Private Placement Market

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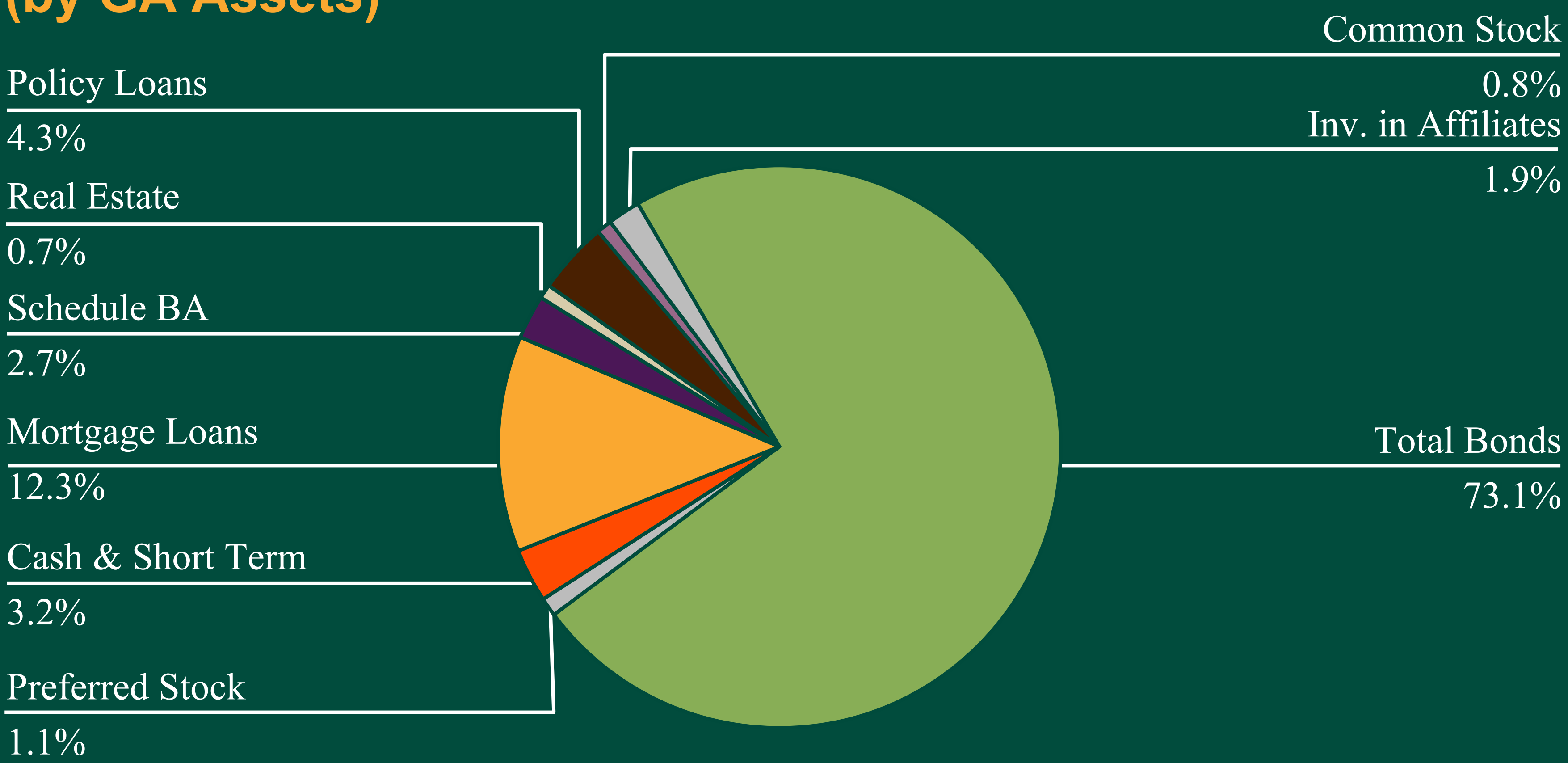
Current Overview of the U.S. Private Placement Market

Private Placement Debt Continues to be a Viable Asset Class

- Excellent asset class for liability portfolio management
  - Fixed rate with good call protection
- "Proprietary" asset class of the Insurance Industry
- Provides yield enhancement and credit diversification
- Private debt investments compare favorably with public bonds
  - Better overall loss experience
  - Covenants enhance credit protection
  - Better opportunity to due diligence credit
- Leverages existing infrastructure
  - Information and credit intensive market requires skilled staff
- Record deal flow in 2003

US Life Insurer Asset Allocation – Year End 2002

Aggregate Asset Allocation of Top 20 Life Companies (by GA Assets)



Source: OneSource database, from statutory filings by top 20 U.S. life insurance companies.

