurance Company (Union Central) — reflects the group's strong risk-adjusted capitalization, diversified operating platform, high quality balance sheet and favorable business profile. The rating also reflects the group's strong market position in group dental insurance. These strengths are tempered by the overall decline in premium revenue, the significant realized capital losses in recent years, relatively high level of loan delinquencies at Acacia Federal Savings Bank, increased competition within UNIFI's core businesses — group dental and vision, life insurance and annuities — and the modest scale within its retirement plan and variable annuity lines.

UNIFI maintains a diversified operating profile which includes life insurance, annuities, individual disability insurance, retirement plans and investment products, group dental and vision, banking and mutual funds. Ameritas Life enjoys a strong position as a top-five provider of group dental and vision, which has historically produced favorable operating results. UNIFI's competitive position within the U.S. life marketplace has generally remained steady, although recent sales growth has underperformed the industry. In the past, UNIFI had demonstrated strong growth in life sales relative to the industry. However, sales have been impacted in recent periods by the recessionary economic environment and a strategic decision to scale back sales of certain products to reduce new business strain and preserve capital. A.M. Best acknowledges that UNIFI has increased market share in certain other product lines during this time. The group has a favorable business profile complemented by a unified branding strategy, improved economies of scale and a broad product portfolio including whole life, universal life, variable universal life, indexed life, fixed annuities, indexed annuities, variable annuities, disability income, retirement plans, dental, vision and auditory insurance. UNIFI's overall capitalization is strong, on both an absolute and risk-adjusted basis, with modest financial leverage, below-average intangibles and a generally conservative investment posture supporting its relatively high quality balance sheet. In addition, A.M. Best believes that future investment losses resulting from its exposure to non-agency mortgage-backed securities will likely be significantly lower than prior periods. Union Central and Acacia Life were repositioned as subsidiaries of Ameritas Life as part of a company-wide legal entity reorganization in

2009. A.M. Best believes this has facilitated more efficient management of capital across the life/health operating companies. Union Central remains well capitalized due to capital contributions from its parent, reinsurance agreements that reduced reserve requirements and the movement of certain products to affiliate company paper to reduce new business strain.

While earnings have improved over the most recent period, UNIFI has experienced some spread compression in its fixed annuity business and higher morbidity and lower persistency in the group dental line of business due to the economic environment. A.M. Best believes the group's earnings may be pressured somewhat going forward due to modest overall sales growth as a result of the competitive challenges in many of the company's core business lines as the U.S. market continues to mature and consolidate. A.M. Best believes scale and financial flexibility are key drivers of success in the U.S. life and retirement savings arena. Although growth through past mergers has significantly enhanced UNIFI's overall business profile, the group is a middle-tier player (i.e., top 40) within the individual life and annuity market. A key to improving operating returns will be UNIFI's ability to continue to reduce unit costs within the life and annuity lines through strong organic growth and additional technological investments. UNIFI's competitive position also remains modest within its retirement plans segment. Other industry-wide issues include continued competition from other large national players in group dental, loan delinquencies at Acacia Federal Savings Bank and the overall impact of the current low interest rate environment on many of UNIFI's product lines.

**Best's Financial Strength Rating: A g**

**Outlook: Stable**

#### FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
01/20/11	A g	05/01/08	A g
04/13/10	A g	02/02/07	A g
01/30/09	A g		

#### KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Total Capital				
		Capital Surplus Funds	Condit'l Reserve Funds	Net Premiums Written	Net Invest Income	Net Income
2006	1,651,393	298,122	44,302	37,569	87,142	19,303
2007	1,647,280	341,355	50,997	29,820	83,166	21,385
2008	1,544,345	322,405	22,117	33,251	94,838	-759
2009	1,517,203	321,553	4,835	65,149	110,725	33,819
2010	1,534,906	332,971	21,685	56,797	80,335	20,867

#### BUSINESS REVIEW

The following text is derived from the report of Ameritas Life Insurance Corp.

UNIFI offers a broad array of insurance and financial products and services to individuals, families and businesses through its insurance subsidiaries. The company has four main business segments: Individual, Group, Financial and Retirement Plans. Due to capital requirements, regulatory and cost concerns, the company has recently announced that it is implementing changes to its long-term strategic direction. The new strategic direction includes issuing all new insurance company business through one New York company (First Ameritas) and one non-New York company (Ameritas). Management believes this will provide improved focus with a simplified, streamlined and more efficient operating structure.

UNIFI's Individual segment includes the individual life, annuity and disability income product lines offered by its core insurance entities. As a result of mergers the group's competitive position had strengthened within the mature U.S. life insurance market. However, A.M. Best notes that growth in ordinary life sales have been below industry averages in recent years. Life insurance products are well diversified and include traditional whole life, universal life, variable universal life, and indexed universal life. Annuity product lines include traditional fixed annuities, indexed annuities and variable annuities (VAs). In 2007, UNIFI introduced a VA guaranteed lifetime withdrawal benefit rider to meet the needs of Baby Boomers as they move into the retirement phase. In response to the financial crisis, the company increased the fees on its VA products, similar to many of its peers in the industry. Total insurance inforce at year-end 2010 was \$78.2 billion, an increase of 1% as a result of new face issued offset by increased lapses. The Individual segment's

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earnings, before realized losses, represented just under two-thirds of UNIFI's consolidated 2010 pre-tax GAAP operating income. Individual products are marketed in all 50 states using a multi-channel platform which includes career agents, general agents; brokerage general agencies (BGAs), and fee-based advisors. While UNIFI made a strategic decision to scale back somewhat on its distribution expansion plans in the Individual segment during the financial crisis, the company currently remains focused on increasing the productivity of its existing field force and expanding the number of producers.

UNIFI's Group segment possesses a top-five market position, offering group dental and vision benefits nationwide. This unit, with a membership base exceeding 4.5 million participants, contributed 14% to UNIFI's 2010 consolidated pre-tax GAAP operating earnings. The Group segment's participating provider organization (PPO) panel has approximately 170,000 provider access points covering over 1.8 million employee lives. UNIFI's group products are sold through a multiple distribution strategy which includes its captive distribution for ALIC, a leading provider of group dental indemnity, PPO, voluntary and individual dental products and services; and its partnering distribution arrangements. Its market position has been achieved through organic growth, selective block acquisitions and multiple distribution partnering arrangements. ALIC's group dental products include its Dental Rewards product, which offers a rollover benefit maximum to its plan participants. Dental Rewards has been a highly successful product for the group and is complemented by the FUSION product, which combines dental and vision benefits. Ameritas Group has also introduced a Lasik Surgery insured benefit as a rider to the dental product, the first in the industry. Historically, the Group segment's dental line has outpaced industry sales results with double-digit growth rates. However, sales have been impacted over the most recent period due to the competitive market and economic environment. ALIC's sales growth trends have historically been strong, particularly within DPPO, where it maintains a strong and growing dental provider network. ALIC's dental franchise continues to be a major contributor to earnings, supported by its efficient cost structure, dental block consolidation expertise, flexible product design, persistency and excellent customer service. While morbidity remained high during the most recent period expense management efforts have helped to offset the relatively high level of dental claims. The group's extensive dental database, which is utilized in pricing, product development and claims management, is crucial to facilitating favorable underwriting results. These competitive advantages continue to allow ALIC and its partnerships to compete effectively in the increasingly competitive group market. Finally, captive distribution within the Group division consists of approximately 87 sales associates operating within 26 regional sales offices nationwide, and a number of strategic partnership alliances, third party administrators and brokerage general agency channels. In addition to dental and vision, ALIC has introduced an auditory offering to complement its current group product portfolio.

The Financial segment includes AFSB and Calvert. Calvert had approximately \$14.7 billion in AUM at year-end 2010, an increase from \$14.3 billion at year-end 2009 as an increase in redemptions were more than offset by an increase in sales and market appreciation. Calvert offers a broadly diversified portfolio of short-term, equity and long-term bond mutual funds. Calvert has a strong retirement emphasis with a meaningful portion of its AUM from retirement plans invested across various Calvert funds, and also offers various institutional investment products. AFSB has approximately \$1.2 billion in total assets. AFSB has been strategically shrinking its balance sheet as a result of the current economic environment. Most new loans originated by the bank are being sold with only a small number maintained on its balance sheet. The majority of the loan portfolio consists of interest-only and adjustable rate residential loans with a small amount of commercial loans. In addition, AFSB's loan portfolio is concentrated primarily in the Washington D.C. area, and as a result, its business has a high level of geographic concentration risk. The bank had recorded pre-tax operating losses in 2008 and 2009 due to increased loan loss provisions, but posted a pre-tax operating gain of \$3.9 million in 2010 due to a lower loan loss provision and higher gains on sales of loans and real estate. The company has contributed additional capital to the bank and removed non-performing assets to significantly strengthen its capital ratios in recent periods.

The Retirement Plans segment markets group annuities to the small and mid-sized 401(k) employer market (under 250 employees) and offers products on both a bundled and unbundled basis. Year-end 2010 AUM were approximately \$3.7 billion, with approximately 120,000 participants. Sales and earnings have been impacted in recent periods by the financial crisis and the uncertain economic environment. While the overall scale of this unit is

currently modest, UNIFI will be increasingly focused on strengthening its business profile within the retirement savings arena. A.M. Best notes that the U.S. retirement market is maturing and represents one of the more profitable segments within the U.S. life and annuity market requiring increased scale and superior risk management capabilities to compete effectively.

