



RBC Insurance to acquire UnumProvident's Canadian operations

**Announcement date: November 18, 2003
- Fact Sheet -**

Description of UnumProvident's Canadian operations

- acquiring the Canadian branch operations of Provident Life and Accident Insurance Company, a U.S.-based disability insurer and subsidiary of UnumProvident Corporation
- approximately 620 employees headquartered in Burlington, Ontario, with regional offices in Toronto, Montreal, Calgary and Vancouver and smaller niche market locations across Canada
- offers, underwrites and services a full suite of living benefits solutions (i.e. income protection/ replacement) to individuals and to corporate customers on a group basis
 - individual: disability (52% of total premiums), critical illness, long-term care
 - group: long term disability (37% of total premiums), short term disability, accidental death and dismemberment, life insurance
- premiums \$468 million, revenues \$587 million and net income \$53 million (Canadian GAAP) in 2002
- assets \$2.1 billion, net actuarial liabilities \$1.4 billion (Canadian GAAP, as at June 30, 2003)
- products distributed via multiple channels, including independent brokers, other insurance carriers, investment advisors and Managing General Agents, supported by an in-house team of regional sales consultants

Strategic Rationale

- enables RBC Insurance to be a leading provider of living benefits products in Canada
- enhances the ability of RBC Insurance to offer a full suite of products to individual and business clients, adding scale to its existing operations in this market and complementing its other insurance offerings with cross-sell opportunities
- adds breadth and diversification to the product mix of the Life Division of RBC Insurance
- attractive current customer base, including baby boomers, professionals, and business owners

Deal Structure and Financial Impact

- the transaction will be executed through an assumption reinsurance agreement, whereby RBC Insurance will assume UnumProvident's Canadian policy liabilities in exchange for investment assets equal to those liabilities, less a ceding commission
- RBC Insurance will also purchase the net operating assets (primarily accounts receivable and fixed assets, net of accounts payable) of UnumProvident's Canadian operations at book value
- may invest up to \$500 million to complete the transaction and support the business
- no goodwill to be recognized as a result of the transaction
- acquisition is expected to be accretive to earnings in the first year following completion of the transaction

Approvals / Closing Date

- due diligence (legal, actuarial, operational, etc.) completed
- approvals required from the Office of the Superintendent of Financial Institutions (OSFI), the Minister of Finance and the Competition Bureau (Canada)
- expected to close by March 2004

Future Plans

- expect to add UnumProvident's Canadian operations to the existing Life Division of RBC Insurance as a separate living benefits unit following close of transaction
- RBC Insurance's own existing living benefits operations will be harmonized with UnumProvident's Canadian operations
- will develop a new IT platform and begin the migration of applications off UnumProvident's systems