US Life Insurer Asset Allocation – Year End 2002

Aggregate Asset Allocation of Top 20 Life Companies (by GA Assets), cont'd.

	2002 Total ($bn)	2002 Total (%)	2001 Total (%)	2000 Total (%)
Total Bonds	1,113.2	73.1%	71.8%	70.3%
Preferred Stock	16.5	1.1%	1.0%	1.1%
Cash and Short Term	48.8	3.2%	3.1%	2.7%
Mortgage Loans	188.0	12.3%	13.1%	13.8%
Schedule BA	41.0	2.7%	2.7%	2.6%
Real Estate	10.1	0.7%	0.7%	1.0%
Policy Loans	63.8	4.2%	4.7%	4.9%
Common Stock	12.7	0.8%	1.3%	1.4%
Inv. in Affiliates	28.9	1.9%	1.6%	2.2%
Total Invested GA	1,523.1	100.0%	100.0%	100.0%

Source: OneSource database, from statutory filings by top 20 U.S. life insurance companies.

Privates as % of Total Invested GA Assets – Year End 2002

Total Privates: Top 20 Life Companies[1]

Total Privates: Top 20 Life Companies

	2000	2001	2002
Total Privates (%)	17.3%	16.9%	16.2%
Total Privates ($ bn)	212.7%	229.7%	246.3%

Source: OneSource database, from statutory filings by top 20 U.S. life insurance companies.

1. Overall private placements including 144As.

Private Buyside Investment Data

Private Investor Data – 2002

		Volume ($mm)
1	TIAA-CREF	$6,208
2	Prudential Financial	$5,366
3	John Hancock Financial Services	$5,300
4	MetLife	$4,864
5	AIG Global Investment Corp.	$3,865
6	New York Life Investment Management	$3,246
7	ING Investment Management	$2,882
8	Northwestern Mutual	$2656
9	Principal Global Investors	$2,339
10	Nationwide Insurance Companies	$2,075
11	Aegon USA Investment Management	$1,900
12	Pacific Life Insurance Company	$1,894
13	Delaware Investments	$1,810
14	Citigroup Global Investments	$1,773
15	Sun Life Financial	$550
16	Advantus Capital Management	$515
17	Mutual of Omaha	$491
18	AmerUS Capital Management	$385
19	MONY Life Insurance Company	$341
20	American United Life Insurance Co.	$126
	Sum	$48,585
	Average	$2,429