## PREMIUM AND RESERVE ANALYSIS

Direct Premiums (000)	2010	2009	2008	2007	2006
Ordinary life	66,905	56,714	55,564	56,511	66,112
Individual annuities	3,469	4,390	4,277	3,902	3,682
Individual A&H	16	19	22	28	32
<b>Total</b>	<b>70,390</b>	<b>61,123</b>	<b>59,864</b>	<b>60,441</b>	<b>69,825</b>
<b>Reins Assumed Prens (000)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Ordinary life	20,348	35,860	4,945	2,619	2,530
<b>Total</b>	<b>20,348</b>	<b>35,860</b>	<b>4,945</b>	<b>2,619</b>	<b>2,530</b>
<b>Reins Ceded Prens (000)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Ordinary life	33,941	31,834	31,559	33,240	34,786
<b>Total</b>	<b>33,941</b>	<b>31,834</b>	<b>31,559</b>	<b>33,240</b>	<b>34,786</b>
<b>Net Premiums &amp; Deposits (000)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Ordinary life	53,978	60,852	30,308	26,783	34,979
Individual annuities	9,903	12,806	11,139	10,181	11,228
Group annuities	47,835	46,019	52,641	45,830	24,294
Individual A&H	16	19	22	28	32
<b>Total</b>	<b>111,732</b>	<b>119,696</b>	<b>94,110</b>	<b>82,822</b>	<b>70,533</b>
Deposits (incl. above)	54,935	54,547	60,859	53,002	32,964
<b>General Account Reserve Distribution (000)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Ordinary life	762,470	771,776	756,199	775,356	785,147
Supplementary contracts	10,227	11,414	12,510	13,616	14,474
Individual annuities	246,079	254,455	269,657	311,939	358,326
Deposit type contracts	113,550	108,932	101,211	97,096	91,521
Individual A&H	223	246	315	355	514
<b>Total</b>	<b>1,132,549</b>	<b>1,146,824</b>	<b>1,139,893</b>	<b>1,198,361</b>	<b>1,249,981</b>

**Geographical breakdown of direct premium writings (\$000):** California, \$20,368 (16.3%); Virginia, \$10,333 (8.3%); Texas, \$8,408 (6.7%); Florida, \$7,655 (6.1%); District of Columbia, \$7,581 (6.1%); other jurisdictions, \$70,662 (56.5%).

## EARNINGS

Direct premiums have increased in 2009 and 2010 after declining in prior years. The increase in direct premiums is primarily due to an increase in the sales of universal life insurance products. In addition, net premiums written increased considerably in 2009 due to the assumption of variable universal life and term life business from affiliated companies. Net operating results have been favorable over the past five-year period, but have declined in 2010 due to a \$40 million stockholder dividend from AFCO in 2009. Net income has also been positive over the past five years except for 2008 due to asset impairments related to the financial crisis.

The following text is derived from the report of Ameritas Life Insurance Corp.

UNIFI has a generally diversified earnings profile, consisting of the group's insurance and financial services businesses. Within insurance, earnings are well diversified between individual life & annuity and group dental & vision. The company reported consolidated GAAP net income of \$146 million in 2010 versus \$56 million in the prior year. Net income benefited from a focus on expense management, a strong market recovery and improved earnings at AFSB primarily due to a reduced loan loss provision. The Individual segment generated the majority of UNIFI's earnings in 2010 with the Group, Retirement Plans and Financial segments contributing much lesser amounts. In 2010, each segment's pre-tax operating earnings contributions were as

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follows: Individual (61%), Financial (18%), Group (14%), Retirement (2%) and (5%) Corporate. On a pre-tax operating basis (excluding non-recurring charges and capital gains/losses), UNIFI's 2010 consolidated GAAP results were \$162 million versus \$115 million in the prior period. The company posted a net loss of \$274 million in 2008 as net income was impacted by \$427 million of realized losses due to impairments in its investment portfolio.

On a year-over-year basis, operating earnings for the Individual segment increased to \$99 million from \$86 million in the prior year. The increase in earnings was primarily due to cost reductions, improved disability morbidity and the aforementioned strong market recovery. The Group division's operating results improved to \$22 million from \$17 million in the prior year primarily due to expense management and a modest improvement in dental claims after experiencing a considerable increase in benefit expenses in 2009 that was partially attributable to the recessionary economic environment. The Financial segment reported earnings of \$29 million compared to \$5 million in 2009. The increase was primarily driven by a lower loan loss provision at AFSB and higher assets under management at Calvert. The Retirement Plans segment's earnings decreased to \$3.9 million from \$5.5 million in 2009 as an increase in asset based charges, interest spreads and a focus on expense management was offset by lower expense deferrals and increased amortization. Finally, the Corporate segment's results increased to \$8.6 million in 2010 from \$2 million in 2009 due to reduced expenses and an increase in income from alternative investments.

On a statutory basis, UNIFI reported a consolidated pre-tax net operating gain of \$108 million in 2010 compared to a gain of \$122 million in the prior year as the impact of expense management and lower reserve increases for the company's secondary guarantee universal life product was offset by a reduction in dividends from subsidiaries, reinsurance activity and increased sales strain in certain traditional product lines. The company's earnings were impacted in 2008 by sharp declines in the Individual and Retirement segments due to increased expenses and strain in the individual life line of business, lower income from the variable annuity product line due to lower sales and an increase in reserves for the GMDB rider. Statutory earnings were also impacted in 2008 by Regulation XXX reserve strain, hedge accounting volatility and spread compression primarily within fixed annuities. In 2009, overall earnings benefited from reduced acquisition costs associated with new sales, reduced general expenses associated with an increased focus on cost cutting initiatives, improved mortality ratios and income generated from a new reinsurance agreement in Union Central. The statutory results exclude the financial services businesses and consist of the following four statutory reporting entities: Ameritas Life, First Ameritas Life, Acacia Life, and Union Central. A.M. Best expects statutory earnings may be pressured in the near-term due to the competitive market and economic environment, but over time will benefit from organic growth, achievement of scale and further expense efficiencies.

## PROFITABILITY TESTS

Year	Ben Paid to NPW & Dep	Comm & Exp to NPW & Dep	NOG to Tot Assets	NOG to Tot Rev	Operating Return on Equity	Net Yield	Total Return
2006	164.6	29.5	0.9	10.9	5.3	5.49	7.60
2007	155.5	18.7	0.9	12.2	4.6	5.24	7.62
2008	137.5	24.0	1.8	21.2	8.6	6.24	2.73
2009	78.4	43.0	2.3	19.7	11.2	7.73	5.11
2010	83.5	28.4	1.4	14.9	6.5	5.59	6.31

## PROFITABILITY ANALYSIS

Net Operating Gain (000)	2010	2009	2008	2007	2006
Ordinary life	10,003	-8,242	5,796	11,222	12,837
Supplementary contracts	415	408	292	283	487
Individual annuities	1,214	1,683	1,715	1,513	4,815
Group annuities	192	185	129	98	189
Individual A&H	3	42	21	98	77
Other	9,585	41,869	20,704	1,639	-3,560
Total	21,413	35,946	28,657	14,853	14,844

## CAPITALIZATION

Acacia Life Insurance Company maintains a strong risk-adjusted capital position. Capital and surplus has generally increased over the past five years except for 2008 due to realized and unrealized capital losses associated with the financial crisis. A. M. Best notes that ALIC is a direct owner of Acacia Federal Saving Bank, but believes the company is currently maintains sufficient excess capital to withstand a deterioration in the capitalization of the bank.

The following text is derived from the report of Ameritas Life Insurance Corp.

Capital and surplus for the UNIFI companies has rebounded over the past two years after declining sharply in 2008 due to significant realized and unrealized investment losses. Capital and surplus increased in 2010 primarily due to favorable operating results. In 2009, capital and surplus benefited from repositioning activities within the group, a new reinsurance agreement at Union Central and favorable operating results. As a result, the group maintains a more than adequate level of risk-adjusted capitalization for its current investment and insurance risks. On a qualitative basis, the group's strong capitalization levels are complemented by favorable financial measures such as low financial leverage, solid interest coverage, moderate intangibles-to-equity and the hidden value inherent in its ownership of Calvert. In addition, the company employs strong enterprise risk management and corporate governance programs that are deployed throughout the organization.

A.M. Best believes that the repositioning of Union Central and Acacia Life under Ameritas Life has made it easier to facilitate the allocation of capital within the organization. While Union Central's capital position was impacted by significant impairments in its non-agency backed securities in 2008, UNIFI made a number of strategic decisions to ensure that the company remained well capitalized including \$225 million of capital contributions. A.M. Best notes that the other two main insurance operating entities, Ameritas Life and Acacia Life, are both very well capitalized. Going forward, A.M. Best expects UNIFI to maintain sound capitalization, which is enhanced by the group's financial flexibility as a mutual holding company, good liquidity and diversified business profile.

## LEVERAGE TESTS

Year	C&S to Liabilities	Surplus Relief	Reins Leverage	NPW & Dep to Capital	Change in NPW & Dep	Change in Capital
2006	26.2	2.0	15.3	0.2	18.5	14.7
2007	31.3	1.9	13.7	0.2	17.4	14.6
2008	28.7	1.8	13.7	0.3	13.6	-12.2
2009	27.4	1.9	12.9	0.4	27.2	-5.3
2010	30.0	1.6	14.7	0.3	-6.7	8.7

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## SOURCES OF CAPITAL GROWTH (\$000)

Year	Net Gain	Realized Capital Gains	Unrealized Capital Gains	Change AVR	Other Changes	Change in C&S
2006	14,844	4,459	29,515	-5,670	-3,801	39,347
2007	14,853	6,532	31,568	-6,695	-3,026	43,233
2008	28,657	-29,416	-26,207	28,880	-20,863	-18,949
2009	35,946	-2,127	-37,353	17,281	-14,600	-852
2010	21,413	-546	10,555	-16,850	-3,154	11,418

## CAPITAL TRENDS (\$000)

Year	end C&S	Surplus Notes	Stockholder Divs	Policyholder Divs	Asset Valuation Reserve	Interest Maintenance Reserve
2006	298,122	...	1,443	10,763	44,302	3,772
2007	341,355	...	1,277	10,082	50,997	3,941
2008	322,405	...	14,110	9,930	22,117	...
2009	321,553	...	24,944	7,783	4,835	1,719
2010	332,971	...	777	7,387	21,685	3,263

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## INVESTMENTS AND LIQUIDITY

The following text is derived from the report of Ameritas Life Insurance Corp.

