



Alfa Corporation

Investor Supplement

Fourth Quarter 2006

This Investor Supplement is for informational purposes only. The consolidated financial statements and financial exhibits included herein are unaudited. These consolidated financial statements and exhibits should be read in conjunction with the consolidated financial statements and notes thereto included in Form 10-K.

Measures used in these financial statements and exhibits that are not based on generally accepted accounting principles ("non-GAAP") are denoted with an asterisk (*) the first time they appear. These measures are defined on the page "Definitions of Non-GAAP, GAAP and Operating Measures" and are reconciled to the most directly comparable GAAP measure herein.

ALFA CORPORATION
PROPERTY/CASUALTY SEGMENT (UNAUDITED)
(in thousands, except ratios and per share data)

	Twelve Months Ended					Three Months Ended				
	December 31,			Ratios		December 31,			Ratios	
	2006	2005	% Change	2006	2005	2006	2005	% Change	2006	2005
INCOME STATEMENT										
Revenues										
Automobile Premiums	\$ 379,762	\$ 344,193	10.3			\$ 96,318	\$ 89,237	7.9		
Homeowner Premiums	208,600	196,457	6.2			53,492	50,255	6.4		
Other Premiums	15,880	15,789	0.6			3,989	4,381	(8.9)		
Total Premiums - Property and Casualty Insurance	604,242	556,439	8.6	100.0%	100.0%	153,799	143,873	6.9	100.0%	100.0%
Net Investment Income	39,417	40,200	(1.9)			10,640	10,729	(0.8)		
Other Income	13,650	9,621	41.9			3,406	2,769	23.0		
Total Revenues	657,309	606,260	8.4			167,845	157,371	6.7		
Benefits, Losses and Expenses										
Incurred Losses (Non-storm)	336,537	322,884	4.2	55.7%	58.0%	86,884	85,066	2.1	56.5%	59.1%
Incurred Losses (Storm)	13,781	11,635	18.4	2.3%	2.1%	8	-	100.0	0.0%	0.0%
Loss Adjustment Expense	30,015	24,029	24.9	5.0%	4.3%	7,955	7,384	7.7	5.2%	5.1%
Total Benefits, Claims, Losses and Settlement Expenses	380,333	358,548	6.1	63.0%	64.4%	94,847	92,450	2.6	61.7%	64.3%
Amortization of Deferred Policy Acquisition Costs	118,961	100,652	18.2	19.7%	18.1%	32,132	25,644	25.3	20.9%	17.8%
Other Operating Expenses	49,026	41,367	18.5	8.1%	7.4%	11,741	15,099	(22.2)	7.6%	10.5%
Total Operating Expenses	167,987	142,019	18.3	27.8%	25.5%	43,873	40,743	7.7	28.5%	28.3%
Total Benefits, Losses and Expenses	548,320	500,567	9.5	90.8%	90.0%	138,720	133,193	4.1	90.2%	92.6%