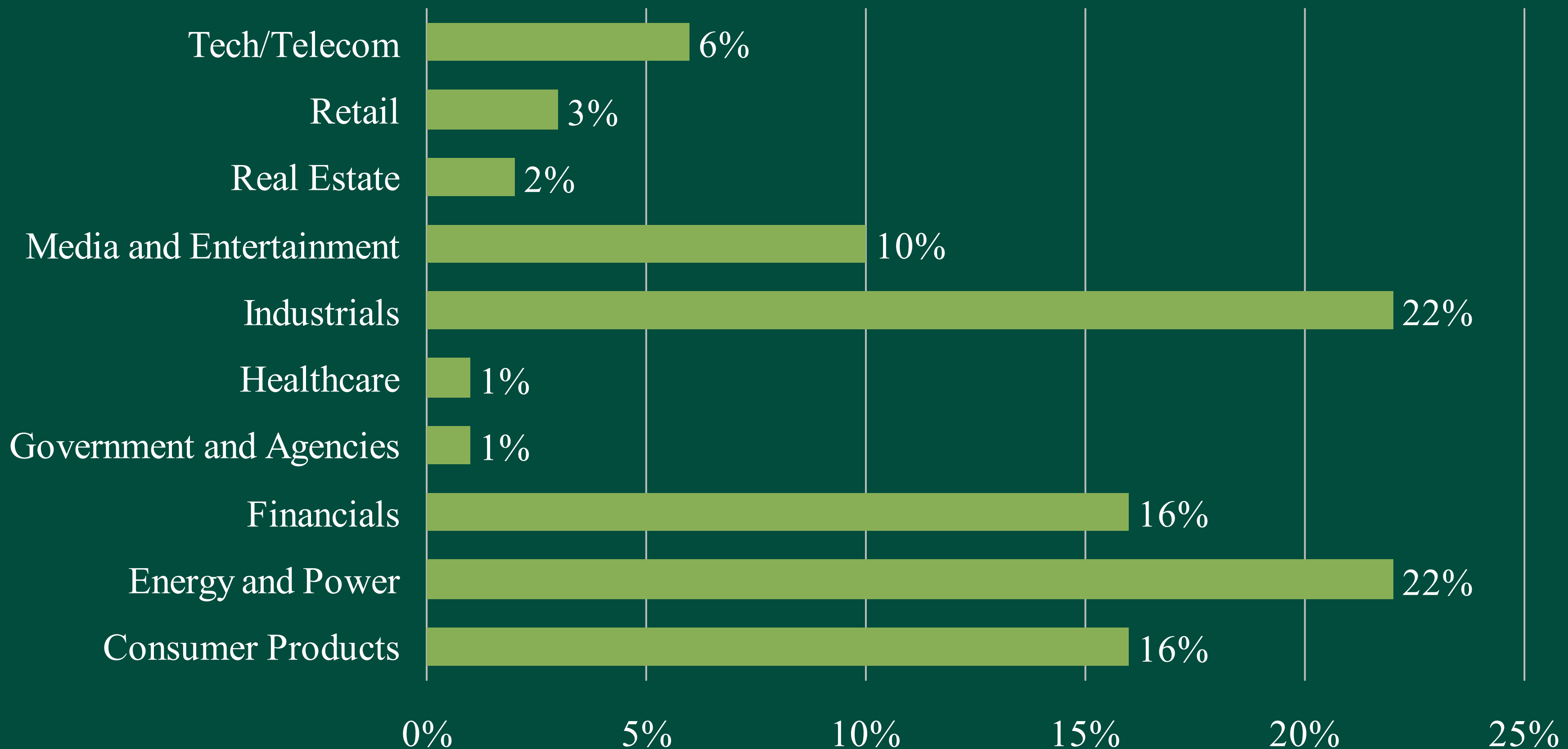
- Private Placement investors are overwhelmingly comprised of insurance companies
- Several public pension funds and money managers invest on a select basis

Note: Several major investors do not participate in the survey
Source: Private Placement Letter, vol. 21, number 37, September 29, 2003.

Private Debt Market Overview

Investment Profile

Issuance by Sector in the First Half of 2003

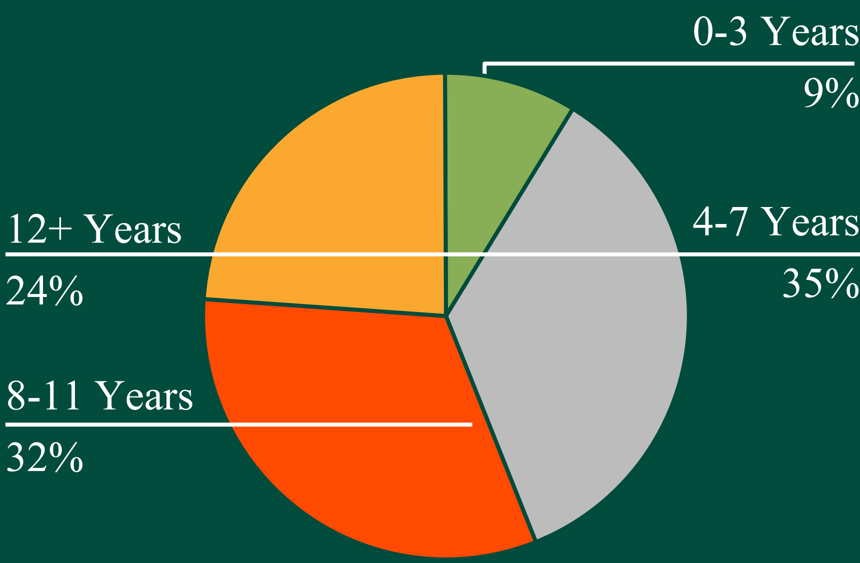


Source: Securities Data Corp. Includes Traditional Private Placements, excludes 144A transactions.