UNIFI's investment portfolio is managed on a consolidated basis by Summit Investment Advisors, a UNIFI company. The general account portfolio is concentrated primarily in fixed-income securities (approximately 75% on a consolidated basis) and mortgage loans (12%), with the balance invested in common and preferred stock, real estate, alternative investments, policyholder loans and cash and cash equivalents. The fixed income portfolio is comprised of just under one-fourth structured securities, and includes investments in residential, commercial and other asset-backed securities that are primarily backed by home equity loans. While the overall level of these securitized investments are relatively modest, the company impaired a significant amount of these securities in 2008 and 2009 due to declines in market values of non-agency mortgage-backed securities, which is the result of increasing delinquency rates and falling home prices. While the amount of asset impairments improved in 2010, A.M. Best believes the company may experience additional investment losses in this sector, but that they will likely be modest compared to prior years. Relative to similarly-rated peers, UNIFI has below-average exposure to high-yield bonds as a percentage of statutory capital, reflecting its conservative investment philosophy, financial discipline and superior capitalization. Interest rate risk from the MBS portfolio is actively managed by focusing on purchases of issues with 15-year collateral, the monitoring of market values and active asset/liability management. Exposure to subprime and Alt-A loans is moderate, though concentrated primarily within Union Central.

UNIFI's mortgage portfolio is geographically diversified and comprised mainly of commercial loans on office, retail and industrial buildings. Lending activity is driven by conservative underwriting standards and the historical performance has been above average, with only a modest amount of loan delinquencies as of year-end 2010. Mortgage loan exposure as a percentage of statutory capital is in line with similarly-rated peers for UNIFI's insurance lines. Acacia Federal Savings Bank (AFSB), with total assets of approximately \$1.2 billion, has a sizable mortgage loan portfolio concentrated in interest-only and adjustable rate residential mortgage loans, with a modest amount of commercial mortgage loans located primarily in the Washington D.C. area. From an enterprise perspective, this exposure creates some geographic concentration risk in the local Washington real estate market. While earnings have improved over the most recent period, A.M. Best notes that the bank posted net operating losses in 2008 and 2009 due to increased loan loss provisions. A.M. Best believes AFSB's may need the support of its parent, Acacia, in the near-term as capital ratios may decline due to the potential for increased delinquencies and loan loss provisioning.

The group's overall liquidity is buttressed by positive net cash flows from its diversified business mix and access to a committed but unused bank line at Ameritas. In addition, Ameritas, Acacia and Union Central are members of the Federal Home Loan Bank system which provides the potential for additional borrowing capacity at a relatively low cost of funds. Finally, liquidity is further enhanced through UNIFI's mutual holding company structure; its lack of financial leverage; and lower product risk profile.

## LIQUIDITY TESTS

Year	Operating Cash Flow (\$000)	Quick Liquidity	Current Liquidity	Non-Inv Grade Bonds to Capital	Delnq & Foreclsd Mtg to Capital	Mtg & Cred Ten Lns & RE to Cap	Affil Invest to Capital
2006	-27,591	53.9	67.7	11.9	...	60.6	57.4
2007	-40,899	55.1	69.5	10.0	...	49.2	56.8
2008	-72,585	56.7	70.2	14.1	...	50.0	55.9
2009	-6,470	57.4	70.8	16.2	...	49.2	45.3
2010	18,679	57.1	70.9	14.0	...	44.8	54.7

## INVESTMENT YIELDS

Year	Net Yield	Bonds	Stocks	Mort-gages	Cash & Short Term	Real Estate Gross	Real Estate Net	Invest. Exp. Ratio
2006	5.49	5.80	0.53	7.07	4.60	...	...	3.86
2007	5.24	5.84	0.76	6.98	9.09	...	...	3.93
2008	6.24	5.74	9.28	6.87	2.01	...	...	3.25
2009	7.73	5.80	20.41	6.58	0.35	...	...	2.00
2010	5.59	5.81	5.15	6.79	0.05	...	...	3.08

## INVESTMENT DATA

Current Year Distribution of Bonds by Maturity

	Years					Yrs-Avg Maturity
	0-1	1-5	5-10	10-20	20-	
Government	3.5	4.0	3.9	1.1	0.0	5
Gov't Agencies & Muni	2.6	10.1	2.7	0.3	0.5	4
Industrial & Misc	5.1	26.5	35.1	3.4	0.2	6
Hybrid Securities	...	...	0.2	0.2	0.8	21
<b>Total</b>	<b>11.2</b>	<b>40.5</b>	<b>41.8</b>	<b>5.0</b>	<b>1.5</b>	<b>6</b>

	2010	2009	2008	2007	2006
<b>Bonds (000)</b>	<b>975,962</b>	<b>1,002,689</b>	<b>979,766</b>	<b>1,055,637</b>	<b>1,097,339</b>
US Government	10.3	11.2	12.5	12.8	16.0
Foreign - All Other	17.2	16.5	14.0	12.4	10.9
State/Special Rev. - US	16.5	19.4	18.7	17.7	17.6
Public Utilities - US	...	...	5.9	5.4	5.2
Industrial & Misc - US	54.8	52.0	48.3	50.4	48.4
Hybrid Securities	1.2	1.0	...	...	...
Affiliated	...	...	0.6	1.3	2.0
Private Issues	19.8	19.1	19.4	19.7	19.7
Public Issues	80.2	80.9	80.6	80.3	80.3

	2010	2009	2008	2007	2006
<b>Bond Quality (%)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Class 1	60.7	64.1	68.4	70.0	71.3
Class 2	34.4	30.7	26.7	26.3	25.0
Class 3	4.0	4.2	3.3	2.5	2.7
Class 4	0.6	0.6	1.1	1.1	0.8
Class 5	0.3	0.2	0.4	0.1	0.1
Class 6	0.0	0.0	0.1	0.0	0.2

	2010	2009	2008	2007	2006
<b>Mortgages (000)</b>	<b>158,801</b>	<b>160,633</b>	<b>172,334</b>	<b>192,860</b>	<b>207,542</b>
Commercial	100.0	100.0	100.0	100.0	100.0

	2010	2009	2008	2007	2006
<b>Stocks (000)</b>	<b>189,758</b>	<b>173,653</b>	<b>223,877</b>	<b>255,263</b>	<b>214,934</b>
Unaffiliated Common	19.5	15.6	12.1	12.8	16.0
Affiliated Common	80.0	83.8	82.3	81.0	80.3
Unaffiliated Preferred	0.5	0.6	5.6	6.3	3.7

	2010	2009	2008	2007	2006
<b>Other Inv Assets (000)</b>	<b>151,879</b>	<b>111,271</b>	<b>121,341</b>	<b>104,907</b>	<b>95,771</b>
Cash	0.5	-1.3	0.2	-3.5	-0.6
Short-Term	16.0	21.4	24.4	13.0	6.6
Schedule BA Assets	48.6	29.0	30.0	38.8	36.1
All Other	34.9	50.9	45.5	51.8	57.9

## HISTORY

Date Incorporated: 03/03/1869 Date Commenced: 03/03/1869

Domicile: DC

The company was incorporated by a special Act of Congress in 1869 as "The Masonic Mutual Relief Association of the District of Columbia," a fraternal benefit association. In 1903, the charter was amended to provide legal reserves on all policies and to limit membership to Master Masons. Subsequently, all prior assessment business was placed on the legal reserve plan with this transfer being completed by December 31, 1915 and since that date no assessment certificates have been in force. By amendments to its charter its title was revised to The Masonic Mutual Life Association of the District of Columbia on May 30, 1908, to Acacia Mutual Life Association on September 22, 1922 and to Acacia Mutual Life Insurance Company on May 14, 1932. Coincident with the 1932 change the Masonic limitations were eliminated. The present title was adopted June 30, 1997, upon conversion of the company to a stock life insurer under the District of Columbia's mutual holding company legislation. The current structure should provide the group with greater financial flexibility in its capital management which includes

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access to additional capital from public markets. Evidence of operational flexibility includes mergers of mutual holding companies and subsidiary reorganizations. On January 1, 1999, the Ameritas Mutual Insurance Holding Company was merged with the Acacia Mutual Holding Corporation and renamed as Ameritas Acacia Mutual Holding Company. On January 1, 2006, the Ameritas Acacia Mutual Holding Company merged with the Union Central Mutual Holding Company and was renamed UNIFI Mutual Holding Company. On December 31, 2009, Acacia Life Insurance Company became a subsidiary of Ameritas Life Insurance Corp.

**Mergers:** Acacia National Life Insurance Company, Washington, D.C., 2004.

## MANAGEMENT

**Officers:** Chairperson, Barbara J. Krumsiek; President and Chief Executive Officer, Salene M. Hitchcock-Gear; President, Steven J. Valerius (Individual Division); Executive Vice President and Treasurer, William W. Lester (Corporate); Executive Vice President, Timmy L. Stonehocker; Senior Vice President and Chief Financial Officer, Robert C. Barth; Senior Vice President and Chief Investment Officer, James Mikus; Senior Vice President and Chief Information Officer, Nancy A. Dalessio; Senior Vice President, Secretary and General Counsel, Robert-John H. Sands (Corporate); Senior Vice President and Director, Janet L. Schmidt (Human Resources); Senior Vice President and Actuary, Dale D. Johnson (Corporate); Senior Vice Presidents, Arnold D. Henkel (Individual Strategic Alliances), Robert P. Kocher (Retirement Income & Business Development), Kevin W. O'Toole (Individual Distribution), Paul G. Welsing (Individual Operations), Susan K. Wilkinson (Planing & Risk Management).

**Directors:** Barbara J. Krumsiek (Chair), Patricia A. McGuire, Edward J. Quinn, Jr. (Vice Chairman), Donald W. Silby, Robert M. Willis.

## REINSURANCE

The company maintains reinsurance treaties with several reinsurance companies for ceding excess for its life insurance line. Maximum net retention on any life is \$2,000,000 with retention graded down for ages over 66 and ratings over Table A.

## REGULATORY

An examination of the financial condition was made as of December 31, 2008 by the Insurance Department of District of Columbia. The 2010 annual independent audit of the company was conducted by Deloitte & Touche, LLP. The annual statement of actuarial opinion is provided by Linda Whitmire, Vice President & Financial Actuary.

