



# **Alfa Corporation**

## **Investor Supplement**

### **Second Quarter 2007**

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)

	Six Months Ended					Three Months Ended				
	June 30,			Ratios		June 30,			Ratios	
	2007	2006	% Change	2007	2006	2007	2006	% Change	2007	2006
<b>INCOME STATEMENT</b>										
<b>Revenues</b>										
Automobile Premiums	\$ 194,768	\$ 187,480	3.9			\$ 97,779	\$ 94,981	2.9		
Homeowner Premiums	109,167	102,849	6.1			55,017	51,341	7.2		
Other Premiums	9,092	7,922	14.8			4,852	4,513	7.5		
<b>Total Premiums - Property and Casualty Insurance</b>	<b>313,027</b>	<b>298,251</b>	<b>5.0</b>	<b>100.0%</b>	<b>100.0%</b>	<b>157,648</b>	<b>150,835</b>	<b>4.5</b>	<b>100.0%</b>	<b>100.0%</b>
Net Investment Income	22,844	18,547	23.2			11,283	8,868	27.2		
Other Income	8,287	6,833	21.3			3,443	3,419	0.7		
<b>Total Revenues</b>	<b>344,158</b>	<b>323,631</b>	<b>6.3</b>			<b>172,374</b>	<b>163,122</b>	<b>5.7</b>		
<b>Benefits, Losses and Expenses</b>										
Incurred Losses (Non-storm)	171,795	159,882	7.5	54.9%	53.6%	82,008	77,871	5.3	52.0%	51.6%
Incurred Losses (Storm)	13,917	13,805	0.8	4.4%	4.6%	2	3,893	(99.9)	0.0%	2.6%
Loss Adjustment Expense	16,283	14,548	11.9	5.2%	4.9%	8,353	7,504	11.3	5.3%	5.0%
<b>Total Benefits, Claims, Losses and Settlement Expenses</b>	<b>201,995</b>	<b>188,235</b>	<b>7.3</b>	<b>64.5%</b>	<b>63.1%</b>	<b>90,363</b>	<b>89,268</b>	<b>1.2</b>	<b>57.3%</b>	<b>59.2%</b>
Amortization of Deferred Policy Acquisition Costs	63,114	56,143	12.4	20.2%	18.8%	31,735	28,363	11.9	20.1%	18.8%
Other Operating Expenses	27,364	26,730	2.4	8.7%	9.0%	12,332	12,963	(4.9)	7.8%	8.6%
<b>Total Operating Expenses</b>	<b>90,478</b>	<b>82,873</b>	<b>9.2</b>	<b>28.9%</b>	<b>27.8%</b>	<b>44,067</b>	<b>41,326</b>	<b>6.6</b>	<b>27.9%</b>	<b>27.4%</b>
<b>Total Benefits, Losses and Expenses</b>	<b>292,473</b>	<b>271,108</b>	<b>7.9</b>	<b>93.4%</b>	<b>90.9%</b>	<b>134,430</b>	<b>130,594</b>	<b>2.9</b>	<b>85.2%</b>	<b>86.6%</b>
Income Before Income Tax Expense	51,685	52,523	(1.6)			37,944	52,528	16.7		
Income Tax Expense	13,044	13,925	(6.3)			9,713	8,791	10.5		
<b>Operating Income *</b>	<b>38,641</b>	<b>38,598</b>	<b>0.1</b>			<b>28,231</b>	<b>23,737</b>	<b>18.9</b>		
Realized Investment Gains (Losses), Net of Tax	(2,888)	(1,014)	(184.8)			(1,488)	(325)	(357.8)		
<b>Net Income</b>	<b>\$ 35,753</b>	<b>\$ 37,584</b>	<b>(4.9)</b>			<b>\$ 26,743</b>	<b>\$ 23,412</b>	<b>14.2</b>		
<b>Operating Income Per Share - Diluted *</b>	<b>\$ 0.47</b>	<b>\$ 0.48</b>	<b>(0.4)</b>			<b>\$ 0.35</b>	<b>\$ 0.29</b>	<b>18.3</b>		
