

*Summary done in  
199 by Clark/Bardes  
on Great West &  
Connecticut Mutual  
policies. Pam*

**ENRON CORPORATION  
EXECUTIVE SUMMARY**

**BACKGROUND:**

Between 1983 and 1986, Enron Corporation purchased life insurance policies from Connecticut Mutual Life (now Massachusetts Mutual) and the Great-West Life Assurance Company as informal funding for various corporate obligations, including Deferred Income Plans for Executives and Directors. Enron purchased two different Connecticut Mutual insurance products with two policy dates for each product. The first product purchased was the Econolife, (sometimes referred to as the "traditional"), product on March 1, 1983 (79 policies) and on March 1, 1984 (11 policies). On December 28, 1984 and on March 1, 1985 Enron purchased 139 and 51 policies respectively of the Executive Benefit Life (EBL) product. On June 1, 1986, Enron purchased 213 Life to 95 policies with a 10:1 X-Rider from the Great-West Life Assurance Company. Clark/Bardes administers these insurance policies and provides annual anniversary illustrations.

The CML "traditional" Econolife policies are straightforward dividend driven whole-life policies. Earnings within these policies are based upon the earnings of the insurance company.

The CML EBL product is a cash value intensive whole-life policy, meant to produce earnings based upon market rates; the rate for this product is set using the 30-Day Treasury Bill rate as a base. These policies, constructed to allow for leveraging, provide an incentive for the use of loans via higher crediting rates on borrowed funds.

Great-West's L95 product is also a cash value intensive whole-life policy, which allows the owner to dedicate a portion of premium (the X-Rider premium) directly to the build-up of cash value each year. This policy type was specifically designed to be maximum-leveraged; Great-West life guarantees a 150 basis point spread between the loan and crediting rate on borrowed funds. Maximum loans are calculated based on projected *end of year next* values, allowing the fullest use of premiums paid. Dividends, awarded at the end of each policy year, are a relatively insignificant portion of the cash value.

**ANALYSIS PERFORMED:**

We have used historical data and current market information to provide you with the attached illustrations, which show projected future results for the insurance that Enron Corporation has purchased. *It is important to note that values for future years provided in this illustration are dependent on rate conditions and mortality experience and should be used only for budgeting and forecasting purposes.* Please refer to actual value reports for any historical figure necessary for accounting purposes.

**MORTALITY EXPERIENCE:**

Overall, Enron has experienced very low mortality since plan inception. Since the last illustration, there has been one death in the December 28, 1984 policy group and four deaths in the June 1, 1986 policy group. For a plan this large such experience is below expectation. We have provided both non-mortality (death at age 80) schedules and mortality-adjusted schedules using 100% of the 1983 GAM table.

**CORPORATE TAX RATE:**

Enron has used tax deductions in the past and continues to be completely eligible for full deductions under current legislation. We have illustrated Enron emerging from AMT in 2000 and recapturing the full amount of lost deductions in one year.

EC 000768248

LOAN RATE HISTORY:

YEAR	ECONOLIFE 3/1/83	ECONOLIFE 3/1/84	EBL 12/28/84	EBL 3/1/85	GREAT-WEST 6/1/86
1983	8.00%	N/A	N/A	N/A	N/A
1984	8.00%	8.00%	8.00%	N/A	N/A
1985	10.40%	10.40%	11.75%	12.71%	N/A
1986	11.69%	11.69%	9.55%	10.86%	9.79%
1987	9.54%	9.54%	10.64%	9.20%	8.99%
1988	10.97%	10.97%	10.28%	10.56%	9.86%
1989	9.90%	9.90%	9.41%	10.03%	9.86%
1990	9.34%	9.34%	10.02%	9.30%	9.73%
1991	10.03%	10.03%	9.05%	9.30%	9.43%
1992	8.99%	8.99%	8.26%	8.75%	8.81%
1993	8.41%	8.41%	6.98%	8.35%	7.83%
1994	6.97%	6.97%	8.60%	7.26%	7.78%
1995	8.83%	8.83%	8.60%	8.73%	8.35%
1996	7.39%	7.39%	7.56%	7.11%	7.65%
1997	7.39%	7.39%	7.41%	7.11%	7.83%
1998	7.26%	7.26%	6.75%	7.03%	7.00%
1999	6.77%	6.77%	---	6.72%	7.07%
projected	6.77%	6.77%	6.75%	6.72%	7.07%

CONCLUSIONS:

The attached illustrations use current policy crediting rates as of the last anniversary, projected loan rates for each policy group and discount rates of 6%, 7% and 8%. The mortality has been illustrated conservatively with the later of death at age 80 or five years from current year, and 100% of the 1983 GAM table. If the company is to be in AMT for the foreseeable future, it may be beneficial to look at strategies for at least partial loan repayments. If Enron emerges from AMT, a maximum loan strategy would be recommended to maximize the potential of these policies. Enron's policy blocks retain 100% loan interest deductibility under current legislation; this deductibility is a commodity that is no longer available in the insurance marketplace.

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EC 000768249