**Territory:** The company is licensed in the District of Columbia, AL, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

**Reserve basis:** (Current ordinary business): 2001 CSO 4% Net Level and CRVM (Current deferred annuity business): A-2000 4.5% (Current SPIA business): A2000 3%-4%.

## FINANCIAL INFORMATION BALANCE SHEET (\$000) - December 31, 2010

Assets		Liabilities	
*Total bonds	975,962	+Net policy reserves	1,018,998
*Total preferred stocks	879	Policy claims	9,112
*Total common stocks	188,879	Deposit type contracts	113,550
Mortgage loans	158,801	Interest maint reserve	3,263
Contract loans	52,985	Comm taxes expenses	10,189
Cash & short-term inv	25,125	Asset val reserve	21,685
Other invested assets	73,769	Other liabilities	25,137
Prem and consids due	5,262	Total Liabilities	1,201,936
Accrued invest income	14,802	Common stock	3,000
Other assets	38,442	Preferred stock	10,000
		Paid in & contrib surpl	95,485
		Unassigned surplus	220,300
		Other surplus	4,185
Assets	1,534,906	Total	1,534,906

\*Securities are reported on the bases prescribed by the National Association of Insurance Commissioners. +Analysis of reserves: Life \$753,287; annuities \$246,079; supplementary contracts with life contingencies \$10,227; accidental death benefits \$339; disability active lives \$1,079; disability disabled lives \$4,763; miscellaneous reserves \$3,001; accident & health \$223.

## SUMMARY OF OPERATIONS (\$000)

Premiums:		Death benefits	35,879
Ordinary life	53,312	Matured endowments	1,034
Individual annuities	3,469	Annuity benefits	3,138
Acc & health other	16	Disability benefits	525
Total premiums	56,797	Surrender benefits	46,591
Supplementary contracts	163	Acc & health benefits	48
Net investment income	80,335	Int on policy funds	4,039
Amort interest maint res	554	Supplementary contracts	1,999
Comm & exp reins ceded	5,352	Incr life reserves	-18,871
Other income	185	Incr a & h reserves	-22
		Commissions	6,724
		Comm exp reins assumed	3,012
		Insur taxes lic & fees	1,592
		General ins expenses	25,810
Total	143,387	Total	111,499
Gain from operations before FIT & div to policyholders.....			31,888
Dividends to policyholders: life.....			7,387
Dividends to policyholders: accident & health.....			0
Gains from operations after dividends to policyholders.....			24,501
Federal income taxes incurred.....			3,088
Net gain from operations after FIT and dividends.....			21,413

## CASH FLOW ANALYSIS (\$000)

Funds Provided		Funds Applied	
Gross cash from oper	144,969	Benefits paid	89,959
Long-term bond proceeds	133,824	Comm, taxes, expenses	38,443
Stock proceeds	50,987	Long-term bonds acquired	103,539
Other invest proceeds	31,125	Stocks acquired	56,350
Other cash provided	10,272	Other invest acquired	68,638
		Other cash applied	11,509
		Incr cash & short-term	2,740
Total	371,178	Total	371,178

## ORDINARY LIFE STATISTICS

Year	Ord. Lapse Ratio %	Average Ord. Policy (in dollars)		Avg. Prem (\$/M)	1st Yr Prem / Total Prem	1st Yr Comm / 1st Yr Prem	Gen. Exp. / Policies In Force
		Issued	In Force				
2006	6.5	214,908	70,804	9.95	13.3	17.9	100.41
2007	6.8	244,451	70,377	9.15	3.2	9.2	117.88
2008	5.4	557,155	82,812	8.30	8.9	10.9	148.13
2009	3.8	402,952	94,735	7.70	17.3	35.5	142.54
2010	-4.1	393,330	110,266	6.48	32.9	23.4	176.64

Year	# Policies Issued (000)	# Policies in Force (000)	First Year Premium (000)	Gen'l Exp / Reserves (%)	Return on Reserves (%)
2007	0	92	1,819	1.37	1.42
2008	0	88	4,958	1.69	0.75
2009	2	127	9,786	2.30	-1.05
2010	2	122	21,991	2.78	1.29

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## INDIVIDUAL ANNUITY STATISTICS

Year	NPW & Dep (000)	Res & Dep Liab (000)	Exp to Res & Dep Liab (%)*	Comm & Exp to NPW & Dep (%)	Benefits & Wdrwls to NPW & Dep (%)	Benefits & Wdrwls to Res & Dep Liab (%)*
2006	11,228	428,784	0.5	24.8	513.1	12.9
2007	10,181	376,066	0.6	27.1	697.2	18.3
2008	11,139	329,372	0.6	23.8	569.5	18.6
2009	12,806	312,950	0.4	14.6	267.6	10.4
2010	9,903	303,090	0.4	17.9	264.3	8.0

\* Includes Separate Account reserves.

## TOTAL ANNUITY ACTUARIAL RESERVES & DEPOSIT TYPE LIABILITIES BY WITHDRAWAL CHARACTERISTICS

Year	Total Annuity Res & Dep Liab (000)	Min or No Surrender Charge (%)*	With Surrender Charge 5% or more (%)*	With MVA (%)*	No Surrender Allowed (%)*
2006	464,321	83.5	2.0	1.8	12.6
2007	422,651	82.7	1.4	2.4	13.5
2008	383,379	81.7	0.2	3.5	14.6
2009	374,801	79.8	...	4.9	15.3
2010	369,855	78.3	...	6.5	15.2

\* Includes Separate Account reserves.

## NEW LIFE BUSINESS ISSUED (\$000)

Year	Whole Life & Endow.	Term	Credit	Group	Industrial	Total Insurance Issued	Non-Par (%)	Par (%)
2006	89,187	...	...	...	...	89,187	97	3
2007	20,530	64,539	...	...	...	85,069	96	4
2008	66,245	195,618	...	...	...	261,863	76	24
2009	481,000	193,945	...	...	...	674,945	100	0
2010	654,924	124,657	...	...	...	779,581	100	...

## LIFE INSURANCE IN FORCE (\$000)

Year	Whole Life Endow. & Adds	Term	Credit	Group	Industrial	Total Insurance In Force
2006	5,907,029	994,617	...	...	...	6,901,646
2007	5,510,916	952,145	...	...	...	6,463,061
2008	6,232,476	1,060,151	...	...	...	7,292,627
2009	5,143,860	6,880,933	...	...	...	12,024,794
2010	5,394,737	8,068,070	...	...	...	13,462,807



# Best's Rating Report

## Ultimate Parent: UNIFI Mutual Holding Company

### THE UNION CENTRAL LIFE INSURANCE COMPANY

5900 O Street  
Lincoln, NE 68510-2234

Mailing Address: P.O. Box 40888, Cincinnati, OH 45240

Exec. Office: 1876 Waycross Road, Cincinnati, OH 45240

Web: www.unificompanies.com

Tel.: 800-825-1551

AMB#: 007150

Ultimate Parent#: 051337

Fax: 513-595-2206

NAIC#: 80837

FEIN#: 31-0472910

#### BEST'S FINANCIAL STRENGTH RATING

Based on our opinion of the consolidated Financial Strength of the life/health members of UNIFI Companies, which operate under a group structure, this group member is assigned a Best's Financial Strength Rating of A (Excellent). The company is assigned the Financial Size Category of Class XIII which is the Financial Size Category of the parent.

#### RATING RATIONALE

**Rating Rationale:** The company's published rating reflects the fact that it is an important part of the group's current business strategy and has historically been a major contributor to the group's overall earnings. Union Central Life's operations are integrated with those of its parent, including the same investment management and back-office support.

The following text is derived from the report of Ameritas Life Insurance Corp.

The rating of the UNIFI companies — which includes Ameritas Life Insurance Corp. (Ameritas Life); its New York subsidiary, First Ameritas Life Insurance Corp. of New York (First Ameritas Life); Acacia Life Insurance Company (Acacia Life) and The Union Central Life Insurance Company (Union Central) — reflects the group's strong risk-adjusted capitalization, diversified operating platform, high quality balance sheet and favorable business profile. The rating also reflects the group's strong market position in group dental insurance. These strengths are tempered by the overall decline in premium revenue, the significant realized capital losses in recent years, relatively high level of loan delinquencies at Acacia Federal Savings Bank, increased competition within UNIFI's core businesses — group dental and vision, life insurance and annuities — and the modest scale within its retirement plan and variable annuity lines.

UNIFI maintains a diversified operating profile which includes life insurance, annuities, individual disability insurance, retirement plans and investment products, group dental and vision, banking and mutual funds. Ameritas Life enjoys a strong position as a top-five provider of group dental and vision, which has historically produced favorable operating results. UNIFI's competitive position within the U.S. life marketplace has generally remained steady, although recent sales growth has underperformed the industry. In the past, UNIFI had demonstrated strong growth in life sales relative to the industry. However, sales have been impacted in recent periods by the recessionary economic environment and a strategic decision to scale back sales of certain products to reduce new business strain and preserve capital. A.M. Best acknowledges that UNIFI has increased market share in certain other product lines during this time. The group has a favorable business profile complemented by a unified branding strategy, improved economies of scale and a broad product portfolio including whole life, universal life, variable universal life, indexed life, fixed annuities, indexed annuities, variable annuities, disability income, retirement plans, dental, vision and auditory insurance. UNIFI's overall capitalization is strong, on both an absolute and risk-adjusted basis, with modest financial leverage, below-average intangibles and a generally conservative investment posture supporting its relatively high quality balance sheet. In addition, A.M. Best believes that future investment losses resulting from its exposure to non-agency mortgage-backed securities will likely be significantly lower than prior periods. Union Central and Acacia Life were repositioned as subsidiaries of Ameritas Life as part of a company-wide legal entity reorganization in

2009. A.M. Best believes this has facilitated more efficient management of capital across the life/health operating companies. Union Central remains well capitalized due to capital contributions from its parent, reinsurance agreements that reduced reserve requirements and the movement of certain products to affiliate company paper to reduce new business strain.