<b>Net Income Per Share - Diluted</b>	<b>\$ 0.44</b>	<b>\$ 0.46</b>	<b>(5.4)</b>			<b>\$ 0.33</b>	<b>\$ 0.29</b>	<b>13.7</b>		
<b>Operating Return on Equity*</b>	<b>17.1%</b>	<b>17.9%</b>								
<b>Return on Equity*</b>	<b>16.1%</b>	<b>17.2%</b>								
<b>Other Key Information</b>										
<b>Earned Premium by Market</b>										
Alabama	\$ 224,410	\$ 219,058	2.4	71.7%	73.5%	\$ 112,722	\$ 109,643	2.8	71.5%	72.7%
Georgia	15,977	15,861	0.7	5.1%	5.3%	8,064	7,956	1.4	5.1%	5.3%
Mississippi	22,089	20,005	10.4	7.1%	6.7%	11,472	10,156	13.0	7.3%	6.7%
Alliance/VA Mutual	11,823	10,705	10.4	3.8%	3.6%	6,157	5,376	14.5	3.9%	3.6%
Nonstandard	38,728	32,622	18.7	12.4%	10.9%	19,233	17,704	8.6	12.2%	11.7%
<b>Total Earned Premium</b>	<b>\$ 313,027</b>	<b>\$ 298,251</b>	<b>5.0</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$ 157,648</b>	<b>\$ 150,835</b>	<b>4.5</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Incurred Losses by Market (Non-storm)</b>										
Alabama	\$ 118,157	\$ 116,179	1.7	52.7%	53.0%	\$ 55,156	\$ 56,193	(1.8)	48.9%	51.3%
Georgia	9,660	9,770	(1.1)	60.5%	61.6%	4,398	4,652	(5.5)	54.5%	58.5%
Mississippi	12,209	8,876	37.6	55.3%	44.4%	6,161	4,141	48.8	53.7%	40.8%
Alliance/VA Mutual	4,312	4,438	(2.8)	36.5%	41.5%	2,792	1,944	43.6	45.3%	36.2%
Nonstandard	27,457	20,619	33.2	70.9%	63.2%	13,501	10,941	23.4	70.2%	61.8%
<b>Total Incurred Losses</b>	<b>\$ 171,795</b>	<b>\$ 159,882</b>	<b>7.5</b>	<b>54.9%</b>	<b>53.6%</b>	<b>\$ 82,008</b>	<b>\$ 77,871</b>	<b>5.3</b>	<b>52.0%</b>	<b>51.6%</b>
<b>Lapse Ratio: Preferred and Standard Classes *</b>	<b>3.24%</b>	<b>3.35%</b>				<b>3.09%</b>	<b>3.27%</b>			
<b>Net Written Premium by LOB</b>										
Automobile	\$ 197,927	\$ 202,594	(2.3)			\$ 92,527	\$ 94,005	(1.6)		
Homeowner	114,242	107,526	6.2			60,420	56,671	6.6		
Other	10,192	9,279	9.8			5,301	4,744	11.7		
<b>Total Net Written Premium</b>	<b>\$ 322,361</b>	<b>\$ 319,399</b>	<b>0.9</b>			<b>\$ 158,248</b>	<b>\$ 155,420</b>	<b>1.8</b>		
<b>Net Written Premium by Market</b>										
Alabama	\$ 230,115	\$ 224,914	2.3			\$ 116,041	\$ 113,199	2.5		
Georgia	16,219	16,218	0.0			8,012	8,000	0.2		
Mississippi	23,462	22,499	4.3			13,016	11,923	9.2		
Alliance/VA Mutual	12,202	9,389	30.0			5,938	4,964	19.6		
Nonstandard	40,363	46,379	(13.0)			15,241	17,334	(12.1)		
<b>Total Net Written Premium</b>	<b>\$ 322,361</b>	<b>\$ 319,399</b>	<b>0.9</b>			<b>\$ 158,248</b>	<b>\$ 155,420</b>	<b>1.8</b>		