Income Before Income Tax Expense	108,989	105,693	3.1			29,125	24,178	20.5		
Income Tax Expense	23,954	25,497	(6.1)			3,153	5,210	(39.5)		
Operating Income *	85,035	80,196	6.0			25,972	18,968	36.9		
Realized Investment Gains (Losses), Net of Tax	(3,110)	120	(2,691.7)			(1,246)	424	(393.9)		
Net Income	\$ 81,925	\$ 80,316	2.0			\$ 24,726	\$ 19,392	27.5		
Operating Income Per Share - Diluted *	\$ 1.05	\$ 0.99	5.4			\$ 0.32	\$ 0.23	36.0		
Net Income Per Share - Diluted	\$ 1.01	\$ 1.00	1.4			\$ 0.30	\$ 0.24	26.6		
Operating Return on Equity*	17.9%	18.5%								
Return on Equity*	17.2%	18.6%								
Other Key Information										
Earned Premium by Region										
Alabama	\$ 453,260	\$ 441,159	2.7	75.0%	79.3%	\$ 114,395	\$ 111,842	2.3	74.4%	77.7%
Georgia	34,383	33,496	2.6	5.7%	6.0%	8,565	8,438	1.5	5.6%	5.9%
Mississippi	43,012	39,202	9.7	7.1%	7.1%	11,023	9,995	10.3	7.2%	7.0%
VA Mutual	21,239	21,795	(2.6)	3.5%	3.9%	5,206	5,477	(4.9)	3.4%	3.8%
Vision	52,348	20,787	151.8	8.7%	3.7%	14,610	8,121	79.9	9.5%	5.6%
Total Earned Premium	\$ 604,242	\$ 556,439	8.6	100.0%	100.0%	\$ 153,799	\$ 143,873	6.9	100.0%	100.0%
Incurred Losses by Region (Non-storm)										
Alabama	\$ 247,644	\$ 252,624	(2.0)	54.6%	57.3%	\$ 62,328	\$ 63,979	(2.6)	54.5%	57.2%
Georgia	21,695	25,299	(14.2)	63.1%	75.5%	4,641	6,252	(25.8)	54.2%	74.1%
Mississippi	20,895	21,400	(2.4)	48.6%	54.6%	5,597	6,239	(10.3)	50.8%	62.4%
VA Mutual	12,064	10,804	11.7	56.8%	49.6%	4,265	3,444	23.8	81.9%	62.9%
Vision	34,239	12,757	168.4	65.4%	61.4%	10,053	5,152	95.1	68.8%	63.4%
Total Incurred Losses	\$ 336,537	\$ 322,884	4.2	55.7%	58.0%	\$ 86,884	\$ 85,066	2.1	56.5%	59.1%
Lapse Ratio: Preferred and Standard Classes *	3.50%	3.50%				3.70%	3.64%			
Net Written Premium by LOB										
Automobile	\$ 391,190	\$ 366,419	6.8			\$ 91,600	\$ 89,005	2.9		
Homeowner	214,020	206,075	3.9			50,571	47,223	7.1		
Other	16,815	15,886	5.8			3,483	3,304	5.4		
Total Net Written Premium	\$ 622,025	\$ 588,380	5.7			\$ 145,654	\$ 139,532	4.4		
Net Written Premium by Region										
Alabama	\$ 459,621	\$ 447,066	2.8			\$ 109,035	\$ 106,606	2.3		
Georgia	34,629	33,885	2.2			8,088	8,076	0.1		
Mississippi	46,095	40,455	13.9			11,247	9,895	13.7		
VA Mutual	20,662	32,615	(36.6)			5,245	5,567	(5.8)		
Vision	61,018	34,359	77.6			12,039	9,388	28.2		
Total Net Written Premium	\$ 622,025	\$ 588,380	5.7			\$ 145,654	\$ 139,532	4.4		

