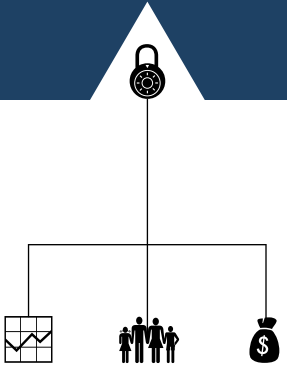


# Financial strength...

one of our core values and a key driver of our success

Annual Report 2008



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# Assurity has weathered many trying periods in its 119-year legacy

Since 1890 when Assurity's roots were established, our company has not only survived turbulent economic times and major conflicts, we have flourished in their aftermath. The timeline at right shows the Great Depression and the numerous recessions and wars our company has survived over the past 119 years. We are on sturdy footing, with prudent, conservative investment strategies, a very strong capital position and a seasoned management team. Assurity is poised and well-prepared to prosper amid the challenges facing our industry and our country today.

1890	Assurity's 119-Year Legacy Begins
1893–1896	Panic of 1893
1907–1908	Panic of 1907
1914–1919	World War I
1918–1921	Post-World War I Recession
1929	October Stock Market Crash
1929–1939	Great Depression
1939–1945	World War II
1945	Recession of 1945
1948–1949	Late '40s Recession
1950–1953	Korean War
1953–1954	Recession of 1953
1957–1958	Recession of 1957
1960–1961	Recession of 1960
1964–1975	Vietnam War
1969–1970	Late '60s Recession
1973–1975	OPEC Oil Crisis
1980–1982	Early '80s Recession
1986–1995	Savings and Loan Crisis
1987	October Stock Market Crash
1990–1991	Gulf War
1990–1991	Early '90s Recession
2001–today	War in Afghanistan
2003–today	War in Iraq
2008–today	Current Recession



# To our policyholders and friends

## A message from the Chairman, President and CEO



Although 2008 was characterized by a very strong operating performance at Assurity, the words “very strong” certainly do not characterize 2008 for our economy as a whole. Queen Elizabeth II once used the term, “annus horribilis,” which is Latin for “horrible year,” in a speech in 1992. She was referring to all the terrible things that happened to the royal family that year, including Princess Anne’s divorce, the separation of Prince Andrew and Sarah, the fire at Windsor Castle, the controversial Andrew Morton book about Diana, and others.

Annus horribilis could be used to describe our country’s economic condition in 2008. Our country is facing the combination of a housing and stock market bust, deleveraging and overall repricing of risk.

Unfortunately, this toxic combination could prolong the economic pain for quite a few years. Many economic pundits now feel this recession will be the worst since the Great Depression of the 1930s. Human greed coupled with, in some cases, incompetence has dealt our economy quite a blow.

One of the challenges facing our country’s financial system is a lack of trust. Trust is the bedrock on which almost all financial transactions are consummated. In a recent article in *The Economist* magazine, Paul C. Bright of the University of Toulouse in France observed that trust in the modern economy has evolved to the miraculous point where people give complete strangers sums of money they would not dream of entrusting to their next-door neighbors.

The article also states, “From that a further miracle follows, for trust is what raised the billions of dollars which fund modern finance. That trust has now been breached. Trust’s slow accumulation pushes financial markets forward; its shuddering betrayal batters them back.”

What is breaking the trust that individuals worldwide had in their financial institutions? There are several recent triggers — the Bernie Madoff scandal, unscrupulous mortgage brokers promoting unsuitable mortgages for consumers, and hedge fund managers making oversized bets with other people’s money. Another reason is the less-than-straight talk from some CEOs, whether Bear Stearns, Lehman Brothers, AIG, Merrill Lynch or any of the other storied financial services firms which are now gone or absorbed. Some CEOs of failed institutions said their companies were fine and that everything was OK only days before their failure or absorption. Others said they had a plan to deal with their problems. It’s no wonder the public at large is very skeptical about financial institutions.

In the balance of this letter I will provide some straight talk about Assurity’s financial position. I’ll briefly discuss our company’s investment portfolios, capital position, earnings and sales results.

## Investments

Our overall conservative investment philosophy has held us in good stead during this difficult economic

### Thomas E. Henning, CLU, ChFC, CFA

Chairman, President, Chief Executive Officer  
Assurity Life Insurance Company  
(19 years of service)

*With 25 years of successful executive management experience in the financial services industry, Tom Henning has served as chairman, president or chief executive officer of Assurity Life Insurance Company or one of its predecessor companies, Security Financial Life, since March 1990. Tom also has experience in the banking business, including serving as president of a large regional bank.*

*Tom is a graduate of the University of Nebraska—Lincoln and the Stonier Graduate School of Banking at Rutgers University. Tom also completed the Wharton School’s Effective Management Program at the University of Pennsylvania. He holds Chartered Financial Analyst (CFA), Chartered Financial Consultant (ChFC) and Chartered Life Underwriter (CLU) professional designations.*

*Tom is active in a variety of industry groups, including membership on the Boards of Directors for the American Council of Life Insurers Forum 500, the Chartered Financial Analysts Institute, and CEO — an organization for former Young Presidents Organization (YPO) leaders. Tom is also chairman-elect of the Nebraska Insurance Federation.*



period. We never invested in sub-prime mortgages, AltA mortgages, structured investment vehicles, collateralized debt obligations or the other “alphabet-soup” securities which are now causing so many financial services companies such great pain.

Although we didn’t invest in any exotic instruments like many other companies, we did buy bonds from organizations that had, and we have experienced some bond losses. Speaking metaphorically, “only the very thin would have avoided the raindrops” in this difficult economy. This past year we experienced about \$7.2 million before taxes in realized bond losses and \$5.8 million in write-downs — for a total of approximately \$13 million in fixed income losses.

Additionally, we had approximately 4 percent of our assets invested in common stocks. In April, at our highest position, we had approximately \$79.4 million invested in common stocks. Our overall stock portfolio, which consists of a highly diversified group of index mutual funds, was down to \$53.2 million by December 31, 2008, a 33 percent decline. Because of the diversification of equity investments, our results were better than broad market averages such as the S&P 500, which declined by 37 percent.

## Capital

This drop in equities, coupled with losses in our bond investments, has caused our surplus and asset valuation reserve (AVR) total to decline by slightly more than \$36 million, or a decrease of 13.4 percent year over year.

The good news is we entered this difficult environment with a very strong capital position. Our risk-

based capital (RBC) ratio was slightly over 600 percent at year-end 2007. The industry average was around 400 percent. As of December 31, 2008, our RBC ratio has declined to 580 percent. This continues to be a very strong number. Although at this time we don’t have current industry averages with which to compare, I anticipate the industry average will have declined more than our ratio.