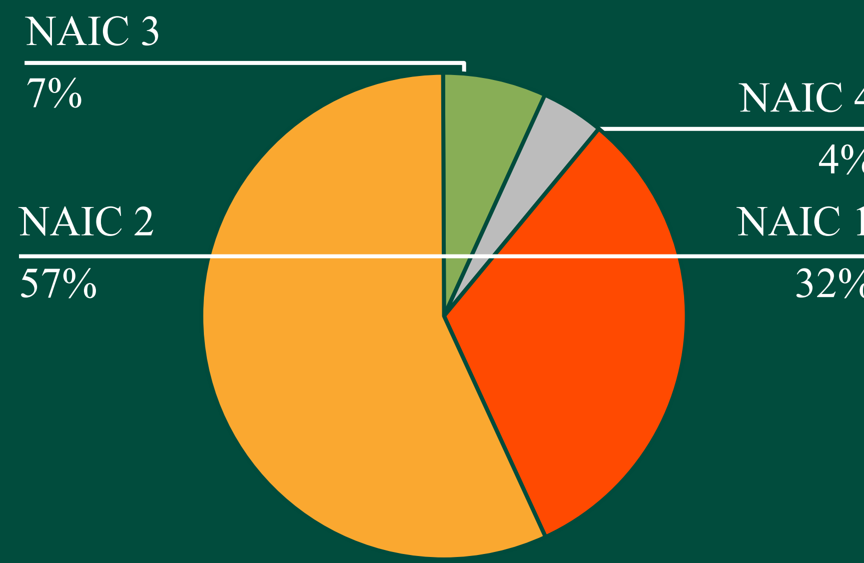
Private Debt Market Overview

Investment Profile

Investments by Maturity



Investments by NAIC Category

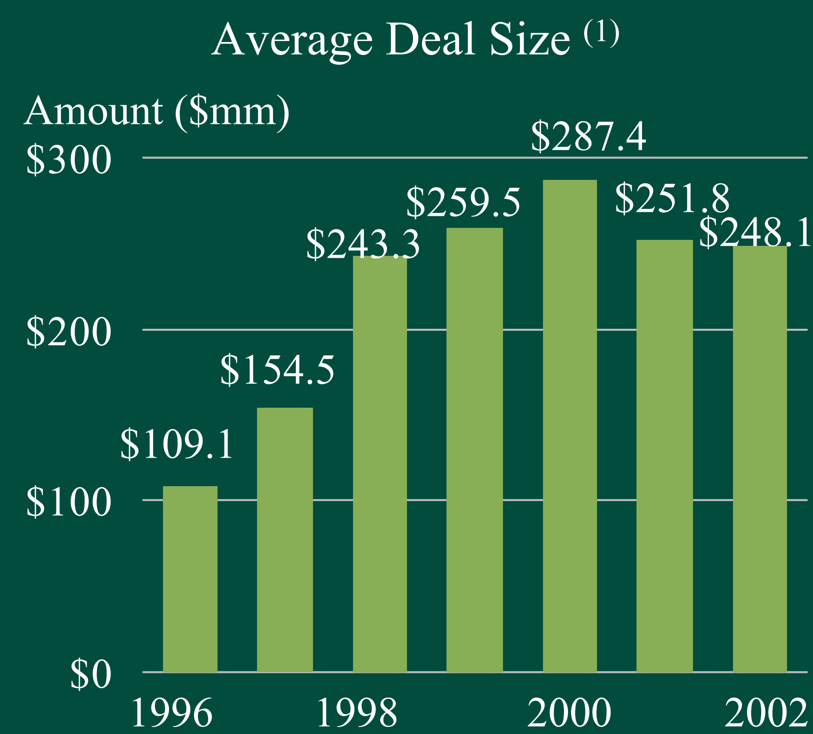


NAIC 1: A- to AAA
NAIC 2: BBB- to BBB+
NAIC 3: BB- to BB+
NAIC 4: B- to B+

Source: Private Placement Letter, October 27, 2003. Calculated using investments by top 25 U.S. insurance companies.