Data may differ from actual due to rounding.

ALFA CORPORATION
LIFE SEGMENT (UNAUDITED)
(in thousands, except ratios and per share data)

	Twelve Months Ended					Three Months Ended				
	December 31,			Ratios		December 31,			Ratios	
	2006	2005	% Change	2006	2005	2006	2005	% Change	2006	2005
INCOME STATEMENT										
Revenues										
Traditional Life Insurance Premiums	\$ 45,526	\$ 40,617	12.1			\$ 11,540	\$ 10,260	12.5		
Universal Life Policy Charges	21,695	20,803	4.3			5,416	5,324	1.7		
Universal Life Policy Charges - COLI	4,018	3,812	5.4			772	775	(0.4)		
Interest-sensitive Life Policy Charges	11,113	10,884	2.1			2,758	2,675	3.1		
Group Life Insurance Premiums	493	517	(4.6)			-	-	0.0		
Total Premiums and Policy Charges - Life Insurance	82,845	76,633	8.1	100.0%	100.0%	20,486	19,034	7.6	100.0%	100.0%
Net Investment Income	56,527	50,963	10.9			14,925	13,012	14.7		
Other Income	-	-	0.0			-	-	0.0		
Total Revenues	139,372	127,596	9.2			35,411	32,046	10.5		
Benefits, Claims, Losses and Settlement Expenses										
Benefits, Claims, Losses and Settlement Expenses	78,502	73,205	7.2	94.8%	95.5%	17,070	17,212	(0.8)	83.3%	90.4%
Dividends to Policyholders	4,134	4,009	3.1	5.0%	5.2%	1,094	1,064	2.8	5.3%	5.6%
Amortization of Deferred Policy Acquisition Costs	11,868	9,277	27.9	14.3%	12.1%	3,055	1,552	96.8	14.9%	8.2%
Other Operating Expenses	10,785	10,627	1.5	13.0%	13.9%	2,592	2,469	5.0	12.7%	13.0%
Total Benefits, Losses and Expenses	105,289	97,118	8.4	127.1%	126.7%	23,811	22,297	6.8	116.2%	117.1%
Income Before Income Tax Expense	34,083	30,478	11.8			11,600	9,749	19.0		
Income Tax Expense	10,158	8,741	16.2			3,100	2,658	16.6		
Operating Income	23,925	21,737	10.1			8,500	7,091	19.9		
Realized Investment Gains, Net of Tax	5,373	3,836	40.1			1,946	734	165.1		
Net Income	\$ 29,298	\$ 25,573	14.6			\$ 10,446	\$ 7,825	33.5		
Operating Income Per Share - Diluted										
Operating Income Per Share - Diluted	\$ 0.29	\$ 0.27	9.4			\$ 0.10	\$ 0.09	19.0		
Net Income Per Share - Diluted										
Net Income Per Share - Diluted	\$ 0.36	\$ 0.32	13.9			\$ 0.13	\$ 0.10	32.5		
Operating Return on Equity										
Operating Return on Equity	7.4%	7.2%								
Return on Equity										
Return on Equity	9.1%	8.5%								
Other Key Information (all information presented on a STAT-basis)										
Annualized New Business Premium by LOB										
Traditional Life	\$ 12,186	\$ 7,521	62.0			\$ 2,397	\$ 1,490	60.9		
Universal Life	3,501	3,929	(10.9)			669	740	(9.6)		
Interest-sensitive Life	2,119	2,352	(9.9)			520	521	(0.2)		
Total Issued New Business Premium by LOB	\$ 17,806	\$ 13,802	29.0			\$ 3,586	\$ 2,751	30.4		
Annualized New Business Premium by Region										
Alabama	\$ 15,477	\$ 11,881	30.3			\$ 3,133	\$ 2,311	35.6		
Georgia	1,222	1,003	21.8			206	241	(14.5)		
Mississippi	1,107	918	20.6			247	199	24.1		
Total Issued New Business Premium by Region	\$ 17,806	\$ 13,802	29.0			\$ 3,586	\$ 2,751	30.4		
Actual vs. Expected Mortality Ratio *										
Actual vs. Expected Mortality Ratio *	104%	96%				111%	103%			
Persistency Ratio *										
Persistency Ratio *	90.7%	91.2%								

Data may differ from actual due to rounding.

ALFA CORPORATION
NONINSURANCE SEGMENT (UNAUDITED)
(in thousands, except ratios and per share data)