## Earnings

In addition to a strong capital position, Assurity experienced excellent operating earnings in 2008. Our net gain from operations after dividends and federal income tax was slightly more than \$18.6 million, which is \$5.4 million over last year, or a 40 percent increase. We are very pleased with these results. Having strong operating earnings is always important to a company, but especially in a difficult economy.

## Sales results

Premium and deposits totaled \$274.2 million, up slightly over 2007. We also issued a record number of policies. Given the environment, we believe these are very good results.

We also set the stage for better growth in the years ahead. The recent reorganization of our sales areas promises greater effectiveness. We launched several new products, including a new individual hospital indemnity insurance product and several new life insurance plans.

In addition to a strong capital account, good earnings, a prudent investment portfolio and reasonable sales results, we have other strengths that hold us in good stead. Our product mix is focused primarily on protection products, rather than accumulation products. This is a big plus during these difficult times.

Additionally, our focus on providing middle-market consumers with basic protection products is an advantage compared to companies primarily offering variable products tied to stock market performance.

This year’s annual report provides you more detailed information on our company’s financial strength and stability. We recognize the importance of providing all of our stakeholders with full disclosure of our financial condition an outlook, particularly in this period when some of the most well-known financial companies have either disappeared or been consolidated into other firms. We also recognize that there is a great deal of misinformation in the market, which is typical during periods of stress. If you have concerns beyond those we have addressed in this report, please contact me or another member of our senior management team.

Finally, I’m grateful for the talent, work ethic and engagement I see around me every day. We have an experienced and dedicated senior management team which has successfully guided our company through these difficult times. The leadership of these capable individuals, coupled with the sage advice of our Board of Directors, has positioned our company for ongoing success.

Thank you for your continued support, confidence and trust.

*Thomas E. Henning, CLU, ChFC, CFA*

# Overall financial performance is strong despite environment

**Economy presents challenges, yet Assurity's strength will foster future growth**

**A**t Assurity Life, our mission is "to help people through difficult times." We accomplish this day in and day out by providing competitive, protection-based life and health products to our valued customers. We recognize the long-

term nature of the promises we make to our customers — promises that must last a lifetime.

Our mission is fully aligned with our corporate structure as a mutual holding company. A mutual insurance company's focus is on looking out for the best interests of its policyholders, in contrast to a stock company with its core objective of creating and increasing value for shareholders. Assurity's structure allows us to first and foremost ensure the long-term solvency of the company, notwithstanding economic cycles and a multitude of other influences.

## Assurity's strength and policyholder benefits

The fundamental reason for our existence and a test of our success is in keeping our promises to our policyholders by providing benefits when they are needed. In 2008, our

company paid or provided benefits of more than \$237 million, an increase of \$500,000 over 2007. With these benefit payments, we help secure tens of thousands of individuals, families and small businesses from the risks each of us faces.

During turbulent economic times such as today's, it is easy to see why financial strength, one of our core values, is so important. This core value reads: "We manage our company for levels of profitability which best serves the long-term interests of all our stakeholders. This allows our company both to honor our promises and to change and grow with the times. We emphasize improving our productivity and reducing unit costs. We accurately and honestly represent our company's financial position."

Our associates live this value every day by continually looking for ways to improve our service, while making our processes more efficient and cost effective. We price and underwrite our products appropriately for the risks being covered and make sure premium dollars are invested in assets that are matched appropriately to the liabilities we have assumed.

While the financial strength of a company can be demonstrated in various ways, the key measures focus on balance sheet strength, especially the capital levels. A well-capitalized insurer provides the best protection to policyholders. It is no coincidence that Assurity Life has entered this recessionary period in a very strong



[l to r]:

**Marvin P. Ehly, FSA, MAAA**  
Vice President, Chief Financial Officer and Treasurer  
(8 years of service)

*Marv is responsible for Assurity's financial management functions, and in conjunction with the CEO and the senior executive team, developing and implementing the company's strategies. During more than 25 years of insurance industry experience, Marv's primary focus has involved financial reporting as well as financial and strategic management. Marv earned a bachelor's degree in mathematics from the University of Nebraska at Kearney and a master's degree in actuarial science from the University of Nebraska-Lincoln.*

**Kevin J. Howat, ASA, MAAA, FLMI**  
Manager, Corporate Actuarial  
(19 years of service)

*Kevin's responsibilities include corporate financial modeling, using sophisticated models to project the expected premiums, benefits, reserve increases and commissions using in-force policies and sales projections for five-year periods, in support of the annual strategic planning process. He also combines assets with liabilities to test extreme interest-rate scenarios to monitor the company's reserve requirements for regulatory purposes. Kevin earned a bachelor's degree in actuarial science from the University of Nebraska-Lincoln.*

**Keith K. Spilker, FSA, MAAA, CLU, ChFC**  
Senior Director, Corporate Actuarial  
(30 years of service)

*Keith provides overall guidance and assistance in preparing the company's financial statement, especially with respect to policyholder reserves. He also implements and interprets studies of the company's actual experience relating to expenses, death claims, health claims and policy persistency. Keith earned a bachelor's degree in actuarial science from the University of Nebraska-Lincoln.*

capital position — it's the way we have always run our business.

The net worth of a company consists of its capital and surplus. Or, it is the company's total admitted assets less its financial liabilities. Capital serves the company in various ways, such as providing a level of confidence for attracting new customers, and in difficult economic times it also serves as a cushion for unforeseen losses. At year-end 2008, Assurity's total capital and surplus, including the asset valuation reserve (AVR), was \$233 million, down \$36 million from