While earnings have improved over the most recent period, UNIFI has experienced some spread compression in its fixed annuity business and higher morbidity and lower persistency in the group dental line of business due to the economic environment. A.M. Best believes the group's earnings may be pressured somewhat going forward due to modest overall sales growth as a result of the competitive challenges in many of the company's core business lines as the U.S. market continues to mature and consolidate. A.M. Best believes scale and financial flexibility are key drivers of success in the U.S. life and retirement savings arena. Although growth through past mergers has significantly enhanced UNIFI's overall business profile, the group is a middle-tier player (i.e., top 40) within the individual life and annuity market. A key to improving operating returns will be UNIFI's ability to continue to reduce unit costs within the life and annuity lines through strong organic growth and additional technological investments. UNIFI's competitive position also remains modest within its retirement plans segment. Other industry-wide issues include continued competition from other large national players in group dental, loan delinquencies at Acacia Federal Savings Bank and the overall impact of the current low interest rate environment on many of UNIFI's product lines.

**Best's Financial Strength Rating: A g**

**Outlook: Stable**

#### FIVE YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
01/20/11	A g	05/01/08	A g
04/13/10	A g	02/02/07	A g
01/30/09	A g		

#### KEY FINANCIAL INDICATORS (\$000)

Year	Assets	Total Capital				Net Invest Income	Net Income
		Capital Surplus Funds	Condit'l Reserve Funds	Net Premiums Written	Net Income		
2006	7,093,698	327,083	36,242	914,257	253,818	-9,075	
2007	7,284,871	321,059	37,131	921,544	256,624	-105	
2008	6,310,581	266,977	4,739	982,315	257,836	-156,271	
2009	6,743,143	400,877	7,672	730,217	243,586	-119,780	
2010	6,925,943	400,399	15,908	626,285	260,698	-2,065	

#### BUSINESS REVIEW

The following text is derived from the report of Ameritas Life Insurance Corp.

UNIFI offers a broad array of insurance and financial products and services to individuals, families and businesses through its insurance subsidiaries. The company has four main business segments: Individual, Group, Financial and Retirement Plans. Due to capital requirements, regulatory and cost concerns, the company has recently announced that it is implementing changes to its long-term strategic direction. The new strategic direction includes issuing all new insurance company business through one New York company (First Ameritas) and one non-New York company (Ameritas). Management believes this will provide improved focus with a simplified, streamlined and more efficient operating structure.

UNIFI's Individual segment includes the individual life, annuity and disability income product lines offered by its core insurance entities. As a result of mergers the group's competitive position had strengthened within the mature U.S. life insurance market. However, A.M. Best notes that growth in ordinary life sales have been below industry averages in recent years. Life insurance products are well diversified and include traditional whole life, universal life, variable universal life, and indexed universal life. Annuity product lines include traditional fixed annuities, indexed annuities and variable annuities (VAs). In 2007, UNIFI introduced a VA guaranteed lifetime withdrawal benefit rider to meet the needs of Baby Boomers as they move into the retirement phase. In response to the financial crisis, the company increased the fees on its VA products, similar to many of its peers in the industry. Total insurance inforce at year-end 2010 was \$78.2 billion, an increase of 1% as a result of new face issued offset by increased lapses. The Individual segment's

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earnings, before realized losses, represented just under two-thirds of UNIFI's consolidated 2010 pre-tax GAAP operating income. Individual products are marketed in all 50 states using a multi-channel platform which includes career agents, general agents; brokerage general agencies (BGAs), and fee-based advisors. While UNIFI made a strategic decision to scale back somewhat on its distribution expansion plans in the Individual segment during the financial crisis, the company currently remains focused on increasing the productivity of its existing field force and expanding the number of producers.

UNIFI's Group segment possesses a top-five market position, offering group dental and vision benefits nationwide. This unit, with a membership base exceeding 4.5 million participants, contributed 14% to UNIFI's 2010 consolidated pre-tax GAAP operating earnings. The Group segment's participating provider organization (PPO) panel has approximately 170,000 provider access points covering over 1.8 million employee lives. UNIFI's group products are sold through a multiple distribution strategy which includes its captive distribution for ALIC, a leading provider of group dental indemnity, PPO, voluntary and individual dental products and services; and its partnering distribution arrangements. Its market position has been achieved through organic growth, selective block acquisitions and multiple distribution partnering arrangements. ALIC's group dental products include its Dental Rewards product, which offers a rollover benefit maximum to its plan participants. Dental Rewards has been a highly successful product for the group and is complemented by the FUSION product, which combines dental and vision benefits. Ameritas Group has also introduced a Lasik Surgery insured benefit as a rider to the dental product, the first in the industry. Historically, the Group segment's dental line has outpaced industry sales results with double-digit growth rates. However, sales have been impacted over the most recent period due to the competitive market and economic environment. ALIC's sales growth trends have historically been strong, particularly within DPPO, where it maintains a strong and growing dental provider network. ALIC's dental franchise continues to be a major contributor to earnings, supported by its efficient cost structure, dental block consolidation expertise, flexible product design, persistency and excellent customer service. While morbidity remained high during the most recent period expense management efforts have helped to offset the relatively high level of dental claims. The group's extensive dental database, which is utilized in pricing, product development and claims management, is crucial to facilitating favorable underwriting results. These competitive advantages continue to allow ALIC and its partnerships to compete effectively in the increasingly competitive group market. Finally, captive distribution within the Group division consists of approximately 87 sales associates operating within 26 regional sales offices nationwide, and a number of strategic partnership alliances, third party administrators and brokerage general agency channels. In addition to dental and vision, ALIC has introduced an auditory offering to complement its current group product portfolio.

The Financial segment includes AFSB and Calvert. Calvert had approximately \$14.7 billion in AUM at year-end 2010, an increase from \$14.3 billion at year-end 2009 as an increase in redemptions were more than offset by an increase in sales and market appreciation. Calvert offers a broadly diversified portfolio of short-term, equity and long-term bond mutual funds. Calvert has a strong retirement emphasis with a meaningful portion of its AUM from retirement plans invested across various Calvert funds, and also offers various institutional investment products. AFSB has approximately \$1.2 billion in total assets. AFSB has been strategically shrinking its balance sheet as a result of the current economic environment. Most new loans originated by the bank are being sold with only a small number maintained on its balance sheet. The majority of the loan portfolio consists of interest-only and adjustable rate residential loans with a small amount of commercial loans. In addition, AFSB's loan portfolio is concentrated primarily in the Washington D.C. area, and as a result, its business has a high level of geographic concentration risk. The bank had recorded pre-tax operating losses in 2008 and 2009 due to increased loan loss provisions, but posted a pre-tax operating gain of \$3.9 million in 2010 due to a lower loan loss provision and higher gains on sales of loans and real estate. The company has contributed additional capital to the bank and removed non-performing assets to significantly strengthen its capital ratios in recent periods.

The Retirement Plans segment markets group annuities to the small and mid-sized 401(k) employer market (under 250 employees) and offers products on both a bundled and unbundled basis. Year-end 2010 AUM were approximately \$3.7 billion, with approximately 120,000 participants. Sales and earnings have been impacted in recent periods by the financial crisis and the uncertain economic environment. While the overall scale of this unit is

currently modest, UNIFI will be increasingly focused on strengthening its business profile within the retirement savings arena. A.M. Best notes that the U.S. retirement market is maturing and represents one of the more profitable segments within the U.S. life and annuity market requiring increased scale and superior risk management capabilities to compete effectively.

## PREMIUM AND RESERVE ANALYSIS

Direct Premiums (000)	2010	2009	2008	2007	2006
Ordinary life	351,152	321,316	368,332	381,838	296,924
Group life	86	97	107	155	849
Individual annuities	133,900	176,869	198,669	154,148	182,261
Group annuities	218,904	280,347	429,496	390,746	435,455
Individual A&H	100,012	93,537	85,821	77,089	68,347
Group A&H	7,872	10,420	13,511	16,480	17,748
<b>Total</b>	<b>811,927</b>	<b>882,585</b>	<b>1,095,935</b>	<b>1,020,456</b>	<b>1,001,583</b>
<b>Reins Assumed Prens (000)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Ordinary life	481	475	419	331	396
Individual A&H	3,290	3,564	3,838	4,186	4,492
<b>Total</b>	<b>3,771</b>	<b>4,039</b>	<b>4,257</b>	<b>4,517</b>	<b>4,888</b>
<b>Reins Ceded Prens (000)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Ordinary life	156,788	126,282	90,225	79,351	70,671
Individual A&H	32,505	30,030	26,948	23,479	20,816
Group A&H	120	95	704	598	726
<b>Total</b>	<b>189,413</b>	<b>156,407</b>	<b>117,877</b>	<b>103,429</b>	<b>92,213</b>
<b>Net Premiums &amp; Deposits (000)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Ordinary life	194,990	195,683	278,687	302,984	226,865
Group life	86	97	107	155	849
Individual annuities	137,732	182,267	206,175	162,048	196,002
Group annuities	329,453	394,781	526,224	483,634	539,102
Individual A&H	70,797	67,071	62,711	57,796	52,023
Group A&H	7,752	10,325	12,807	15,882	17,022
<b>Total</b>	<b>740,810</b>	<b>850,224</b>	<b>1,086,711</b>	<b>1,022,499</b>	<b>1,031,862</b>
Deposits (incl. above)	114,525	120,007	104,396	100,955	117,606
<b>General Account Reserve Distribution (000)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Ordinary life	2,142,125	2,040,803	1,995,466	1,897,269	1,758,356
Group life	13,782	14,241	14,777	15,111	15,284
Supplementary contracts	5,879	5,899	6,268	7,110	7,813
Individual annuities	1,315,533	1,259,913	1,195,600	1,195,244	1,237,959
Group annuities	659,035	670,355	652,952	664,870	696,274
Deposit type contracts	121,123	129,743	124,602	129,052	123,836
Individual A&H	275,742	267,001	254,014	245,657	237,150
Group A&H	5,816	6,038	12,582	10,468	10,443
<b>Total</b>	<b>4,539,037</b>	<b>4,393,993</b>	<b>4,256,262</b>	<b>4,164,782</b>	<b>4,087,115</b>

**Geographical breakdown of direct premium writings (\$000):** New York, \$128,246 (13.9%); California, \$110,661 (12.0%); Ohio, \$65,750 (7.1%); Pennsylvania, \$62,112 (6.7%); Texas, \$60,808 (6.6%); other jurisdictions, \$498,023 (53.8%).