Private Debt Market Overview

Investment Profile

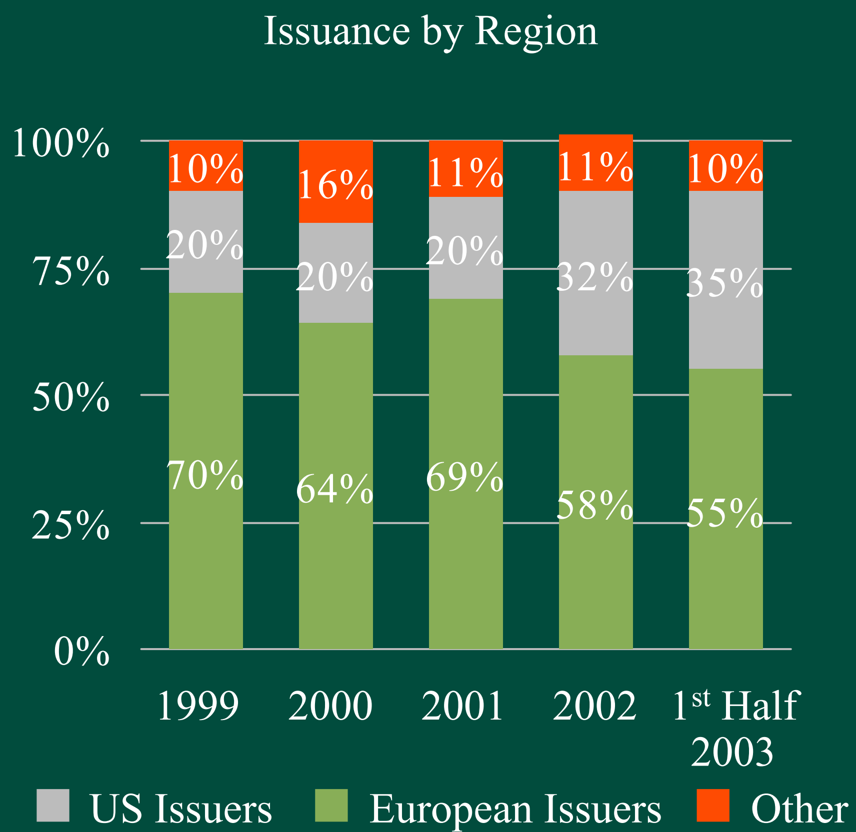


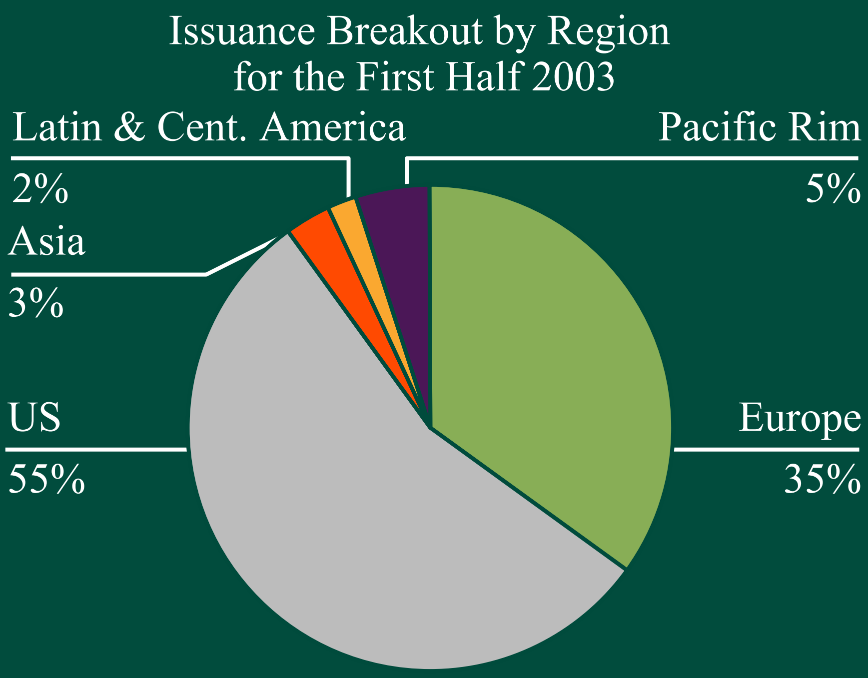
Source: Securities Data Corp., includes traditional debt private placements and 144A transactions without registration rights.