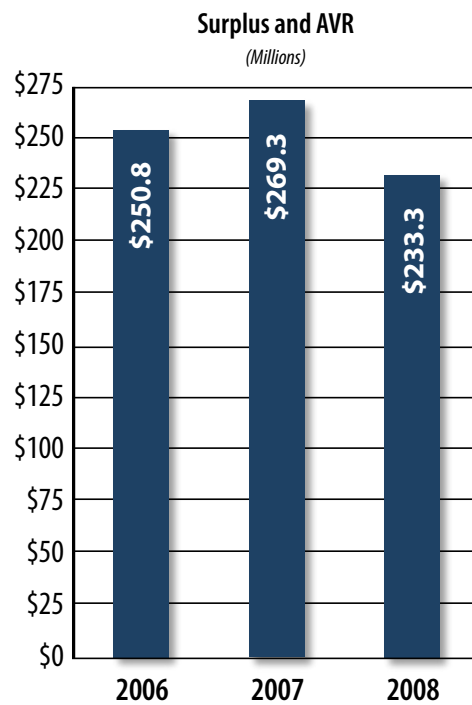
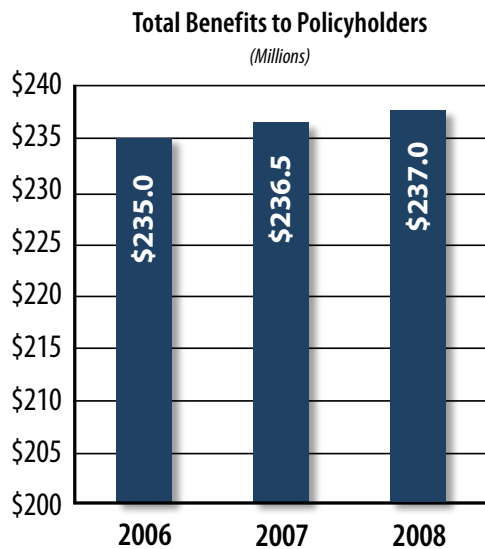
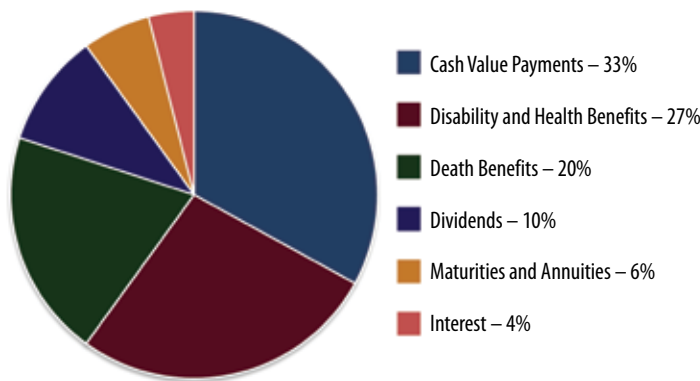
year-end 2007 due to losses in some of our investments in public bonds and the decline in the value of our common stock holdings. Despite this decline in surplus, Assurity's capital position remains very strong with capital ratios well above industry averages.

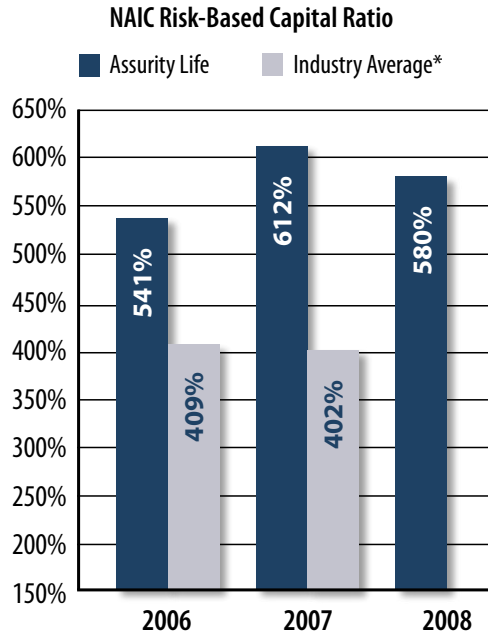
Insurance companies are major lenders to corporate America. As a result, virtually no company in our industry will be able to avoid investment losses in difficult times like these. That's why it is so important for customers to be aware of the financial strength of the companies in which they place their trust.

A key gauge of a company's financial strength is its risk-based capital (RBC) ratio. In the United States, required capital is determined through a risk-based formula provided by the National Association of Insurance Commissioners (NAIC). This RBC calculation is a method developed by the NAIC to measure the minimum amount of capital an insurance company needs to support its overall business operations. RBC sets capital requirements that consider the size and degree of risk

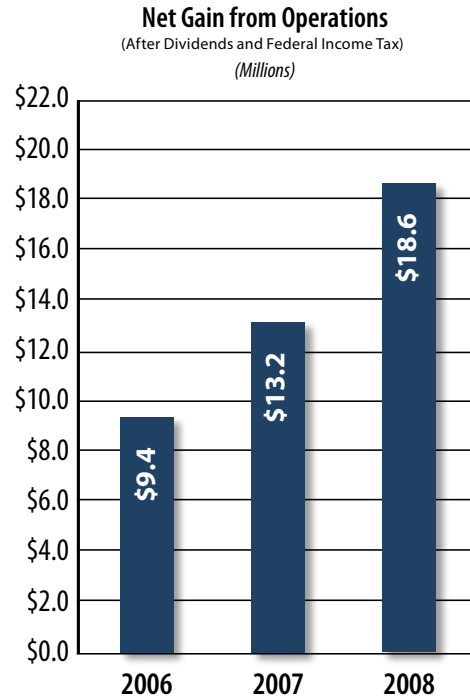


### Benefits Distribution





\* Ward's Results, 2008 Edition. Industry results from 2008 not available.



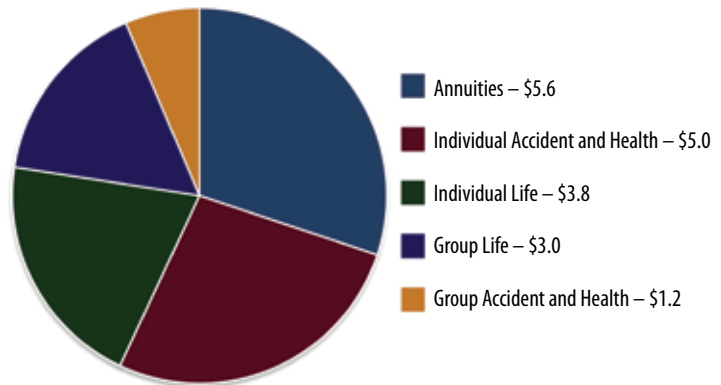
taken by the insurer. RBC has four components: asset risk, credit risk, insurance underwriting risk and off-balance-sheet risk. The RBC ratio is a company's total adjusted capital divided by the calculated risk-based capital. The higher the company's RBC ratio, the healthier or stronger its financial condition. With an RBC ratio of 580 percent, Assurity Life significantly exceeds recent industry averages.

Another key component of a company's financial strength is its annual operating performance. Strong operating income is what perpetuates a financially strong balance sheet. In 2008 Assurity's net gain from operations, after dividends and federal income tax, was \$18.6 million, up almost \$5.5 million or 40 percent over 2007.

Assurity's income is derived from our diverse portfolio of life and health insurance products and annuities targeted at helping middle-income Americans through difficult times.

### Operating Income by Line of Business

(Millions)



### Independent analysts' ratings

Based primarily on Assurity Life's financial strength, A.M. Best Company, the insurance industry's leading independent evaluator, has rated our company A- (Excellent)\* with a stable outlook. In explaining their rating rationale, A.M. Best points to Assurity's "excellent risk-adjusted capitalization, good investment performance and its

successful distribution channels." Additionally, in its review of our company's investment portfolio, A.M. Best representatives said, "Overall we believe the portfolio is of good quality and the substantial capital strength provides ample cushion for unexpected losses."