	Twelve Months Ended December 31,			Three Months Ended December 31,		
	2006	2005	% Change	2006	2005	% Change
INCOME STATEMENT						
Revenues						
Equity Interest in MidCountry Financial (net of expense)	\$ 1,385	\$ 1,154	20.0	\$ 416	\$ (125)	432.8
Loan Income (net of expense)	780	4,350	(82.1)	1,054	1,141	(7.6)
Other Net Investment Income	726	2,521	(71.2)	655	750	(12.7)
Total Net Investment Income	2,891	8,025	(64.0)	2,125	1,766	20.3
Fee/Commission Income - Agency Operations	37,215	23,849	56.0	9,427	6,146	53.4
Other Income	1,188	1,428	(16.8)	268	411	(34.8)
Total Other Income	38,403	25,277	51.9	9,695	6,557	47.9
Total Revenues	41,294	33,302	24.0	11,820	8,323	42.0
Benefits, Losses and Expenses						
Claims and Settlement Expenses - Agency Operations	3,527	2,766	27.5	951	566	68.0
Other Operating Expenses - Loan/Lease Operations	4,859	6,661	(27.1)	1,045	1,518	(31.2)
Other Operating Expenses - Agency Operations	29,091	21,121	37.7	7,041	5,656	24.5
Other Operating Expenses - Other Operations	2,812	662	324.8	2,001	59	3,291.5
Total Benefits, Losses and Expenses	40,289	31,210	29.1	11,038	7,799	41.5
Income Before Income Tax Expense	1,005	2,092	(52.0)	782	524	49.2
Income Tax Expense	679	2,132	(68.2)	585	1,676	(65.1)
Operating Income (Loss)	326	(40)	915.0	197	(1,152)	117.1
Realized Investment Gains (Losses), Net of Tax	(51)	(24)	(112.5)	(17)	(56)	69.6
Net Income (Loss)	\$ 275	\$ (64)	529.7	\$ 180	\$ (1,208)	114.9
Operating Income (Loss) Per Share - Diluted	\$ 0.00	\$ (0.00)	910.0	\$ 0.00	\$ (0.01)	117.0
Net Income (Loss) Per Share - Diluted	\$ 0.00	\$ (0.00)	527.1	\$ 0.00	\$ (0.01)	114.8
Operating Return on Equity	0.4%	(0.1%)				
Return on Equity	0.3%	(0.1%)				
Other Key Information						
	12/31/06	12/31/05	% Change			
<i>Alfa Financial Corporation:</i>						
Loan Portfolio	\$ 128,352	\$ 124,502	3.1			
Loan Portfolio Yield *	7.88%	7.41%				
Loan Gross Charge-offs	\$ 4,378	\$ 778				
Loan Net Charge-offs	\$ 4,293	\$ 649				
Loan Delinquency Ratio *	1.99%	1.44%				
<i>MidCountry Financial Corporation:</i>						
Carrying Value (42% and 43% ownership at 12/31/06 and 12/31/05, respectively)	\$ 57,240	\$ 53,330	7.3			
Equity in Net Earnings	\$ 1,385	\$ 1,154	20.0			
Return on Carried Value *	2.4%	2.2%				

Data may differ from actual due to rounding.

ALFA CORPORATION
CORPORATE SEGMENT AND ELIMINATIONS (UNAUDITED)
(in thousands, except ratios and per share data)

	Twelve Months Ended December 31,			Three Months Ended December 31,		
	2006	2005	% Change	2006	2005	% Change
INCOME STATEMENT						
Revenues						
Investment Loss	\$ (914)	\$ (1,387)	34.1	\$ (306)	\$ (218)	(40.4)
Interest Expense	(4,660)	(2,869)	(62.4)	(1,229)	(867)	(41.8)
Total Net Investment Loss	(5,574)	(4,256)	(31.0)	(1,535)	(1,085)	(41.5)
Other Income	(23,666)	(12,048)	(96.4)	(5,457)	(3,683)	(48.2)
Total Revenues	(29,240)	(16,304)	(79.3)	(6,992)	(4,768)	(46.6)
Benefits, Losses and Expenses						
Claims and Settlement Expenses	(4,187)	(1,663)	(151.8)	(1,260)	(650)	(93.8)
Amortization of Deferred Policy Acquisition Costs	(787)	(1,206)	34.7	-	(471)	100.0
Other Operating Expenses	(15,782)	(6,983)	(126.0)	(2,269)	(2,033)	(11.6)
Total Benefits, Claims, Losses and Settlement Expenses	(20,756)	(9,852)	(110.7)	(3,529)	(3,154)	(11.9)
Loss Before Income Tax Expense (Benefit)	(8,484)	(6,452)	(31.5)	(3,463)	(1,614)	(114.6)
Income Tax Expense (Benefit)	(2,874)	340	(945.3)	(1,117)	588	(290.0)
Operating Income (Loss)	(5,610)	(6,792)	17.4	(2,346)	(2,202)	(6.5)
Realized Investment Gains (Losses), Net of Tax	-	-	0.0	-	-	0.0
Net Income (Loss)	\$ (5,610)	\$ (6,792)	17.4	\$ (2,346)	\$ (2,202)	(6.5)
Operating Income (Loss) Per Share - Diluted	\$ (0.07)	\$ (0.08)	17.9	\$ (0.03)	\$ (0.03)	(5.8)
Net Income (Loss) Per Share - Diluted	\$ (0.07)	\$ (0.08)	17.9	\$ (0.03)	\$ (0.03)	(5.8)