1. First half 2003 numbers presented on an annualized basis.

Private Debt Market Overview

International Issuance is Driving Volume



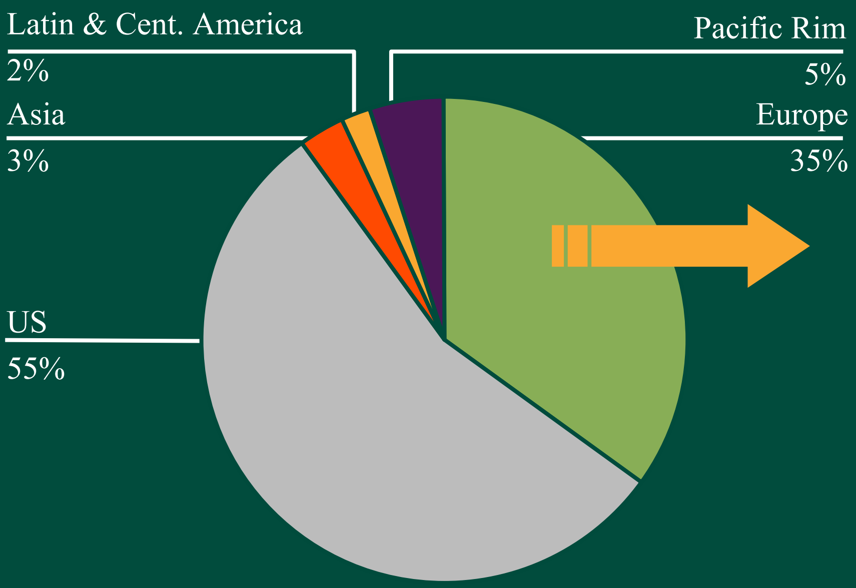


Traditional Private Placements, excludes 144A transactions. Source: Securities Data Corp.

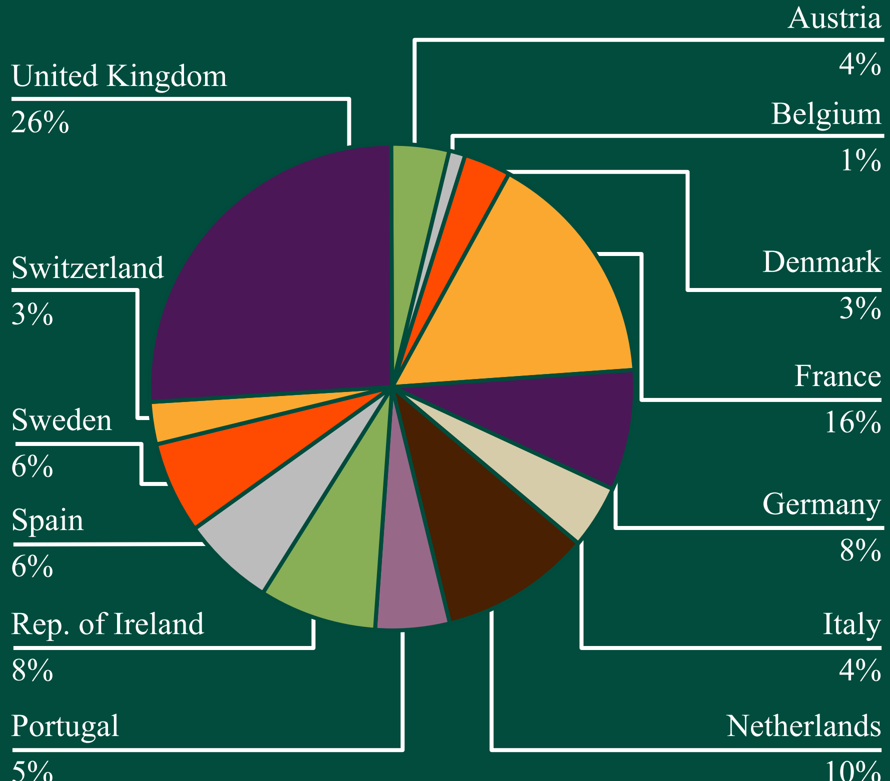
Private Debt Market Overview

Diversified Issuance in Europe

Issuance Breakout by Region for the First Half 2003 (1)



Breakdown of European Issuance (1)