During the fall of 2008, Weiss Research Inc. distributed information which listed Assurity Life among the "Strongest Life and Health Plus

Property and Casualty Insurers in the U.S.” The research was based on statutory filings with state insurance commissioners for the second quarter of 2008.

## Insurance industry regulation

Rating agency assessments aside, few industries are subject to government supervision as strict and detailed as the oversight of life and health insurance companies. The reason for this is clear when we consider that millions of individuals rely on the promises made in their insurance contracts as a principal means for protecting themselves against the financial deprivations caused by death, disabilities and the expenses of medical care and retirement. The majority of these policies remain in force for many years before maturing or expiring. These contracts frequently involve obligations of 50 years or more.

Regulatory supervision of insurance companies is provided by the insurance departments of each state. In addition, the NAIC performs a vital role in the development of recommended regulatory law and in coordinating the activities of all state insurance commissioners. Assurity Life determines the value of its assets and liabilities and prepares its financial statements in conformity with the statutory accounting practices prescribed by the Nebraska Department of Insurance. As required by regulation, Assurity’s annual statutory financial statement

is reviewed and certified by KPMG, our independent audit firm.

Current market conditions, combined with the likelihood of a prolonged period of weak economic scenarios, may put a number of companies that are challenged by weaker capitalization and higher-risk profiles in their investments and business mix at risk. With Assurity’s outstanding financial strength, conservative and prudent investment policies and strong operating performance, along with our diversified product portfolio and sales distribution, policyholders can remain confident in our company’s ability to continue to thrive and provide for their protection needs, even in these difficult economic times.

*\*A.M. Best ratings range from A++ (Superior) to F (In liquidation).*



[l to r:]

**Bryan D. Grosscup, FLMI**  
Director, Finance and Accounting  
Special Projects  
(39 years of service)

*In addition to managing special projects, Bryan is currently integrating company accounting and reporting systems. Bryan has extensive background in many areas of accounting and finance. He earned both a master’s degree in business administration and a bachelor’s degree in mathematics from the University of Nebraska-Lincoln.*

**Kevin G. Faltin, CPA**  
Senior Director and Controller  
(3 years of service)

*Kevin’s responsibilities include managing the corporate accounting and product accounting departments. He oversees preparation of internal and external financial statements, including the annual statement, and supervises all tax reporting, withholding and returns. Kevin earned a bachelor’s degree in business administration with an emphasis in accounting and finance (magna cum laude) from Doane College in Crete, Neb. His previous experience includes eight years with a major national accounting firm.*

**Jerry D. Heavican, FLMI**  
Manager, Financial Accounting  
(30 years of service)

*Jerry calculates tax provisions and deferred taxes on a monthly basis and files federal and state income tax returns for Assurity. He also provides information for the company’s external auditors, the Internal Revenue Service and Nebraska Department of Insurance examiners. Jerry has a bachelor’s degree in accounting from the University of Nebraska-Lincoln.*

# Our investment strategy matches the long-term structure of our products

**Prudent and conservative investing reduces exposure to risk**

The investment philosophy of Assurity Life has long been centered on the ability of our company to meet its financial obligations both now and in the

future. Assurity has remained steadfast in its commitment to a disciplined investment strategy. Our approach is to manage a diversified portfolio of carefully selected investments which offer attractive risk-adjusted returns. We are always mindful our policyholders trust us to invest their premium dollars prudently. Our approach is to never pursue the latest investment fad or to reach for yield.

Assurity's strategy emphasizes investments in those asset classes which match the long-term nature of most of our insurance products. The process of asset allocation is constantly analyzed and adjusted as market conditions change. To maintain the trust of policyholders, an investments-savvy committee of our Board of Directors reviews

key investment policies to ensure our sound investment strategy is maintained. We do not chase the "hottest" new, often complex, investment products for the potential of high returns, because they most likely have unknown risks. We know the adaptability of Assurity's investment philosophy to current and forecasted market conditions is critical to the overall success of our investment operation.

The capital markets in which we invest were volatile and ever-changing in 2008 due to unprecedented historic events. The bankruptcy of Lehman Brothers and the federal government's takeover of Fannie Mae, Freddie Mac and AIG raised awareness of the financial difficulties faced by many well-established financial services firms.

The good news is we had no direct holdings in subprime mortgages, Alt-A mortgages, collateralized debt obligations, commercial mortgage-backed securities, structured investment vehicles, hedge funds or derivatives. These are the primary investments that caused many financial services companies significant distress in 2008.

Although we had no direct exposure to these investments, we are indirectly affected because we hold bonds in companies that do. As a result of this indirect exposure and the significant downturn in the economy, we experienced some realized investment losses and impairment write-downs in our



[l to r]:

## Steven H. Hill

Senior Director, Real Estate Lending and Investments  
(19 years of service)

*Steve directs the management of Assurity's mortgage and real estate investment portfolio. He joined the company with a decade of experience in credit and fixed-income investment research and sales.*

*"Assurity believes in a high-quality, conservatively underwritten mortgage portfolio that maintains the highest standards of excellence while enhancing portfolio yield," Steve said. "We continually provide diversification to the portfolio by product type and geographical distribution."*

*Steve has a bachelor's degree in business administration and finance from the University of Nebraska-Lincoln.*

## William R. Schmeackle

Vice President, Chief Investment Officer  
(20 years of service)

*With over 31 years in the financial services industry, Bill is responsible for the investment of all corporate assets and investment operations at Assurity. "Our investment decisions are a team effort," Bill said. "We rely on the prudent judgment of all members."*

*Bill's experience in financial services includes fixed-income, commercial real estate, real estate equities, equities and alternative investments.*

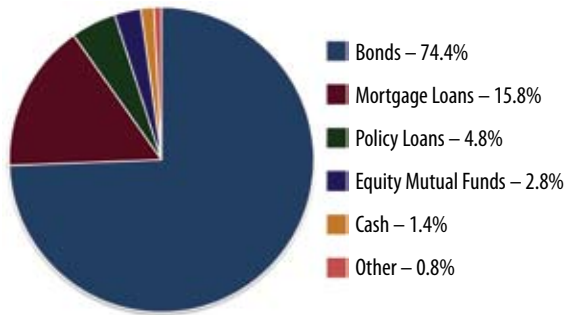
*"Assurity has adopted a conservative investment approach that has historically positioned the company to outperform the industry in managing investment risk," said Bill. "The majority of our portfolios are invested in bonds with high-quality credit ratings. The fulfillment of the contractual obligations we make with our policyholders is, and always will be, our primary mission."*

*Bill earned a bachelor's degree in business administration and finance from the University of Nebraska at Kearney.*