Data may differ from actual due to rounding.

Market information reflects presentation change for Nonstandard.

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

	Six Months Ended					Three Months Ended				
	June 30,			Ratios		June 30,			Ratios	
	2007	2006	% Change	2007	2006	2007	2006	% Change	2007	2006
<b>INCOME STATEMENT</b>										
<b>Revenues</b>										
Traditional Life Insurance Premiums	\$ 24,799	\$ 22,349	11.0			\$ 12,632	\$ 11,094	13.9		
Universal Life Policy Charges	11,147	10,795	3.3			5,574	5,403	3.2		
Universal Life Policy Charges - COLI	2,522	2,478	1.8			849	779	9.0		
Interest-sensitive Life Policy Charges	5,684	5,484	3.6			2,859	2,742	4.3		
Annuity Policy Charges	2	-	100.0			1	-	100.0		
Group Life Insurance Premiums	528	491	7.5			(8)	-	(100.0)		
Total Premiums and Policy Charges - Life Insurance	44,682	41,597	7.4	100.0%	100.0%	21,907	20,018	9.4	100.0%	100.0%
Net Investment Income	29,735	27,306	8.9			15,097	13,716	10.1		
Other Income	-	-	0.0			-	-	0.0		
Total Revenues	74,417	68,903	8.0			37,004	33,734	9.7		
Benefits, Claims, Losses and Settlement Expenses	41,007	40,248	1.9	91.8%	96.8%	18,417	20,267	(9.1)	84.1%	101.2%
Dividends to Policyholders	2,134	2,086	2.3	4.8%	5.0%	990	971	2.0	4.5%	4.9%
Amortization of Deferred Policy Acquisition Costs	8,325	5,894	41.2	18.6%	14.2%	3,750	2,950	27.1	17.1%	14.7%
Other Operating Expenses	8,491	6,778	25.3	19.0%	16.3%	4,074	2,763	47.4	18.6%	13.8%
Total Benefits, Losses and Expenses	59,957	55,006	9.0	134.2%	132.3%	27,231	26,951	1.0	124.3%	134.6%
Income Before Income Tax Expense	14,460	13,897	4.1			9,773	6,783	44.1		
Income Tax Expense	4,638	4,308	7.7			3,156	2,074	52.2		
Operating Income	9,822	9,589	2.4			6,617	4,709	40.5		
Realized Investment Gains, Net of Tax	4,189	2,204	90.1			1,974	1,433	37.8		
Net Income	\$ 14,011	\$ 11,793	18.8			\$ 8,591	\$ 6,142	39.9		
Operating Income Per Share - Diluted	\$ 0.12	\$ 0.12	1.9			\$ 0.08	\$ 0.06	39.8		
Net Income Per Share - Diluted	\$ 0.17	\$ 0.15	18.2			\$ 0.11	\$ 0.08	39.2		
<b>Operating Return on Equity</b>	<b>7.4%</b>	<b>7.4%</b>								
<b>Return on Equity</b>	<b>9.7%</b>	<b>9.1%</b>								
<b>Other Key Information (all information presented on a STAT-basis)</b>										
<b>Annualized New Business Premium by LOB</b>										
Traditional Life	\$ 6,157	\$ 7,188	(14.3)			\$ 2,591	\$ 2,956	(12.3)		
Universal Life	1,964	1,913	2.7			837	807	3.7		
Interest-sensitive Life	1,154	1,050	9.9			524	453	15.7		
Total Issued New Business Premium by LOB	\$ 9,275	\$ 10,151	(8.6)			\$ 3,952	\$ 4,216	(6.3)		
<b>Annualized New Business Premium by Region</b>										
Alabama	\$ 7,910	\$ 8,790	(10.0)			\$ 3,305	\$ 3,595	(8.1)		
Georgia	638	720	(11.4)			277	314	(11.8)		
Mississippi	727	641	13.4			370	307	20.5		
Total Issued New Business Premium by Region	\$ 9,275	\$ 10,151	(8.6)			\$ 3,952	\$ 4,216	(6.3)		
Actual vs. Expected Mortality Ratio *	81%	101%				61%	106%			
Persistency Ratio *	90.5%	91.2%								

Data may differ from actual due to rounding.