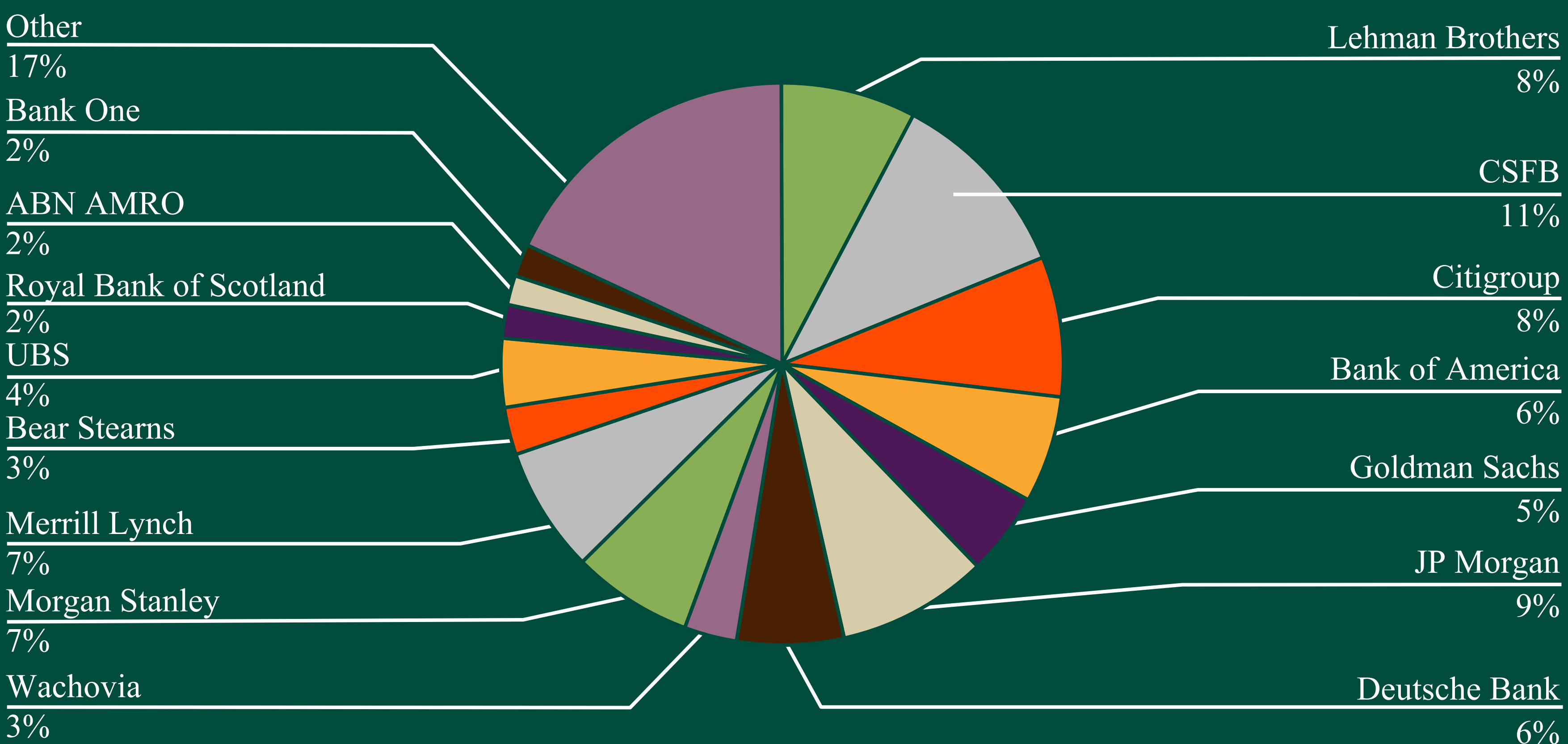


1. Traditional Private Placements, excludes 144A transactions. Source: Securities Data Corp.

Private Debt Market Overview

Overall Private Placements by Placement Agent

2002 – 1st Half 2003 (1)



Source: Thomson Financial

1. Overall Private Placements including 144As

Why do Companies Access the Private Placement Market?

Why Issue a Private Placement?

Why Issue a Private Placement?

- Avoid SEC disclosure, an advantage particularly valuable to private companies, foreign issuers, and in certain structured financing situations
- No need for public, and in many cases, any ratings
- Ability to maintain confidentiality
- Access to longer term financing than is generally available in the bank loan market
- Ability to access both fixed rate and floating rate money
- Allows issuers to fully present highly complex or unusual structures in the proper context

Why Issue a Private Placement?

Why Issue a Private Placement?