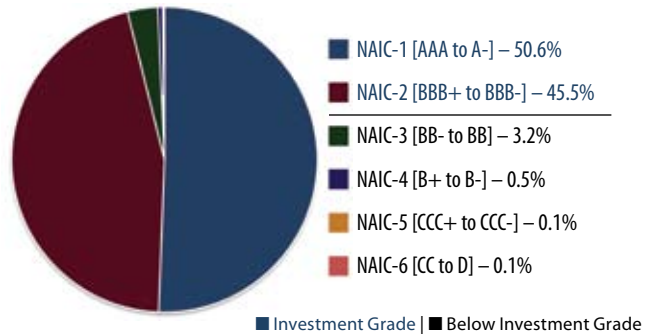
## Yield Comparison

	2008	2007	2006	3-Year Annualized Average
Assurity Life Total Investment Yield	6.0%	6.4%	6.5%	6.3%
Dow Jones Industrial Average	-31.9%	8.9%	19.0%	-4.1%
S&P 500	-37.0%	5.5%	15.8%	-8.4%
Nasdaq	-40.0%	10.7%	10.4%	-9.8%
Barclays Aggregate Bond Index	5.2%	7.0%	4.3%	5.5%
Consumer Price Index	-0.8%	4.2%	2.5%	2.2%

### Invested Assets



### Bonds by Rating Classification



bond portfolio. We also experienced impairment write-downs in our equity portfolio. Both are reflected as realized capital losses in our 2008 statement of operations. These losses and write-downs, although unfortunate, were very manageable, given our extremely strong capital position.

### Cash and invested assets

We have found over the years that fixed-income securities (bonds) provide both a strong, reliable level of income and the recurring cash flow needed to pay our ongoing liabilities. Adequate liquidity is continually maintained through our large positions in high-quality, liquid corporate bonds, and our high level of income and principal return.

The distribution of Assurity Life's cash and invested assets is depicted in the chart above. The bulk of the company's invested assets are held in corporate bonds (74.4 percent). The next major asset class represented is mortgage loans (15.8 percent). Modest holdings in policy loans (4.8 percent), equities (2.8 percent), cash (1.4 percent), and equity real estate and other (.8 percent) round out the balance of the company's invested assets. Under this strategy, Assurity's total investment yield has consistently ranked in the top one-third of all mutual insurance companies. In addition, Assurity's investment yield is very stable when compared to other common benchmark indexes as shown in the yield comparison table above.

### Fixed-income assets and diversification

The diversification of Assurity's fixed-income portfolio is a strategy that has supported risk minimization year in and year out. The fixed-income portfolio consists primarily of high-quality investments, with 96.1 percent of our bond holdings rated investment-grade (Moody's Baa3/S&P's BBB- and above). The prominent role of investment-grade bonds in our portfolio is important because their default rates have historically been very low. Non-investment-grade holdings represent a modest 3.9 percent compared to the September 30, 2008, industry average of 5.9 percent in non-investment-grade bonds.

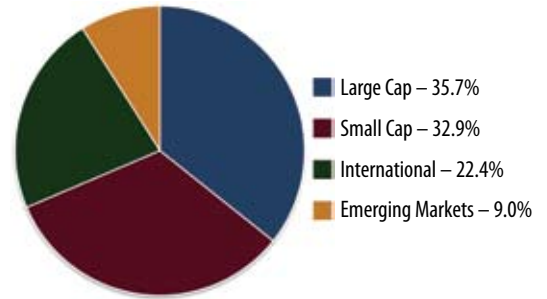


### Industry Diversification

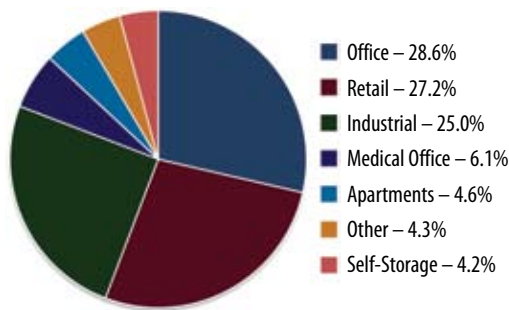
(Fixed-Income Assets)

Food and Agriculture	11.0%
Banking	7.0%
Retailers	6.6%
Government/U.S. Agency	5.5%
Electric Utilities	5.3%
Gas Utilities	5.3%
Energy Production and Development	4.7%
Services	4.5%
Health and Personal Care	4.2%
Communication Services	3.7%
Consumer Goods	3.7%
Industrial Components	3.7%
Financial Services	3.4%
Building Materials and Construction	3.3%
Manufacturing Equipment	3.2%
Other (18 additional industry classes)	24.9%

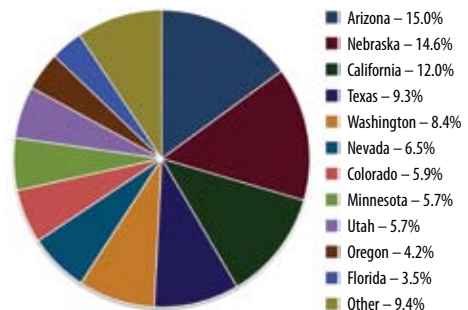
### Common Stock Diversification



### Mortgage Loans by Type



### Mortgage Loans by State



We manage our fixed-income portfolio to limit exposure to individual issuers according to credit quality and other factors. The 10 largest holdings in the portfolio represent only 4.3 percent of invested assets. In total, we maintain fixed-income holdings in more than 370 individual issuers. In addition to limiting exposure to any single corporate credit, we stress diversification across a broad range of industries, and companies within industries. On December 31, 2008, the food and agricultural sector represented approximately 11 percent of our total fixed-income assets.

This is the only industry in the entire portfolio in which we have a double-digit percentage allocation. Fixed-income holdings in developed foreign countries outside the United States and Canada (primarily the United Kingdom and Australia) totaled 18.4 percent of total bond investments.

### Mortgage lending operation

Assurity Life has a long, successful history in the commercial mortgage lending arena. Our company focuses only on commercial real estate lending and does not

participate in residential lending. Commercial real estate lending is attractive for insurance companies because it provides a stable source of investment income to pay policyholder obligations. Our prudent and highly disciplined underwriting has provided superior performance for this asset class. As the two charts above depict, the commercial mortgage loan portfolio is broadly diversified by both property type and location. The portfolio is weighted toward investments in office buildings and retail properties.

Geographic diversification, similar to the industry diversification in the fixed-income portfolio, is also important to the overall performance of the mortgage loan portfolio. The spreading of risk by geographic location is yet another investment strategy that has proven to be extremely successful over the years. One additional underwriting item that makes our mortgage loan portfolio unique is the presence of personal guarantees from the borrowers on more than 95 percent of our mortgage loans. This additional underwriting requirement has proven to be a key factor supporting the overall performance of the portfolio.

## Equity holdings

Assurity's equity portfolio consists of low-expense, diversified index mutual funds and exchange-traded funds. Our company's holdings are viewed as long-term investments and very little portfolio turnover occurs. The small but strategic allocation to this asset class has allowed us to participate in the historically strong returns of equities while also providing the opportunity to generate capital gains.