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

	Six Months Ended June 30,			Three Months Ended June 30,		
	2007	2006	% Change	2007	2006	% Change
<b>INCOME STATEMENT</b>						
<b>Revenues</b>						
Equity Interest in MidCountry Financial (net of expense)	\$ 441	\$ 803	(45.1)	\$ (24)	\$ 288	(108.3)
Loan Income (net of expense)	3,094	(3,318)	193.2	1,099	(4,473)	124.6
Other Net Investment Income	733	4	18,225.0	393	(157)	350.3
<b>Total Net Investment Income</b>	<b>4,268</b>	<b>(2,511)</b>	<b>270.0</b>	<b>1,468</b>	<b>(4,342)</b>	<b>133.8</b>
Fee/Commission Income - Agency Operations	18,160	18,728	(3.0)	8,146	7,917	2.9
Other Income	559	662	(15.6)	286	318	(10.1)
<b>Total Other Income</b>	<b>18,719</b>	<b>19,390</b>	<b>(3.5)</b>	<b>8,432</b>	<b>8,235</b>	<b>2.4</b>
<b>Total Revenues</b>	<b>22,987</b>	<b>16,879</b>	<b>36.2</b>	<b>9,900</b>	<b>3,893</b>	<b>154.3</b>
<b>Benefits, Losses and Expenses</b>						
Claims and Settlement Expenses - Agency Operations	2,127	1,624	31.0	1,030	891	15.6
Other Operating Expenses - Loan/Lease Operations	2,176	2,344	(7.2)	1,014	1,070	(5.2)
Other Operating Expenses - Agency Operations	13,724	15,226	(9.9)	6,072	6,182	(1.8)
Other Operating Expenses - Other Operations	(123)	366	(133.6)	(430)	20	(2,250.0)
<b>Total Benefits, Losses and Expenses</b>	<b>17,904</b>	<b>19,560</b>	<b>(8.5)</b>	<b>7,686</b>	<b>8,163</b>	<b>(5.8)</b>
Income Before Income Tax Expense	5,083	(2,681)	289.6	2,214	(4,270)	151.9
Income Tax Expense	1,876	(875)	314.4	810	(1,464)	155.3
Operating Income (Loss)	3,207	(1,806)	277.6	1,404	(2,806)	150.0
Realized Investment Gains (Losses), Net of Tax	(33)	(27)	(22.2)	(33)	(27)	(22.2)
<b>Net Income (Loss)</b>	<b>\$ 3,174</b>	<b>\$ (1,833)</b>	<b>273.2</b>	<b>\$ 1,371</b>	<b>\$ (2,833)</b>	<b>148.4</b>
Operating Income (Loss) Per Share - Diluted	\$ 0.04	\$ (0.02)	276.7	\$ 0.02	\$ (0.03)	149.8
Net Income (Loss) Per Share - Diluted	\$ 0.04	\$ (0.02)	272.3	\$ 0.02	\$ (0.03)	148.2
<b>Operating Return on Equity</b>	<b>6.4%</b>	<b>0.4%</b>				
<b>Return on Equity</b>	<b>6.3%</b>	<b>0.3%</b>				
<b>Other Key Information</b>						
	6/30/07	6/30/06	% Change			
<i>Alfa Financial Corporation:</i>						
Loan Portfolio	\$ 124,614	\$ 129,674	(3.9)			
Loan Portfolio Yield *	8.06%	7.66%				
Loan Gross Charge-offs	\$ (533)	\$ 506				
Loan Net Charge-offs	\$ (593)	\$ 5,958				
Loan Delinquency Ratio *	2.03%	1.36%				
<i>MidCountry Financial Corporation:</i>						
Carrying Value (41% and 42% ownership at 6/30/07 and 6/30/06, respectively)	\$ 84,779	\$ 54,320	56.1			
Equity in Net Earnings	\$ 441	\$ 803	(45.1)			
Return on Carried Value *	1.0%	3.0%				

Data may differ from actual due to rounding.

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

	Six Months Ended June 30,			Three Months Ended June 30,		
	2007	2006	% Change	2007	2006	% Change
<b>INCOME STATEMENT</b>						
<b>Revenues</b>						
Premiums - Life Insurance	\$ (146)	\$ -	(100.0)	\$ -	\$ -	0.0
Investment Loss	(381)	(474)	19.6	(191)	(273)	30.0
Interest Expense	(2,768)	(2,068)	(33.8)	(1,406)	(1,144)	(22.9)
Total Net Investment Loss	(3,149)	(2,542)	(23.9)	(1,597)	(1,417)	(12.7)
Other Income	(11,485)	(12,819)	10.4	(4,968)	(5,620)	11.6
Total Revenues	(14,780)	(15,361)	3.8	(6,565)	(7,037)	6.7
<b>Benefits, Losses and Expenses</b>						
Claims and Settlement Expenses	(2,280)	(1,974)	(15.5)	(978)	(1,115)	12.3
Amortization of Deferred Policy Acquisition Costs	-	(787)	100.0	-	(787)	100.0
Other Operating Expenses	(7,380)	(9,677)	23.7	(3,397)	(3,269)	(3.9)
Total Benefits, Claims, Losses and Settlement Expenses	(9,660)	(12,438)	22.3	(4,375)	(5,171)	15.4
Loss Before Income Tax Expense (Benefit)	(5,120)	(2,923)	(75.2)	(2,190)	(1,866)	(17.4)
Income Tax Expense (Benefit)	(1,792)	(1,022)	(75.3)	(767)	(653)	(17.5)
Operating Income (Loss)	(3,328)	(1,901)	(75.1)	(1,423)	(1,213)	(17.3)
Realized Investment Gains (Losses), Net of Tax	-	-	0.0	-	-	0.0
Net Income (Loss)	\$ (3,328)	\$ (1,901)	(75.1)	\$ (1,423)	\$ (1,213)	(17.3)
Operating Income (Loss) Per Share - Diluted	\$ (0.04)	\$ (0.02)	(74.2)	\$ (0.02)	\$ (0.01)	(16.7)
Net Income (Loss) Per Share - Diluted	\$ (0.04)	\$ (0.02)	(74.2)	\$ (0.02)	\$ (0.01)	(16.7)