- Allows issuers who have an investment-grade financial profile, but who may not be able to obtain investment-grade public ratings (due to size, industry or lack of seasoning) to obtain investment-grade pricing in the private placement market
- Permits a wide range of marketing strategies
  - Limited distribution of offering materials in order to maintain confidentiality
  - Targeting of institutional investor subsets with particular expertise or investment style
- Issuers have the flexibility to modify terms to capitalize on investor demands
- Long standing tradition of offering flexibility to delay the takedown of funds

Composition of Financing Alternatives

Structure Comparison

Characteristics	SEC Registered Public Offering	Rule 144A Offering	Traditional Private Placement	Multi-currency Bank Deal
Advantages	◆ Better pricing relative to private placement due to broader investor base and enhanced liquidity ◆ Inclusion in Lehman Brothers Index results in broadest investor base and maximum secondary market liquidity ◆ Publicly traded benchmark security will greatly facilitate any future financings	◆ No SEC Registration ◆ Broader investor base than traditional private placement ◆ Public-style covenants (i.e., incurrence only) ◆ Lower up-front expenses than publicly registered offering ◆ Secondary trading activity and liquidity increase with size of offering ◆ Some ability to limit dissemination of information	◆ No SEC registration ◆ Ability to issue securities without credit ratings ◆ Ability to limit dissemination of information ◆ Delayed takedown of proceeds available (up to three months at no incremental cost) ◆ Ability to customize amortization schedule or issue multiple tranches with bullet maturities to match projected cash flow ◆ Ability to execute smaller transactions if desired ◆ Low upfront costs	◆ Ability to draw funds in foreign currencies to mitigate currency exposure ◆ Prepayable without premium ◆ Ability to limit dissemination of information ◆ Commitments can be obtained quickly ◆ Ability to customize amortization schedule with bullet maturities to match projected cash flow ◆ Ability to execute smaller transactions if desired ◆ No SEC registration ◆ Lowest upfront costs
Disadvantages	◆ SEC Registration ◆ Moody's and S&P ratings required ◆ No delayed takedown ability ◆ Full public disclosure	◆ Pricing premium relative to public, SEC registered offering ◆ Ratings required ◆ No ability to arrange a delayed takedown	◆ Pricing premium relative to public, SEC registered bonds ◆ Less secondary market liquidity ◆ Investors have more leverage to dictate some terms which can potentially result in a fuller covenant package	◆ Maintenance covenants may limit financial flexibility ◆ Moody's and S&P ratings recommended

Comparison of Financing Alternatives

Structure Comparison

Characteristics	SEC Registered Public Offering	Rule 144A Offering	Traditional Private Placement	Multi-currency Bank Deal
Amortization	◆ Typically bullet maturities	◆ Primarily bullet maturities	◆ Bullet or amortizing structures ◆ Flexibility to structure offerings to meet investor portfolio requirements	◆ Typically 5 year bullet or amortizing structure
Call Protection	◆ Treasury make-whole call	◆ Treasury make-whole call	◆ Treasury make-whole call	◆ Mandatory prepayments from the issuance of specified debt and net proceeds for asset dispositions ◆ Optional prepayments allowed in whole or in part, with minimum amounts to be determined
Investors	◆ Global investor base including insurance companies, money managers, pension funds, banks and others	◆ Global investor base including insurance companies, public pension funds, private pension funds, mutual funds and endowments	◆ Predominantly domestic insurance companies and public pension funds	◆ Predominantly relationship-oriented [Parent Co.] banks
Disclosure	◆ SEC registration required	◆ No SEC registration required	◆ No SEC registration required	◆ No SEC registration required
Covenants	◆ Standard investment grade covenants (e.g., negative pledge, limitation on liens) – No financial covenants	◆ Standard investment grade market covenants (e.g., negative pledge) – No financial covenants	◆ Standard investment grade market covenants (e.g., negative pledge) plus potential for financial covenant(s) or additional limitation(s) if below 'A' credit quality:	◆ Financial covenants required
Rating Requirements	◆ Required by investors ◆ Ongoing from Moody's and S&P	◆ Generally required by investors ◆ Moody's inclined to rate an offering whether requested to or not	◆ Ratings not required, but may be advantageous in certain circumstances	◆ Ratings not required, but may be advantageous

Current Trends

Current Market Overview

Current Trends

- International issuance is driving volume
- Floating rate structures are becoming more acceptable
- Concentration within the insurance industry is leading to bigger "bite-sizes"
- Supply / demand imbalance continues with resulting allocation issues
- Illiquidity premium is tightening
- Origination sources continue to increase
- Covenants are being reprioritized
- NAIC issues impacting independent credit review

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