

Q&A with OneAmerica



Company Profile

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| Headquarters | Indianapolis, IN |
| Year Founded | 1867 |
| Number of Employees | 1,476 |
| Number of Insured Policyholders | 333,816 |
| Assets in General Account | \$19.4 billion |

* As of December 31, 2013

Andrew V. Wilkinson, FSA, MAAA, FCA



Vice President and Managing Principal

Andy Wilkinson, Vice President and Managing Principal in OneAmerica's Retirement Services Division and Head of the company's McCready and Keene actuarial and employee benefits consulting business, shared his thoughts

with Penbridge Advisors on OneAmerica's entry into the defined benefit pension risk transfer (PRT) market and what he believes the future holds for the PRT market in the US.

Penbridge: *The companies of OneAmerica through its life insurance subsidiary, American United Life Insurance Company® (AUL), have decided to enter the U.S. defined benefit PRT business. Tell us about that decision.*

Wilkinson: Through our pension consulting practice with McCready and Keene we continue to see a shortage of available options for our clients who wish to divest themselves of their DB plan. As we explored the PRT market, we determined that we had the key ingredients to be a successful player. We have the financial strength to meet strict fiduciary standards and we have experience in the retirement and pension space, including the administrative systems to support PRT. We have in-house investment expertise that has consistently and materially out-earned the industry while taking less risk, which will help us be competitive. As an enterprise, the companies of OneAmerica are focused on growing asset-based businesses as evidenced by our doubling in size over the last five years.

Penbridge: *Though several insurers are rumored to have plans to enter the PRT market, AUL is actually the first new entrant in 20+ years. Why did you decide that now is the right time?*

Wilkinson: We believe the demand for PRT solutions is going to take off as interest rates rise. The general increase in funding levels because of the strong stock market will only fuel this demand. By entering the PRT market now, we can establish our reputation in the marketplace and build upon our capacity to meet this need.

Penbridge: *What are your goals for the business?*

Wilkinson: Our initial goal is to develop strong relationships with key intermediaries, consultants, and pension advisors. We will do this by being responsive and competitive in quoting and by seamlessly executing administrative transitions. Our target market is \$3 – \$30 million and we will quote premiums between \$1 million and \$100 million. Our long-term goal is to build a stable and profitable business that will significantly contribute to the growth and reputation of the companies of OneAmerica as industry leaders.

Penbridge: *Tell us about the companies of OneAmerica, your heritage and the current state of business?*

Wilkinson: OneAmerica is one of the strongest group of insurance companies in the US. We are a mutual holding company with no outside shareholders focused on serving our policyholders. OneAmerica has companies that can trace their solid foundation back more than 135 years in the insurance and financial services industries and has been active in defined contribution and defined benefit businesses since 1933. We hold market leading positions in Retirement Services and Asset-Based Long-Term Care housed in American United Life Insurance and The State Life Insurance Companies, respectively.

Penbridge: *ERISA's fiduciary standards, as applied by DOL IB 95-1, provide robust protection for DB plan participants. Tell us about the financial strength of the companies of OneAmerica.*

Wilkinson: The companies of OneAmerica are committed to being a mutual company with a singular focus on delivering on the promises we make to our policyholders. Our S&P rating is AA – with a stable outlook (this is the fourth highest of 21 possible ratings) and A+ with A.M. Best (this is the second highest of 16 possible ratings). This is better than almost all of our competitors in our target market. Financially we had an outstanding 2013 – growing enterprise level risk-based capital to 519 as of 12/31/2013 (from 478 as of 12/31/2012). We have a strong diversity of business between our Retirement Services, Life Insurance and Voluntary Employee Benefits.

Penbridge: *Have you had to invest in new administrative capabilities?*

Wilkinson: We actually had all of the system components we needed prior to entering the PRT market and are simply harnessing them in a new way. We already provide 12,000 monthly payments to retirees who annuitized from our DC plans. In 2013 we purchased state of the art software tools to support our McCready and Keene pension business and we will be leveraging these systems for PRT annuity administration, pricing, and valuation.

Penbridge: *A recent article in an industry publication was titled "Pension Risk Transfer: Soaring or Grounded?" How do you see the PRT market evolving in coming years?*

Wilkinson: We are very bullish about the long-term prospects for the market segment we serve. While economics will be the primary driver, eliminating the uncertainty factor will continue to drive plan sponsor actions, especially in the smaller end of the market. Eliminating uncertainty about regulations, longevity, accounting, and investment returns for a non-core function, will have great appeal to small to medium size businesses who want to focus on what they do best.

Penbridge PRT Database

The Penbridge PRT Database provides plan sponsors and their advisors free, comprehensive information about the U.S. PRT market, participating insurance providers, and available products. To learn more about OneAmerica and the company's PRT solutions, you can subscribe to the PRT Database, go to: www.penbridgeadvisors.com/join

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Single premium group annuity contracts are issued by American United Life Insurance Company® (AUL), One American Square, P.O. Box 368, Indianapolis, IN 46206-0368, 1-800-249-6269. AUL and the companies of OneAmerica are not affiliated with Penbridge Advisors.