Data may differ from actual due to rounding.

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

	Six Months Ended June 30,			Three Months Ended June 30,		
	2007	2006	% Change	2007	2006	% Change
<b>Alfa Corporation Consolidated Investment Portfolio - Other Key Information</b>						
<i>Net Investment Income and Pre-tax Yield:</i>						
				<u>Yields</u>		
				2007	2006	
Fixed Income Securities	\$ 43,012	\$ 38,952	10.4	5.8%	5.6% <sup>1</sup>	\$ 21,736
Equity Securities	1,960	2,277	(13.9)	3.2%	4.2%	\$ 19,495
Collateral Loans	5,085	4,933	3.1			11.5
Commercial Leases	74	94	(21.3)			5.8%
Other Investment Income	13,916	10,627	30.9			5.6% <sup>1</sup>
Interest Expense	(7,905)	(7,268)	(8.8)			3.1%
Investment Expenses	(2,446)	(8,815)	72.3			4.8%
Total Net Investment Income	<u>\$ 53,696</u>	<u>\$ 40,800</u>	<u>31.6</u>			<u>\$ 26,252</u>
						<u>\$ 16,826</u>
						<u>56.0</u>
<i>Investment Portfolio Composition:</i>						
		<u>6/30/07</u>	<u>12/31/06</u>			
Fixed Income Securities, by Rating: <sup>2</sup>						
	<i>NAIC Rated</i>		<i>Moody's Rated</i>			
	1		Aaa/Aa/A	\$ 1,451,009	\$ 1,353,897	7.2
	2		Baa	75,853	83,338	(9.0)
	3		Ba	2,030	2,060	(1.5)
	4		B	1,980	4,454	(55.5)
	5		Caa	-	-	0.0
	6		In or near default	-	-	0.0
	Not Rated			3,000	3,000	0.0
Total Fixed Income Securities		1,533,872	1,446,749			6.0
Equity Securities		136,581	111,427			22.6
Collateral Loans		124,945	128,685			(2.9)
Other Invested Assets		275,606	319,457			(13.7)
Total Investments		<u>2,071,004</u>	<u>2,006,318</u>			3.2
Investment In Affiliates		135,032	120,819			11.8
Total		<u>\$ 2,206,036</u>	<u>\$ 2,127,137</u>			3.7

<sup>1</sup> 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.

<sup>2</sup> 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**  
**June 30, 2007**  
**(Unaudited)**

**Additional Information**

	03:1Q	03:2Q	03:3Q	03:4Q	2003
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	
	04:1Q	04:2Q	04:3Q	04:4Q	2004
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	
	05:1Q	05:2Q	05:3Q	05:4Q	2005
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	
	06:1Q	06:2Q	06:3Q	06:4Q	2006
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	
	07:1Q	07:2Q	07:3Q	07:4Q	2007
Pretax P&C Net Investment Income	11,561,426	11,282,501			22,843,927
Pretax P&C Operating Income	13,742,157	37,943,043			51,685,200
P&C Statutory Invested Assets (2)	858,199,394	868,459,544			
P&C Statutory Surplus	458,720,955	468,199,817			
P&C Loss & LAE Reserves (1)	186,168,206	184,182,945			
Pretax Life Net Investment Income	14,638,077	15,097,218			29,735,295
Pretax Life Operating Income	4,685,844	9,774,858			14,460,702
Life Statutory Invested Assets	1,066,821,010	1,078,632,782			
Life Statutory Surplus	206,159,735	215,767,284			

(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.