## EARNINGS

Union Central Life Insurance Company has recorded statutory net losses in each of the past five years primarily due to significant asset impairments within the company's residential mortgage-backed securities portfolio. Net operating results have generally been positive during this time period except for 2008 due to increased distribution expansion expenses as well as strain due to an increase in sales. Net operating gains declined to \$15.6 million in 2010 from \$40 million in 2009 primarily a result of a decline in income of \$42 million due to a new reinsurance treaty entered into in 2009. A.M. Best notes that overall premium has declined in recent years as the company made a

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strategic decision to reduce sales in order to conserve capital. In addition, the company has ceased marketing many of its product lines has many products that were historically written by Union Central are now being written on another affiliates paper. However, ordinary life premiums increased over the past year due to an increase in traditional life insurance products sold.

The following text is derived from the report of Ameritas Life Insurance Corp.

UNIFI has a generally diversified earnings profile, consisting of the group's insurance and financial services businesses. Within insurance, earnings are well diversified between individual life & annuity and group dental & vision. The company reported consolidated GAAP net income of \$146 million in 2010 versus \$56 million in the prior year. Net income benefited from a focus on expense management, a strong market recovery and improved earnings at AFSB primarily due to a reduced loan loss provision. The Individual segment generated the majority of UNIFI's earnings in 2010 with the Group, Retirement Plans and Financial segments contributing much lesser amounts. In 2010, each segment's pre-tax operating earnings contributions were as follows: Individual (61%), Financial (18%), Group (14%), Retirement (2%) and (5%) Corporate. On a pre-tax operating basis (excluding non-recurring charges and capital gains/losses), UNIFI's 2010 consolidated GAAP results were \$162 million versus \$115 million in the prior period. The company posted a net loss of \$274 million in 2008 as net income was impacted by \$427 million of realized losses due to impairments in its investment portfolio.

On a year-over-year basis, operating earnings for the Individual segment increased to \$99 million from \$86 million in the prior year. The increase in earnings was primarily due to cost reductions, improved disability morbidity and the aforementioned strong market recovery. The Group division's operating results improved to \$22 million from \$17 million in the prior year primarily due to expense management and a modest improvement in dental claims after experiencing a considerable increase in benefit expenses in 2009 that was partially attributable to the recessionary economic environment. The Financial segment reported earnings of \$29 million compared to \$5 million in 2009. The increase was primarily driven by a lower loan loss provision at AFSB and higher assets under management at Calvert. The Retirement Plans segment's earnings decreased to \$3.9 million from \$5.5 million in 2009 as an increase in asset based charges, interest spreads and a focus on expense management was offset by lower expense deferrals and increased amortization. Finally, the Corporate segment's results increased to \$8.6 million in 2010 from \$2 million in 2009 due to reduced expenses and an increase in income from alternative investments.

On a statutory basis, UNIFI reported a consolidated pre-tax net operating gain of \$108 million in 2010 compared to a gain of \$122 million in the prior year as the impact of expense management and lower reserve increases for the company's secondary guarantee universal life product was offset by a reduction in dividends from subsidiaries, reinsurance activity and increased sales strain in certain traditional product lines. The company's earnings were impacted in 2008 by sharp declines in the Individual and Retirement segments due to increased expenses and strain in the individual life line of business, lower income from the variable annuity product line due to lower sales and an increase in reserves for the GMDB rider. Statutory earnings were also impacted in 2008 by Regulation XXX reserve strain, hedge accounting volatility and spread compression primarily within fixed annuities. In 2009, overall earnings benefited from reduced acquisition costs associated with new sales, reduced general expenses associated with an increased focus on cost cutting initiatives, improved mortality ratios and income generated from a new reinsurance agreement in Union Central. The statutory results exclude the financial services businesses and consist of the following four statutory reporting entities: Ameritas Life, First Ameritas Life, Acacia Life, and Union Central. A.M. Best expects statutory earnings may be pressured in the near-term due to the competitive market and economic environment, but over time will benefit from organic growth, achievement of scale and further expense efficiencies.

## PROFITABILITY TESTS

Year	Ben Paid to NPW & Dep	Comm & Exp to NPW & Dep	NOG to Tot Assets	NOG to Tot Rev	Operating Return on Equity	Net Yield	Total Return
2006	82.2	19.7	-0.1	-0.8	-2.9	5.98	6.40
2007	90.3	23.6	0.1	0.4	1.7	5.89	5.79
2008	95.3	24.0	-0.3	-1.6	-7.3	5.87	2.35
2009	96.4	23.1	0.6	3.9	12.0	5.41	2.30
2010	106.4	23.6	0.2	1.6	3.9	5.56	5.57

## PROFITABILITY ANALYSIS

Net Operating Gain (000)	2010	2009	2008	2007	2006
Ordinary life	-19,164	5,630	-45,575	-22,268	-28,809
Group life	693	742	285	767	732
Supplementary contracts	57	120	122	24	147
Individual annuities	10,088	-3,597	-5,108	10,318	3,808
Group annuities	6,329	1,854	2,176	6,115	5,542
Individual A&H	9,233	1,503	4,279	3,032	2,753
Group A&H	639	4,692	1,665	3,204	1,083
Other	7,689	29,152	20,682	4,208	5,265
Total	15,565	40,096	-21,472	5,399	-9,480

## ACCIDENT AND HEALTH STATISTICS (\$000)

Year	Net Premiums Written	Net Premiums Earned	Loss Ratio	Exp. Ratio	Under-writing Results
2006	69,085	69,104	61.2	55.1	-11,577
2007	73,755	73,623	55.7	53.8	-7,052
2008	75,931	75,634	54.2	56.3	-8,123
2009	77,623	77,423	51.5	56.2	-6,287
2010	78,778	78,778	53.0	51.9	-3,891
Current Year Experience:					
Group	7,752	7,752	49.6	46.3	320
Non-can	69,342	69,347	53.8	53.1	-4,813
Guaranteed renew	1,681	1,675	33.9	29.4	612
Other	3	3	392.2	...	-10

## CAPITALIZATION

Union Central currently maintains an adequate amount of risk-adjusted capital for its insurance and investment risks. Capital and surplus increased considerably in 2009 after a sharp decline in 2008 primarily due to a significant amount of asset impairments within its residential mortgage-backed securities portfolio. As a result of these losses, the company implemented a number of initiatives to improve its capital position including reinsuring a substantial amount of business to affiliate companies, issuing a \$50 million surplus note to an affiliate and repositioning the company under Ameritas Life in order to make it easier to facilitate the allocation of capital within the organization. In addition, the company received capital contributions from its parent totaling \$225M in 2008 and 2009. Capital and surplus remain flat in 2010 compared to 2009 due to strain associate with an increase in life insurance sales during the period. A.M. Best expects Union Central to remain well capitalized despite the potential for further asset impairments over the near-term.

The following text is derived from the report of Ameritas Life Insurance Corp.

Capital and surplus for the UNIFI companies has rebounded over the past two years after declining sharply in 2008 due to significant realized and unrealized investment losses. Capital and surplus increased in 2010 primarily due to favorable operating results. In 2009, capital and surplus benefited from repositioning activities within the group, a new reinsurance agreement at Union Central and favorable operating results. As a result, the group maintains a more than adequate level of risk-adjusted capitalization for its current investment and insurance risks. On a qualitative basis, the group's strong capitalization levels are complemented by favorable financial measures such as low financial leverage, solid interest coverage, moderate intangibles-to-equity and the hidden value inherent in its ownership of Calvert. In addition, the company employs strong enterprise risk management and corporate governance programs that are deployed throughout the organization.

# Best's Rating Report

A.M. Best believes that the repositioning of Union Central and Acacia Life under Ameritas Life has made it easier to facilitate the allocation of capital within the organization. While Union Central's capital position was impacted by significant impairments in its non-agency backed securities in 2008, UNIFI made a number of strategic decisions to ensure that the company remained well capitalized including \$225 million of capital contributions. A.M. Best notes that the other two main insurance operating entities, Ameritas Life and Acacia Life, are both very well capitalized. Going forward, A.M. Best expects UNIFI to maintain sound capitalization, which is enhanced by the group's financial flexibility as a mutual holding company, good liquidity and diversified business profile.

## LEVERAGE TESTS

Year	C&S to Liabilities	Surplus Relief	Reins Leverage	NPW & Dep to Capital	Change in NPW & Dep	Change in Capital
2006	8.6	5.2	106.6	2.8	5.9	-0.2
2007	8.3	5.7	115.9	2.9	-0.9	-1.4
2008	6.2	8.2	155.6	4.0	6.3	-24.1
2009	9.1	6.0	126.1	2.1	-21.8	50.4
2010	8.9	7.6	143.8	1.8	-12.9	1.9

Current BCAR: 372

## SOURCES OF CAPITAL GROWTH (\$000)

Year	Net Gain	Realized Capital Gains	Unrealized Capital Gains	Change AVR	Other Changes	Change in C&S
2006	-9,480	405	10,197	-9,136	-1,843	-9,856
2007	5,399	-5,503	-4,086	-889	-944	-6,025
2008	-21,472	-134,799	-27,773	32,393	97,570	-54,082
2009	40,096	-159,876	14,288	-2,934	242,325	133,900
2010	15,565	-17,630	14,187	-8,236	-4,363	-478

## CAPITAL TRENDS (\$000)

Year	Year end C&S	Surplus Notes	Stock- holder Divs	Policy- holder Divs	Asset Valuation Reserve	Interest Maintenance Reserve
2006	327,083	50,000	...	12,053	36,242	22,158
2007	321,059	50,000	...	11,860	37,131	9,672
2008	266,977	74,845	...	12,249	4,739	...
2009	400,877	49,854	...	11,018	7,672	12,017
2010	400,399	49,862	...	11,312	15,908	10,295

## INVESTMENTS AND LIQUIDITY

Union Central's investment portfolio consists of 83% fixed-income securities, 11% direct commercial mortgage loans and a modest amount of equity securities, real estate and other alternative investments. The fixed income portfolio consists primarily of investment grade corporate bonds with a lesser amount of state and special revenue bonds. Just under one-fourth of the fixed-income portfolio consists of securitized assets including residential mortgage-backed securities (RMBS) and other asset-backed securities which are primarily backed by home equity loans. The company experienced significant impairments in its RMBS portfolio in 2008 and 2009 but these losses have moderated over the most recent period. The company's direct commercial mortgage loan portfolio has performed relatively well in recent periods.

