

Capitalization of LBL

- 1 Following AXXX financing, LBL is projected to have \$44MM of excess capital (vs. 350% target)
 - Approx. equal to earnings accrued within LBL during 2013 (through 10/31/13)
 - Approx. 60% of LBL's capital rollforward through 10/31/13 (\$73MM)
- 2 Reinsurance transaction results in an incremental \$100MM of excess capital
 - Pro forma 417% RBC Ratio
- 3 Dividend at closing of \$144MM to align capital base to 350% RBC target, primarily attributable to the execution of the AXXX financing and reinsurance transaction

	Stat. C&S	Required CAL Capital	CAL RBC Ratio	Capital in Excess of 350% RBC
Adj. Stat. C&S (at 12/31/12)	325	126	258%	(116)
Roll-forward Adjustments:				
Estimated Impact of Recapture ⁽¹⁾	35			
Estimated Earnings Accrued	38			
Subtotal of Rollforward	<u>73</u>			
Adj. Stat C&S (at 10/31/13E)	398			
<i>Impact of Closing Transactions:</i>				
1 Financing of Non-Econ. Reserves (AXXX)	<u>503</u>			
Initial Adj. C&S (Prior Reins.)	901	245	368%	44
2 Reinsurance with Hannover Re	<u>-</u>	<u>(29)</u>	<u>49%</u>	<u>100</u>
Interim Adj. C&S (Pro Forma Reins.)	901	216	417%	144
3 Dividend of Excess Capital	<u>(144)</u>	<u>-</u>	<u>(67%)</u>	<u>(144)</u>
Pro Forma Adj. C&S	758	216	350%	-

Note

1. Reflects (i) a \$43MM increase in Stat. BV due to recapture on 7/1/13, (ii) a \$44MM increase in AVR and (iii) elimination of all DTA (\$53MM) due to ULR tax impact and admissibility restrictions