## Investment risk management

Credit risk, inherent in corporate bond and mortgage loan investing, is diligently managed by applying disciplined credit evaluations and underwriting standards, while minimizing allocations to lower-quality, higher-yielding investments that do not meet our stringent risk/return objectives. Assurity has a long history of not participating in volatile, speculative investments.

As we look ahead to 2009, we believe another tumultuous year in the financial markets is likely.

All stakeholders of Assurity Life should be reassured by our very strong capital position, healthy surplus-to-assets ratio, solid A.M. Best rating, and our experienced investment team which is dedicated to pursuing an investment strategy designed to minimize risk while achieving yield that can support our insurance liabilities — all of which reinforce Assurity's financial safety and soundness.



[l to r]:

**Kevin W. Hammond, CLU, FLMI**  
Senior Director, Investments  
(25 years of service)

*Assurity's investment division benefits from Kevin's expertise in fixed-income analysis, portfolio management, capital budgeting and principles of corporate finance.*

*"Many investment products are unnecessarily structured which only serves to add costs, increase risks and eliminate transparency," Kevin said. Kevin added that by making straightforward investments, Assurity can maximize returns and better manage risk.*

*Kevin earned both master's and bachelor's degrees in business administration and finance from the University of Nebraska-Lincoln.*

**Joseph J. Mick**  
Senior Investment Analyst  
(12 years of service)

*Joe's expertise is in researching and monitoring companies that make up Assurity's investment portfolio. He also scrutinizes potential future investments and manages the equity portfolio, which consists primarily of indexed mutual funds.*

*"In researching current or potential investments, we evaluate company-specific information, industry characteristics and the overall economic environment," Joe said. "We work to ensure that we have the most appropriate mix of investments to support our ongoing activities and financial obligations."*

*Joe has a master's degree in business administration from the University of Nebraska-Lincoln, and a bachelor's degree in business and finance from Nebraska Wesleyan University in Lincoln.*

**Victor D. Weber, CFA**  
Senior Director, Investments  
(23 years of service)

*Vic is responsible for the management of Assurity's portfolio of private placement bonds, which are privately negotiated between issuing companies and institutional investors. His goal is to maximize Assurity's return within acceptable risk parameters.*

*Vic said his strategy is to "adapt to the ever-changing financial environment while leveraging the unique opportunities it presents." He added, "Our priority is maintaining the long-term perspective that protects our policyholders."*

*Vic earned a master's degree in business administration and finance from the University of Chicago, and a bachelor's degree in economics from Nebraska Wesleyan University.*

# Overall premium income remains steady in 2008

## Year-end momentum strong despite economic downturn



Even in troubled economic times, consumers are still faced with the need to protect their loved ones from the financial consequences of premature death, accidents and serious illness. During periods of uncertainty, Assurity's protection-based products become even more valuable to consumers who are seeking security and guarantees from a stable, financially strong company.

To provide the products and services our customers have come to expect from our company, we continued to invest energy and resources to support our marketing operations in 2008. We have achieved significant progress in a number of strategic areas to better serve the needs of middle-income Americans.

Assurity began 2008 after reorganizing its sales operations into two divisions, Individual and Business Sales, based on a regional team structure. The reorganization has enhanced communication with our producers and our customers, sharpened our marketing focus and strengthened our competitive position within our distribution channels.

Despite the difficult economy, Assurity's total premium income from all lines of business for 2008 held steady, increasing to \$274.2 million, compared to \$273.9 million in 2007.

Although the economic downturn dominated the fourth quarter, a year-end surge in individual sales capped our 2008 results. During the month of December, total annualized

premium from individual life, health and annuities, as well as the number of policies issued, were nearly double December 2007 results. Within individual product lines, annualized premium and issued policies showed significant increases in December, compared with the same month in 2007:

- total life premium and policy count were up 144 percent and 154 percent, respectively;
- annuity premium increased 154 percent, while policy count rose by 165 percent;
- total health premium and policy count were up more than 50 percent.

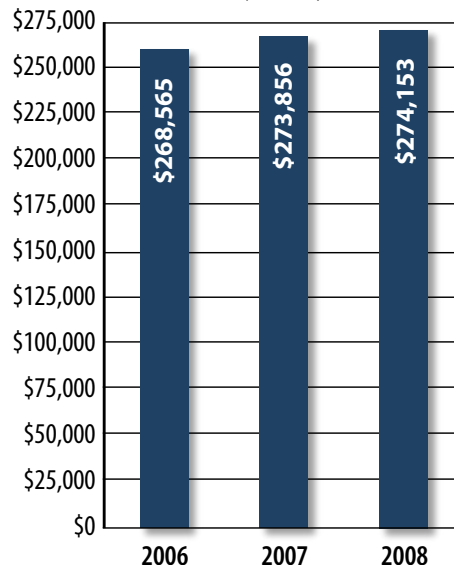
For all of 2008, annualized individual health premium exceeded the

previous year by 25 percent. Increases were recorded in critical illness insurance, 45 percent; accident-only term life, 33 percent; and disability income insurance, 10 percent.

Although total annualized life premium was down slightly in 2008, there was strong growth in a number of life products, including term life sales with an increase of 82 percent over 2007. Also recording significant year-over-year gains were simplified whole life, up 29 percent, and universal life, up 10 percent.

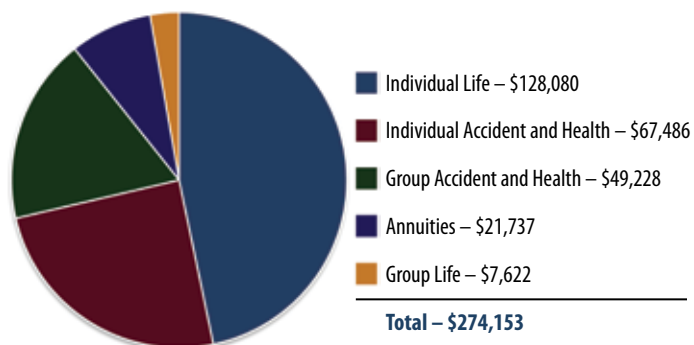
Individual new business activity accelerated during the last six months of 2008, resulting in a 33 percent increase in the number of submitted applications over the previous year.

**Total Premium**  
(Thousands)



## Premium by Line of Business

(Thousands)



This increased sales activity was driven by several key factors, including enhancements to our product portfolio as well as implementation of technological initiatives to streamline our business processes and deliver support information to our producers.

Sales of Assurity's new term life insurance portfolio took off quickly, in large part a response to NonMed Term, a very affordable plan which, with state-of-the-art underwriting, is issued very expeditiously. Our updated whole life product, released in December, provides the security and guarantees we believe consumers are looking for in these uncertain economic times. The new term and whole life portfolios also offer a complement of new policy riders, including Assurity's signature Critical Illness Rider, with the flexibility to design a customized protection package.