The following text is derived from the report of Ameritas Life Insurance Corp.

UNIFI's investment portfolio is managed on a consolidated basis by Summit Investment Advisors, a UNIFI company. The general account portfolio is concentrated primarily in fixed-income securities (approximately 75% on a consolidated basis) and mortgage loans (12%), with the balance invested in common and preferred stock, real estate, alternative investments, policyholder loans and cash and cash equivalents. The fixed income portfolio is comprised of just under one-fourth structured securities, and includes investments in residential, commercial and other asset-backed securities that are primarily backed by home equity loans. While the overall level of these securitized investments are relatively modest, the company impaired a significant amount of these securities in 2008 and 2009 due to declines in market values of non-agency mortgage-backed securities, which is the result

of increasing delinquency rates and falling home prices. While the amount of asset impairments improved in 2010, A.M. Best believes the company may experience additional investment losses in this sector, but that they will likely be modest compared to prior years. Relative to similarly-rated peers, UNIFI has below-average exposure to high-yield bonds as a percentage of statutory capital, reflecting its conservative investment philosophy, financial discipline and superior capitalization. Interest rate risk from the MBS portfolio is actively managed by focusing on purchases of issues with 15-year collateral, the monitoring of market values and active asset/liability management. Exposure to subprime and Alt-A loans is moderate, though concentrated primarily within Union Central.

UNIFI's mortgage portfolio is geographically diversified and comprised mainly of commercial loans on office, retail and industrial buildings. Lending activity is driven by conservative underwriting standards and the historical performance has been above average, with only a modest amount of loan delinquencies as of year-end 2010. Mortgage loan exposure as a percentage of statutory capital is in line with similarly-rated peers for UNIFI's insurance lines. Acacia Federal Savings Bank (AFSB), with total assets of approximately \$1.2 billion, has a sizable mortgage loan portfolio concentrated in interest-only and adjustable rate residential mortgage loans, with a modest amount of commercial mortgage loans located primarily in the Washington D.C. area. From an enterprise perspective, this exposure creates some geographic concentration risk in the local Washington real estate market. While earnings have improved over the most recent period, A.M. Best notes that the bank posted net operating losses in 2008 and 2009 due to increased loan loss provisions. A.M. Best believes AFSB's may need the support of its parent, Acacia, in the near-term as capital ratios may decline due to the potential for increased delinquencies and loan loss provisioning.

The group's overall liquidity is buttressed by positive net cash flows from its diversified business mix and access to a committed but unused bank line at Ameritas. In addition, Ameritas, Acacia and Union Central are members of the Federal Home Loan Bank system which provides the potential for additional borrowing capacity at a relatively low cost of funds. Finally, liquidity is further enhanced through UNIFI's mutual holding company structure; its lack of financial leverage; and lower product risk profile.

## LIQUIDITY TESTS

Year	Operating		Current Liquidity	Non-Inv Grade Bonds to Capital	Delnq & Foreclsd Mtg to Capital	Mtg & Cred Ten Lns & RE to Cap	Affil Invest to Capital
	Cash Flow (\$000)	Quick Liquidity					
2006	142,820	56.5	69.1	26.4	2.1	145.3	14.1
2007	116,901	55.9	69.0	24.5	1.1	155.5	14.5
2008	51,372	56.8	68.8	50.8	0.3	208.1	11.4
2009	194,562	58.7	70.8	31.9	0.2	138.8	5.2
2010	175,365	56.2	69.9	25.6	0.8	136.4	4.2

## INVESTMENT YIELDS

Year	Net Yield	Bonds	Stocks	Mort- gages	Cash & Short Term	Real Estate		Invest. Exp. Ratio
						Gross	Net	
2006	5.98	5.40	9.97	8.46	20.98	28.64	2.94	7.30
2007	5.89	5.52	5.25	7.48	7.78	38.32	5.24	7.43
2008	5.87	5.62	8.51	7.37	1.43	47.10	7.57	5.61
2009	5.41	5.71	1.78	6.82	0.30	44.37	14.04	8.28
2010	5.56	5.42	9.86	6.86	0.06	43.59	10.21	6.79

## INVESTMENT DATA

Current Year Distribution of Bonds by Maturity

	Years					Yrs-Avg Maturity
	0-1	1-5	5-10	10-20	20-	
Government	1.2	0.1	0.2	0.5	0.0	5
Gov't Agencies & Muni	0.5	3.2	11.2	1.3	0.0	7
Industrial & Misc	3.3	25.3	42.9	4.1	4.2	7
Hybrid Securities	...	1.1	0.5	...	0.6	10
Capital Credit Loans	0.0	0.0	...	...	...	1
Total	5.0	29.7	54.7	5.8	4.8	7

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	2010	2009	2008	2007	2006
<b>Bonds (000)</b>	4,028,473	3,801,766	3,451,144	3,488,745	3,481,925
US Government	0.8	10.6	1.9	0.1	0.4
Foreign Government	0.0	0.0	...	...	...
Foreign - All Other	18.3	17.0	16.1	13.7	13.8
State/Special Rev. - US	16.4	5.2	4.3	3.6	3.6
Public Utilities - US	...	...	7.9	6.9	5.1
Industrial & Misc - US	62.3	64.5	69.7	75.6	77.0
Hybrid Securities	2.3	2.7	...	...	...
Credit Tenant Lns - US	0.0	0.0	0.0	0.0	0.1
Affiliated	...	...	0.0	0.0	0.0
Private Issues	15.7	14.5	12.1	11.3	10.2
Public Issues	84.3	85.5	87.9	88.7	89.8
<b>Bond Quality (%)</b>	2010	2009	2008	2007	2006
Class 1	62.5	63.3	62.6	63.3	62.1
Class 2	34.9	33.4	33.6	34.2	35.2
Class 3	1.5	2.1	2.0	1.8	1.7
Class 4	0.6	0.9	1.2	0.6	0.9
Class 5	0.4	0.2	0.7	0.1	0.2
Class 6	0.1	0.1	0.1	...	0.0
<b>Mortgages (000)</b>	554,796	553,974	551,040	536,801	501,750
Commercial	100.0	100.0	100.0	100.0	100.0
<b>Mortgage Quality (%)</b>	2010	2009	2008	2007	2006
90 Days Delinquent	0.4	...	...	...	...
In Process of Forecl	...	0.1	0.1	...	...
Total Delinquencies	0.4	0.1	0.1	...	...
<b>Real Estate (000)</b>	12,624	12,348	13,027	18,454	23,900
Property Occupied by Co	90.2	98.1	98.2	78.0	67.1
Property Held for Inc	9.8	1.9	1.8	1.4	1.2
Property Held for Sale	...	...	...	20.6	31.7
<b>Stocks (000)</b>	23,697	22,378	171,060	221,006	170,400
Unaffiliated Common	73.9	59.0	21.3	16.6	9.6
Affiliated Common	26.1	41.0	7.8	14.8	17.8
Unaffiliated Preferred	...	...	68.9	67.1	70.7
Affiliated Preferred	...	...	2.0	1.5	2.0
<b>Other Inv Assets (000)</b>	238,603	291,734	281,708	211,152	213,384
Cash	-4.3	-3.4	-2.7	1.1	0.3
Short-Term	18.3	35.4	39.8	11.3	7.8
Schedule BA Assets	4.6	5.0	7.1	11.3	12.8
All Other	81.4	63.1	55.8	76.4	79.0

## HISTORY

**Date Incorporated:** 01/01/1867 **Date Commenced:** 01/01/1867

**Domicile:** NE

Originally incorporated in 1867 as a stock company, in 1954 Union Central was mutualized. Effective January 1, 2006, the company converted from a mutual insurance company structure to a stock life insurance company by adopting the mutual holding company structure. This structure allows for operational flexibility as evidenced by the merger of the Union Central Mutual Holding Company with the Ameritas Acacia Mutual Holding Company also on January 1, 2006. The surviving mutual holding company was renamed UNIFI Mutual Holding Company. In April 2009, the company repositioned

Union Central within the organization to facilitate the allocation of capital among affiliate companies. Union Central is now a wholly-owned subsidiary of Ameritas Life Insurance Corp. The intermediate holding company, Ameritas Holding Company, owns all of the shares of Ameritas Life Insurance Corp.

## MANAGEMENT

**Officers:** Chairperson, JoAnn M. Martin; President, Steven J. Valerius (Individual Division); Executive Vice President and Treasurer, William W. Lester (Corporate); Executive Vice President, Tim L. Stonehocker; Senior Vice President and Chief Financial Officer, Robert C. Barth; Senior Vice President and Chief Investment Officer, James Mikus; Senior Vice President and Chief Information Officer, Nancy A. Dalessio; Senior Vice President and Secretary, Robert-John H. Sands (Corporate); Senior Vice President and Director, Janet L. Schmidt (Human Resources); Senior Vice President and Actuary, Dale D. Johnson (Corporate); Senior Vice Presidents, Arnold D. Henkel (Individual Strategic Alliances), Robert P. Kocher (Retirement Income & Business Development), Lisa A. Mullen (Individual Financial Operations), Kevin W. O'Toole (Individual Distribution), James D. Schulz (Retirement Plans), Paul G. Wesling (Individual Operations), Susan K. Wilkinson (Planning & Risk Management).

