## A numbers comparison

We also compare results to the financial plan approved by our board of directors. This shows how we are executing plans compared to our expectations. In 2011, we dramatically exceeded our sales plans and just missed achieving our ambitious organization-wide profit goal. This is an excellent result considering a number of challenges, including the slow U.S. economic growth, dramatic interest rate reductions and a volatile stock market.

We also compare our performance against others in the industry. This can direct us to opportunities in the market or shed light on the risks other companies are taking. At OneAmerica, we are conservative and deliberate about the risks we take. We shy away from products whose performance may be wildly unpredictable. Many of our competitors cannot say the same, and our approach has differentiated us from the competition (See Figure 1).

## On mutuality

Recent developments in the industry provide timely examples. Major competitors operating in the public company domain continue to struggle and are now feeling pressure from shareholders to abandon core products and businesses to lessen their risk profile. This creates upheaval and uncertainty that, at least in the short-term, moves customers to the back seat. In contrast, OneAmerica is avoiding these challenges by sticking to our principles of mutuality, which include focusing on customers not shareholders and a commitment to conservative financial and risk management.

For instance, in 2011 companies with variable annuity living benefit guarantees felt significant pain. As equity markets dropped in the third quarter, living benefits became more valuable to the policyholder. Companies were required to set up large liabilities to reflect the increased likelihood of payout. The resulting fallout has been the pullout or pullback by these companies from the marketplace and subsequent losses in their income statements and capital position.

> "A strong company that is performing at a high level is invaluable to those who entrust it with their assets."
> — Jeff Holley

Because OneAmerica stopped writing new living benefits several years ago and it is, relatively, a very small portion of our business, we avoided these consequences. Our mutuality protects us from such short-term thinking – a characteristic of our competitors' stockholders demanding quick gains. Short-term earnings are important, but OneAmerica does not maximize short-term earnings to the detriment of the long-term viability of our company. As Dayton often says, "We will be there at the pay window when our customers need us."

figure 1

### Long Term Statutory Profit Growth

*12/31/2004 through 12/31/2011*

| | | | |
|---|---|---|---|
| OneAmerica | 19.8% | Securian (Minnesota Life) | (3.4%) |
| Mutual of America | 12.3% | Guardian | (5.0%) |
| Massachusetts Mutual | 4.8% | UNIFI | (5.6%) |
| CUNA Mutual | 4.1% | New York Life | (10.3%) |
| National Life of Vermont | 1.8% | Pacific Life | NM |
| Ohio National | 0.0% | Penn Mutual | NM |
| Western & Southern | (1.3%) | Mutual of Omaha | NM |
| Northwestern Mutual | (3.3%) | | |

**Based on growth in YTD statutory net income*    *NM-Companies with net loss in 2011.*

## The importance of long-term decision-making

Aside from the important task of managing risk, it is this kind of conscientious decision-making— with policyholders' long-term, best interest in mind—that drives our financial performance. Our decisions about what risks to take on, which products to offer at what price, and what operational expenses and investments to make are guided by our philosophy that the decisions we make today will impact this organization for many years to come.

With that, our financial performance has been impressive—a result of strong sales from our distribution partners, products that resonate in the marketplace, good customer service and disciplined expense management. And, the notable profit performance of our product lines in recent years has allowed us to accumulate capital to finance our future business growth (See Figure 2).

It may seem inconsistent that while the organization is doing so well, we continue to watch every dollar, but such prudent expense management is a crucial cog in the company's financial engine and has led to record results.

## Why does performance matter?

Our performance matters to a number of people. The first and most important are our customers. A strong company that is performing at a high level is invaluable to those who entrust it with their assets. When we make that promise to pay, it has to be backed by the financial strength of our company. Our capital position, fueled by profitability, makes that possible.

Financial performance also matters to our distribution partners. We sell products through trusted advisors, such as registered investment advisors, broker dealers and life insurance agents. When these partners sell our products, they are essentially selling the performance of our company. Because life insurance and retirement products typically span many years, often a lifetime, our distribution partners are selling our company's performance over the long term.

Financial performance matters to rating agencies. When Standard & Poor's and A.M. Best rate a company, they stake their reputation on their analysis. And when A.M. Best upgraded OneAmerica last spring to A+ (Superior) and affirmed that rating this year, they signaled to our policyholders—existing and prospective—that we are very strong financially and getting stronger. This, no doubt, helps us grow our business.

And finally, financial performance matters to our employees. We can be proud to work for a company that provides valuable products that impact lives in a powerful way. It's also good to know that our pay window will be open and we have a compensation program that rewards us when we do well.

Thanks to each of you for the role you play in making our success. It matters to all of us.

figure 2

### Long Term Statutory Premium Growth

*12/31/2004 through 12/31/2011*

| | | | |
|---|---|---|---|
| Penn Mutual | 10.1% | UNIFI | 3.7% |
| OneAmerica | 8.6% | National Life of Vermont | 3.1% |
| Mutual of Omaha | 7.5% | Guardian | 1.5% |
| Ohio National | 6.4% | Western & Southern | 0.3% |
| New York Life | 5.5% | Massachusetts Mutual | (0.4%) |
| Mutual of America | 5.2% | CUNA Mutual | (2.7%) |
| Northwestern Mutual | 4.6% | Pacific Life | (5.2%) |
| Securian (Miinesolt Life) | 3.8% | | |

**Based on growth in YTD statutory premium from 12/21/04 to 12/31/11*