We anticipate that our innovative *DefinedMED* Hospital Indemnity insurance, among the best values on the market today, will prove to be a strong performer.

During 2008 Assurity continued its focus on leveraging technology. The expanded use of electronic applications has generated

enthusiastic response from producers and clients. A key success factor in our new term life insurance product is the automated underwriting system which simplifies and speeds up the application and policy issue process. An automated worksite enrollment system for our Business Sales Division is under development and will be implemented in 2009.

A major ongoing technology initiative involves expanding the delivery of easily accessible product information and training to producers through various types of new media and Internet-based formats, including Webinars, podcasts, Webcasts and video modules on our Web site and YouTube.

Also in 2008, Assurity launched our Platinum Service Center, which provides value-added priority service to our top-tier producers and marketing organizations. This high-level service has been effective in strengthening our relationship with these distributors and supporting the expansion of their business.

Our Business Sales Division had a successful year with the addition of several new organizations that are very active in marketing voluntary products at the worksite.

Today Assurity provides a broad mix of protection-based insurance products and services geared to meet the needs of middle-income Americans at every stage of life. We accommodate consumers' buying preferences by offering our products through various channels, including individual representatives serving families and businesses one-on-one, and the convenience of purchasing coverage at a place of employment through Assurity at Work®.

Assurity Life has a 119-year legacy of helping people through difficult times. Our company's highly engaged associates who are passionate about our purpose — together with our values of financial strength, ethical conduct, innovation and strong customer relationships — have guided us through numerous recessions, the Great Depression and many periods of financial turbulence. And, throughout those difficult times, we have always honored our commitments to our policyholders.

By continuing to focus on the values we have embraced and the bond of trust we have forged with our customers for more than a century, Assurity is well-positioned for greater growth in 2009 and into the future.

# Assurity Life's awards reflect company's commitment to its mission

**Awards highlight Assurity Life's mission, vision, values and culture**

Assurity's mission is put into practice every day, not only through the ways we serve our customers, but also by working to strengthen our community.

## Assurity Life receives 2008 Cornerstone Award

The 2008 Cornerstone Award was presented by the Lincoln Chamber of Commerce to Assurity Life. According to the Chamber, the award is given annually to a Lincoln company whose entrepreneurship and skillful endeavor have added to the economic base of the community and provided opportunities for others to work and live in Lincoln.



Assurity Senior Vice President, Chief Marketing Officer Todd Reimers [center] accepted the 2008 Cornerstone Award from Lincoln Chamber of Commerce President Wendy Birdsall and Lincoln Mayor Chris Beutler.

With its longstanding mission to "help people through difficult times," Assurity fosters a culture that focuses on building strong relationships with customers and distributors by providing quality financial products and services and extensive training to associates. Assurity also contributes annually to a wide range of community organizations, including health and human services, fine arts, education, civic interests and other worthy causes.

Many Assurity associates donate their time and leadership skills to helping these community organizations as well. The company also has a program for matching associates' cash donations.

Additionally, Assurity's plan to invest in Lincoln's future by building a new headquarters facility in the city's Antelope Valley Redevelopment area is further testament to our company's support of the community.

## Heineman bestows Governor's Wellness Award on Assurity

Assurity Life earned the Governor's Award of Excellence in Wellness for its program promoting associates' wellness and healthy living. The award was presented by Nebraska Governor Dave Heineman to Assurity President and CEO Tom Henning in 2008.

Assurity received the Grower Award for large employers. The award recognizes the accomplishments of organizations which demonstrate significant improvement in their associates' health behaviors. The award criteria include providing programs and benefits that promote healthful living, formation of a wellness committee, collection of participant health data, a structured wellness plan and participation in community philanthropic events.

## Assurity associates earn President's Volunteer Service Award

Through the dedication of its associates, Assurity was named winner of the President's Volunteer Service Award in 2008 for participation in the Tabitha Health Care Services Meals on Wheels program.

Assurity qualified for a Bronze-level award for the second consecutive year by providing 260 volunteer hours delivering meals to senior citizens. A team of Assurity volunteers distributes 18-20 meals daily, five days a week year-round to a residential building for seniors in downtown Lincoln.

Presented by the President's Council on Service and Civic Participation, the Volunteer Service Awards recognize the valuable contributions of volunteers in serving their neighbors and their communities throughout America.

## Associates recognized for outstanding performance

Working for a company focused on ethical behavior and innovation, Assurity Life's 450 home office associates are committed to providing "best-in-class" service to our distributors and policyholders. This culture provides the base for associates to work through any challenges, turning the outcomes into competitive advantages whenever possible.

In 2008, Assurity Life recognized four outstanding individuals as High-Performance Associates. The winners of this quarterly award display many qualities indicative of outstanding associates. In a trying year for many of our policyholders and distributors, they did their very best to fulfill our mission of "helping people through difficult times."

**Ann Jones**, product accounting manager in our finance department, displayed tremendous responsiveness as she led development and implementation of the automated AssurePay bill-paying system for policyholders. Ann worked with the team that not only researched and determined the resources needed for the project but also implemented the new service. The convenience of paying an Assurity invoice by credit card, either by telephone or online using our public Web site 24 hours a day, seven days a week, fulfilled a frequent request of Assurity's clients.

**Armen Badeer**, senior business analyst supervisor in the information technology department, has been

dedicated to assisting systems users and co-workers and exceeding expectations by demonstrating his talent as a consummate learner. Armen was heavily involved in the development and launch of Assurity's new secure, agent-only Web site, AssureLINK. His superior service levels were crucial to the project's success, and Assurity producers and home office associates have realized great benefits from Armen's exceptional work.

**Ann Andrejack**, executive assistant and Assurity's Leaders' Conference travel coordinator, has provided extraordinary service for our distributors by planning and executing arrangements for annual Leaders' Conferences. Ann deftly handled the myriad details with aplomb and precision, and as a result, the 2008 meeting was one of the most memorable for attendees. With three decades of dedicated experience at Assurity, Ann epitomizes the associate who is focused on quality and continuous improvement.

**Megan Ludwickson**, assistant supervisor in the client services department, has displayed exceptional leadership skills throughout Assurity's efforts to implement streamlined processes and in training associates on updated job procedures. Megan's careful attention to the suggestions of her colleagues and her ability to communicate the best ideas to others has led to significant advances

in service to our clients. With Megan's leadership, associates have gained a wealth of knowledge, and customer requests are serviced more rapidly and accurately.

**Engaged associates are committed to innovative, "best-in-class" service**



[l to r]: Ann Jones, manager of product accounting; Armen Badeer, senior business analyst; Ann Andrejack, executive assistant and Leaders' Conference coordinator; Megan Ludwickson, assistant supervisor, client services.