Data may differ from actual due to rounding.

ALFA CORPORATION
INVESTMENT PORTFOLIO
(in thousands, except ratios and per share data)

	Twelve Months Ended December 31,			Three Months Ended December 31,		
	2006	2005	% Change	2006	2005	% Change
Alfa Corporation Consolidated Investment Portfolio - Other Key Information						
<i>Net Investment Income and Pre-tax Yield:</i>						
				<u>Yields</u>		
				2006	2005	
Fixed Income Securities	\$ 80,654	\$ 76,750	5.1	5.7%	5.7% ¹	\$ 20,961
Equity Securities	4,284	2,912	47.1	3.9%	2.8%	\$ 19,173
Collateral Loans	10,125	8,502	19.1			9.3
Commercial Leases	187	6,220	(97.0)			736
Other Investment Income	23,564	20,281	16.2			84.4
Interest Expense	(15,438)	(11,531)	(33.9)			11.4
Investment Expenses	(10,113)	(8,202)	(23.3)			(97.6)
Total Net Investment Income	<u>\$ 93,263</u>	<u>\$ 94,932</u>	<u>(1.8)</u>			<u>\$ 26,155</u>
						<u>\$ 24,422</u>
						<u>7.1</u>
<i>Investment Portfolio Composition:</i>						
	<u>12/31/06</u>	<u>12/31/05</u>				
Fixed Income Securities, by Rating: ²						
<i>NAIC Rated</i>						
1						
2						
3						
4						
5						
6						
<i>Moody's Rated</i>						
Aaa/Aa/A	\$ 1,353,897	\$ 1,288,015	5.1			
Baa	83,338	105,351	(20.9)			
Ba	2,060	21,959	(90.6)			
B	4,454	4,471	(0.4)			
Caa	-	-	0.0			
In or near default	-	-	0.0			
<i>Not Rated</i>	3,000	-	100.0			
Total Fixed Income Securities	1,446,749	1,419,796	1.9			
Equity Securities	111,427	107,020	4.1			
Collateral Loans	128,685	124,667	3.2			
Other Invested Assets	318,067	211,440	50.4			
Total Investments	2,004,928	1,862,923	7.6			
Investment In Affiliates	120,819	138,457	(12.7)			
Total	<u>\$ 2,125,747</u>	<u>\$ 2,001,380</u>	<u>6.2</u>			

¹ Yield on Fixed Income Securities is calculated as annualized income divided by the average of the beginning and end of period amortized investment balances for the same 12-month period, which exclude unrealized investment gains and losses.

² Investment Portfolio Composition values for Fixed Income Securities are based on fair value for available for sale securities and amortized value for held for investment securities.

Data may differ from actual due to rounding.