**Directors:** Dale D. Johnson, William W. Lester, JoAnn M. Martin, Tim L. Stonehocker, Steven J. Valerius.

## REINSURANCE

The company maintains reinsurance treaties with several reinsurance companies for ceding excess for its insurance line. Maximum net retention is \$2,000,000 with retention graded down for ages over 66 and ratings over table A. For disability income, \$5,000 of the monthly benefit is retained.

## REGULATORY

An examination of the financial condition was made as of December 31, 2008 by the Insurance Department of Ohio. The 2010 annual independent audit of the company was conducted by Deloitte & Touche, LLP. The annual statement of actuarial opinion is provided by Linda Whitmire, Vice President & Financial Actuary.

**Territory:** The company is licensed in the District of Columbia and all states.

**Reserve basis:** (Current ordinary business): 2001 CSO 4%; CRVM, Mod valuation. (Current group business): Gross pro rata unearned premium for group term. (Current individual annuity business): A-2000 4.5%; CARVM; GL43 VACARVM (Current SPIA business): A2000 4.75%-5.5%.

## FINANCIAL INFORMATION BALANCE SHEET (\$000) - December 31, 2010

Assets	Liabilities
*Total bonds	+Net policy reserves
*Total common stocks	Policy claims
Mortgage loans	Deposit type contracts
Real estate	Interest main reserve
Contract loans	Comm taxes expenses
Cash & short-term inv	Asset val reserve
Premis and consids due	Other liabilities
Accrued invest income	
Other assets	Tot liab w/o sep accts
	Separate account bus
Tot assets w/o sep accts	Total Liabilities
Separate account bus	Common stock
	Surplus notes
	Surplus debentures
	Paid in & contrib surpl
	Unassigned surplus
	Other surplus
Assets	Total

\*Securities are reported on the bases prescribed by the National Association of Insurance Commissioners. +Analysis of reserves: Life \$2,135,331; annuities \$1,974,565; supplementary contracts with life contingencies \$5,879; accidental death benefits \$109; disability active lives \$3,375; disability disabled lives \$7,608; miscellaneous reserves \$9,489; accident & health \$281,558.

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## SUMMARY OF OPERATIONS (\$000)

Premiums:		Death benefits	47,078
Ordinary life	194,845	Matured endowments	790
Individual annuities	133,900	Annuity benefits	36,923
Group life	86	Disability benefits	2,649
Group annuities	218,904	Surrender benefits	663,248
Acc & health group	7,752	Acc & health benefits	33,004
Acc & health other	70,797	Int on policy funds	3,629
Total premiums	626,285	Supplementary contracts	940
Supplementary contracts	619	Incr life reserves	146,635
Net investment income	260,698	Incr a & h reserves	8,519
Amort interest maint res	3,807	Commissions	56,341
Comm & exp reins ceded	30,620	Comm exp reins assumed	359
Other income	26,845	Insur taxes lic & fees	11,064
Mgt and/or service fee	3,703	General ins expenses	137,525
		Net transf to sep acct	-219,541
		Misc operating expense	283
<b>Total</b>	<b>952,576</b>	<b>Total</b>	<b>929,446</b>
Gain from operations before FIT & div to policyholders.....			23,130
Dividends to policyholders: life.....			11,312
Gains from operations after dividends to policyholders.....			11,819
Federal income taxes incurred.....			-3,746
Net gain from operations after FIT and dividends.....			15,565

## CASH FLOW ANALYSIS (\$000)

Funds Provided		Funds Applied	
Gross cash from oper	965,787	Benefits paid	784,634
Transf from sep account	220,866	Comm, taxes, expenses	206,245
Long-term bond proceeds	321,655	Long-term bonds acquired	565,365
Other invest proceeds	74,340	Other cash applied	95,947
Other cash provided	9,775		
Deer cash & short-term	59,770		
<b>Total</b>	<b>1,652,191</b>	<b>Total</b>	<b>1,652,191</b>

## SEPARATE ACCOUNT DATA

	2010	2009	2008	2007	2006
Sep Acct Assets	1,829,921	1,837,440	1,665,780	2,627,156	2,513,624
% Growth	-0.4	10.3	-36.6	4.5	11.6
S/A Assets/Adm Assets	26.4	27.2	26.4	36.1	35.4
Sep Acct Reserves	1,813,121	1,817,908	1,648,263	2,605,096	2,490,967
% Ordinary Life	7.7	6.8	5.6	5.6	5.1
% Individual Annuities	16.7	16.1	14.8	15.1	15.8
% Group Annuities	75.6	77.2	79.6	79.3	79.0
Other Liabilities	16,801	19,533	17,517	22,059	22,657
S/A Prens & Deposits	229,861	295,870	457,825	427,184	445,617
% Ordinary Life	8.5	7.4	6.0	6.6	5.8
% Individual Annuities	6.7	10.5	9.8	9.8	7.4
% Group Annuities	84.8	82.1	84.2	83.6	86.8
Sep Acct Fees & Charges	19,854	18,345	23,853	29,109	26,236
% Ordinary Life	4.1	4.0	3.9	3.8	3.6
% Individual Annuities	22.2	19.1	18.2	18.1	18.3
% Group Annuities	73.7	76.9	77.9	78.1	78.1
Fees & Chgs to Assets%	1.1	1.0	1.1	1.1	1.1
Sep Acct Ben & Wdrwls	414,261	464,604	574,592	465,218	432,166
% Ordinary Life	2.5	4.3	4.2	3.6	4.2
% Individual Annuities	8.2	7.1	8.6	13.5	11.8
% Group Annuities	89.2	88.6	87.1	82.9	84.0
Ben & Wdrwl to Assets%	22.6	26.5	26.8	18.1	18.1

## ORDINARY LIFE STATISTICS

Ord. Lapse Ratio %	Average Ord. Policy (in dollars)		Avg. Prem (\$/M)	1st Yr Prem / Total Prem	1st Yr Comm / 1st Yr Prem	Gen. Exp. / Policies In Force
	Issued	In Force				
2006	4.8	510,971	207,203	7.08	30.9	24.0
2007	5.3	565,690	231,749	8.03	40.1	22.0
2008	6.9	533,788	249,429	7.18	33.3	28.8
2009	7.3	478,087	258,971	6.06	17.4	30.7
2010	6.4	491,519	268,887	6.42	20.1	26.1
# Policies Issued (000)	# Policies in Force (000)	First Year Premium (000)	Gen'l Exp / Reserves (%)	Return on Reserves (%)		
2006	14	203	91,795	4.15	-1.63	
2007	15	205	153,156	4.90	-1.17	
2008	15	206	122,684	6.08	-2.28	
2009	13	205	55,904	3.99	0.28	
2010	12	204	70,742	3.52	-0.89	

## INDIVIDUAL ANNUITY STATISTICS

Year	NPW & Dep (000)	Res & Dep Liab (000)	Exp to Res & Dep Liab (%)*	Comm & Exp to NPW & Dep (%)	Benefits & Wdrwls to NPW & Dep (%)	Benefits & Wdrwls to Res & Dep Liab (%)*
2007	162,048	1,640,137	0.9	13.6	168.6	16.6
2008	206,175	1,487,572	1.0	11.3	122.1	16.8
2009	182,267	1,595,569	0.8	11.5	91.7	10.4
2010	137,732	1,658,063	0.6	12.2	110.8	9.1

\* Includes Separate Account reserves.

## GROUP ANNUITY STATISTICS

Year	NPW & Dep (000)	Res & Dep Liab (000)	Exp to Res & Dep Liab (%)*	Comm & Exp to NPW & Dep (%)	Benefits & Wdrwls to NPW & Dep (%)	Benefits & Wdrwls to Res & Dep Liab (%)*
2007	483,634	2,809,486	0.7	6.4	96.6	16.6
2008	526,224	2,042,155	1.0	5.7	110.9	28.6
2009	394,781	2,159,937	0.8	6.3	119.8	21.9
2010	329,453	2,111,935	0.7	6.7	137.1	21.4

\* Includes Separate Account reserves.

## TOTAL ANNUITY ACTUARIAL RESERVES & DEPOSIT TYPE LIABILITIES BY WITHDRAWAL CHARACTERISTICS

Year	Total Annuity Res & Dep Liab (000)	Min or No Surrender Charge (%)*	With Surrender Charge 5% or more (%)*	With MVA (%)*	No Surrender Allowed (%)*
2007	4,455,013	86.3	7.2	3.0	3.5
2008	3,535,026	88.1	4.1	3.5	4.3
2009	3,760,636	85.1	7.4	3.7	3.8
2010	3,775,024	86.1	6.8	3.6	...

\* Includes Separate Account reserves.

## NEW LIFE BUSINESS ISSUED (\$000)

Year	Whole Life & Endow.	Term	Credit	Group	Indus-trial	Total Insurance Issued	Non-Par (%)	Par (%)
2007	2,941,706	5,539,689	...	5,735	...	8,487,130	94	6
2008	2,810,394	5,089,132	...	3,119	...	7,902,645	95	5
2009	1,259,233	5,187,287	...	1,785	...	6,448,305	94	6
2010	1,322,836	4,518,864	...	3,674	...	5,845,374	94	6

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## LIFE INSURANCE IN FORCE (\$000)

Year	Whole Life Endow. & Adds	Term	Credit	Group	Industrial	Total Insurance In Force
2006	19,898,094	22,084,052	...	200,346	...	42,182,492
2007	21,816,973	25,789,577	...	37,112	...	47,643,662
2008	23,067,164	28,255,810	...	35,902	...	51,358,876
2009	22,618,060	30,474,963	...	32,527	...	53,125,550
2010	22,423,516	32,325,627	...	32,120	...	54,781,263

## Why is this *Best's*<sup>®</sup> Rating Report important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. The Best's Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of an insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Best's Financial Strength Rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

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### Secure Best's Financial Strength Ratings

A++ and A+ ..... Superior  
A and A- ..... Excellent  
B++ and B+ ..... Good

### Vulnerable Best's Financial Strength Ratings

B and B- ..... Fair  
C++ and C+ ..... Marginal  
C and C- ..... Weak  
D ..... Poor  
E ..... Under Regulatory Supervision  
F ..... In Liquidation  
S ..... Rating Suspended

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