ALFA CORPORATION
QUARTERLY FINANCIAL SUPPLEMENT
December 31, 2006
(Unaudited)

Additional Information

	02:1Q	02:2Q	02:3Q	02:4Q	2002
Pretax P&C Net Investment Income	7,747,433	8,375,695	7,176,169	7,134,749	30,434,046
Pretax P&C Operating Income	17,393,023	14,283,409	13,309,248	19,211,125	64,196,805
P&C Statutory Invested Assets	562,536,805	587,045,896	592,330,618	598,545,022	
P&C Statutory Surplus	276,936,440	274,268,630	285,198,181	291,296,304	
P&C Loss & LAE Reserves	140,547,346	144,370,368	145,867,486	145,808,225	
Pretax Life Net Investment Income	11,482,042	11,673,726	12,057,548	12,076,982	47,290,298
Pretax Life Operating Income	6,038,921	6,493,899	6,928,507	6,748,195	26,209,522
Life Statutory Invested Assets	731,033,090	737,560,100	735,098,205	749,891,687	
Life Statutory Surplus	141,999,217	133,026,858	127,697,259	132,468,334	
	<u>03:1Q</u>	<u>03:2Q</u>	<u>03:3Q</u>	<u>03:4Q</u>	<u>2003</u>
Pretax P&C Net Investment Income	6,910,185	7,653,547	7,423,546	6,516,131	28,503,409
Pretax P&C Operating Income	20,276,043	16,813,874	16,415,815	16,120,258	69,625,990
P&C Statutory Invested Assets	619,015,221	626,103,044	640,677,141	643,775,395	
P&C Statutory Surplus	300,514,053	308,384,829	314,946,117	323,362,342	
P&C Loss & LAE Reserves (1)	144,689,722	145,691,012	147,585,697	139,589,753	
Pretax Life Net Investment Income	11,534,769	10,948,305	10,843,170	11,408,366	44,734,610
Pretax Life Operating Income	5,630,299	6,071,633	5,514,256	9,528,981	26,745,169
Life Statutory Invested Assets	771,143,631	809,472,299	808,833,684	823,345,514	
Life Statutory Surplus	127,075,494	130,374,293	133,237,013	144,834,065	
	<u>04:1Q</u>	<u>04:2Q</u>	<u>04:3Q</u>	<u>04:4Q</u>	<u>2004</u>
Pretax P&C Net Investment Income	7,422,200	7,529,905	8,148,041	11,646,118	34,746,264
Pretax P&C Operating Income	26,792,114	19,926,490	21,346,862	22,743,798	90,809,264
P&C Statutory Invested Assets (2)	663,386,315	668,080,084	722,795,981	716,630,234	
P&C Statutory Surplus	335,394,591	343,130,340	340,815,304	369,838,232	
P&C Loss & LAE Reserves (1)	144,839,184	144,417,593	151,118,973	150,856,684	
Pretax Life Net Investment Income	11,464,207	12,070,627	13,044,596	12,549,202	49,128,632
Pretax Life Operating Income	6,101,031	4,881,196	5,704,300	8,778,931	25,465,458
Life Statutory Invested Assets	850,439,601	865,246,778	876,301,256	890,441,591	
Life Statutory Surplus	147,078,186	149,627,085	151,079,986	161,992,039	
	<u>05:1Q</u>	<u>05:2Q</u>	<u>05:3Q</u>	<u>05:4Q</u>	<u>2005</u>
Pretax P&C Net Investment Income	9,310,764	8,926,932	11,232,799	10,729,178	40,199,673
Pretax P&C Operating Income	19,002,266	33,255,773	29,255,953	24,178,448	105,692,440
P&C Statutory Invested Assets (2)	705,855,331	715,563,873	720,574,977	733,114,630	
P&C Statutory Surplus	372,285,887	385,401,304	398,052,284	407,475,146	
P&C Loss & LAE Reserves (1)	145,569,327	141,926,723	149,282,527	157,988,560	
Pretax Life Net Investment Income	12,226,938	13,061,800	12,661,842	13,012,004	50,962,584
Pretax Life Operating Income	7,722,260	7,001,604	6,004,445	9,749,301	30,477,610
Life Statutory Invested Assets	923,042,022	932,889,527	957,943,993	957,658,384	
Life Statutory Surplus	163,786,697	167,102,347	171,890,971	177,189,239	
	<u>06:1Q</u>	<u>06:2Q</u>	<u>06:3Q</u>	<u>06:4Q</u>	<u>2006</u>
Pretax P&C Net Investment Income	9,678,917	8,867,842	10,230,689	10,639,827	39,417,275
Pretax P&C Operating Income	19,996,255	32,528,491	27,338,061	29,125,239	108,988,046
P&C Statutory Invested Assets (2)	781,525,886	792,053,522	789,965,735	815,633,254	
P&C Statutory Surplus	410,789,564	430,367,018	424,266,223	450,690,007	
P&C Loss & LAE Reserves (1)	163,390,031	161,008,518	164,960,736	170,675,884	
Pretax Life Net Investment Income	13,590,101	13,716,250	14,296,140	14,924,804	56,527,295
Pretax Life Operating Income	7,113,633	6,783,319	8,585,952	11,599,737	34,082,641
Life Statutory Invested Assets	1,002,957,159	999,648,875	1,017,945,275	1,031,591,536	
Life Statutory Surplus	182,409,009	179,808,669	184,518,325	202,198,338	

(1) P&C Loss & LAE Reserves for fourth quarter 2003, fourth quarter 2004 and periods beginning in 2005 include salvage and subrogation receivables.

(2) P&C Statutory Invested Assets for fourth quarter 2004 and periods beginning in 2005 reflect a reclassification of premium installment plan receivables into Accounts Receivable.

Definitions of Non-GAAP, GAAP and Operating Measures

Management believes that disclosure of the following non-GAAP financial measures provides investors with meaningful tools to assess the Company's ongoing operations. Our methods of calculating these measures may differ from those used by other companies, thereby limiting comparability.

Operating Income is defined as net income excluding realized investment gains and losses, net of applicable taxes. Management uses operating income as a measure of the Company's ongoing profitability since it eliminates the effect of securities market volatility from earnings.

Operating Income per Share is defined as operating income divided by the weighted average shares outstanding for the reporting period. Management uses operating income per share as a measure of the Company's ongoing profitability since it eliminates the effect of securities market volatility from earnings.

Operating Return on Equity (Current Period) is defined as operating income for the trailing 12-month period divided by the simple average of the beginning and ending stockholders' equity of the same 12-month period.

Operating Return on Equity (Prior Period) is defined as operating income for the prior year divided by the simple average of the beginning and ending stockholders' equity of the same 12-month period.

Return on Equity (Current Period) is defined as net income for the trailing 12-month period divided by the simple average of the beginning and ending stockholders' equity of the same 12-month period.

Return on Equity (Prior Period) is defined as net income for the prior year divided by the simple average of the beginning and ending stockholders' equity of the same 12-month period.

Management uses the following GAAP ratios to measure the Company's ongoing operations. They are calculated as follows:

Loss Ratio is defined as incurred losses divided by earned premiums.

Loss Adjustment Expense Ratio is defined as loss adjustment expenses divided by earned premiums.

Operating Expense Ratio is defined as total operating expenses divided by earned premiums.

Combined Ratio is defined as the sum of the loss ratio, the loss adjustment expense ratio and the expense ratio or the sum of incurred losses, loss adjustment expenses and total operating expenses divided by earned premiums.

Management uses the following operating statistics to measure components of the Company's ongoing operations. They are calculated as follows:

Lapse Ratio is defined as the number of policies lapsing as a percentage of billings produced during a stated time period.

Actual vs. Expected Mortality Ratio is defined as benefit payments divided by the actuarially estimated benefit payments for the stated time period.

Persistency Ratio is defined as the annualized premium of policies in force at the end of the period as a percentage of the annualized premium paid at the end of the period.

Loan Portfolio Yield is defined as annualized interest income divided by the loan portfolio balance.

Loan Delinquency Ratio is defined as the amount of loans 30 or more days past due divided by the loan portfolio balance.

Return on Carried Value is defined as equity in net earnings divided by the simple average of beginning and end of period carrying value.

Certain amounts in prior periods have been reclassified to conform to the presentation adopted in the current period. Such reclassifications did not impact earnings.