# 2008 financial statement

## 2008 Statutory Financials for Assurity Life

(Dollars in Thousands)



Summary		
	2008	2007
Total Assets	2,161,105	2,189,168
Surplus and Asset Valuation Reserve	233,253	269,341
Net Gain after Capital Gains and Losses, FIT and Dividends	1,947	14,636
Total Premium and Deposits	274,153	273,856
Net Investment Income	123,401	123,891
Benefits and Reserve Increases	222,243	221,157
Dividend Payments	24,875	24,398
Total Liabilities	1,937,953	1,943,647

	2008	2007		2008	2007
<b>INCOME</b>			<b>ASSETS</b>		
Net Premiums and Deposit Administration			Bonds.....	1,594,262	1,631,423
Considerations.....	237,186	236,732	Stocks.....	58,262	60,295
Net Investment Income.....	123,401	123,891	Commercial Mortgage Loans.....	329,806	325,599
Miscellaneous Income.....	12,677	15,421	Real Estate.....	12,783	10,002
<b>Total Income.....</b>	<b>373,264</b>	<b>376,045</b>	Policy Loans.....	101,488	99,852
<b>BENEFITS TO POLICYHOLDERS</b>			Cash.....	(6,584)	(4,117)
Death Benefits.....	46,398	38,710	Other.....	71,088	66,114
Living Benefits (Except Dividends).....	165,730	173,704	<b>Total Assets.....</b>	<b>2,161,105</b>	<b>2,189,168</b>
Dividends.....	24,875	24,398	<b>LIABILITIES</b>		
<b>Total Benefits.....</b>	<b>237,003</b>	<b>236,512</b>	Insurance Reserves.....	1,267,479	1,233,815
<b>NET GAIN FROM OPERATIONS</b>			Annuity Reserves.....	354,028	370,281
Before Capital Gains and Losses,			Dividends Payable in Next Year.....	24,654	24,076
FIT and Dividends.....	49,419	46,800	Liability for Deposit Funds.....	229,024	232,814
After FIT and Dividends,			Other.....	62,769	82,661
Before Capital Gains and Losses.....	18,640	13,172	<b>Total Liabilities.....</b>	<b>1,937,953</b>	<b>1,943,647</b>
After Capital Gains and Losses,			Surplus Accounts.....	223,151	245,521
FIT and Dividends.....	1,947	14,637			
<b>OTHER FINANCIAL HIGHLIGHTS</b>					
Net Investment Yield.....	6.03%	6.05%			
Surplus and Asset Valuation Reserve (AVR) ...	233,253	269,341			
Surplus and Asset Valuation Reserve (AVR)					
as Percent of Assets.....	10.79%	12.30%			

# Board of Directors



**Thomas E. Henning, CLU, ChFC, CFA**  
Chairman, President, CEO  
Assurity Life Insurance Company



**William R. Cintani**  
President, CEO  
Mapes Industries  
Lincoln, Nebraska



**Steven D. Erwin**  
President, Nebraska/Western Iowa  
U.S. Bank National Association  
Lincoln, Nebraska

*Our Board of Directors is a group of talented professionals from a variety of industries. We value their unique perspectives, wisdom, integrity and candid advice in providing guidance and a watchful eye as we honor our promises to our policyholders.*



**Caren L. Hamilton**  
Auto Dealership Executive  
Bellevue and Kearney, Nebraska



**Ronald L. Harris**  
President  
Scientific Development Corporation  
Lincoln, Nebraska



**Frank H. Hilsabeck**  
Retired Executive Vice President  
Windstream Communications  
Lincoln, Nebraska



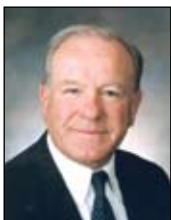
**Marc E. LeBaron**  
Chairman, CEO  
Lincoln Industries  
Lincoln, Nebraska



**James E. McClurg, Ph.D.**  
President  
Technical Development Resources Company  
Lincoln, Nebraska



**Angela L. Muhleisen**  
President, CEO  
Union Bank & Trust Company  
Lincoln, Nebraska



**Thomas D. Potter**  
Retired Chairman  
Assurity Security Group Inc.  
Lincoln, Nebraska



**Paul M. Schudel**  
Partner  
Woods & Aitken LLP  
Lincoln, Nebraska



**Lyn Wallin Ziegenbein**  
Executive Director  
Peter Kiewit Foundation  
Omaha, Nebraska

# Management team

*Assurity Life has an accomplished management team which understands the insurance industry very well. A service-oriented group of highly engaged administrators, they are honest in their dealings and provide insightful, practical and innovative solutions to the many issues that arise in today's challenging financial environment.*

## Chief Executive Officer

**Thomas E. Henning**, CLU, ChFC, CFA  
Chairman, President and CEO

## Senior Vice Presidents

**Susan L. Keisler-Munro**, FSA, MAAA  
Senior Vice President,  
Chief of Operations

**Todd W. Reimers**, CLU, LLIF  
Senior Vice President,  
Chief Marketing Officer

**David T. Wallman**, FSA, MAAA, CLU, FLMI  
Senior Vice President, Chief Actuary

## Vice Presidents

**Roseann R. Christensen**, ChFC  
Vice President, Marketing Services

**Richard D. Cruise**, FSA, MAAA  
Vice President, Assurity Direct Sales

**Marvin P. Ehly**, FSA, MAAA  
Vice President, Chief Financial Officer  
and Treasurer

**Kathy L. Giddings**  
Vice President, Business Sales

**Douglas B. Hamm**, CLF  
Vice President, Individual Sales

**Patrick J. Kenney**, CLU, ChFC  
Vice President, Regional Sales Manager

**William R. Schmeackle**  
Vice President, Chief Investment Officer

**Carol S. Watson**, J.D., CLU, FLMI  
Vice President, General Counsel and  
Secretary

**Janice A. Zoucha**  
Vice President, Human Resources

## Senior Directors

**Kevin G. Faltin**, CPA  
Senior Director and Controller

**Kevin W. Hammond**, CLU, FLMI  
Senior Director, Investments

**Steven H. Hill**  
Senior Director, Real Estate Lending  
and Investments

**Eric L. Otterstein**  
Senior Director, Information Technology

**Keith K. Spilker**, FSA, MAAA, CLU, ChFC  
Senior Director, Corporate Actuarial

**Victor D. Weber**, CFA  
Senior Director, Investments

## Directors

**Troy D. Branch**, J.D., CLU  
Director, Life Products

**Eunice J. Cramer**, FLMI, ACS  
Director, Client Services

**Patricia J. Criger**, ACS  
Director, New Business Services

**Debra A. Durre**, CSTE, FLMI  
Director, Model Office

**Susan M. Ellsworth**, FLMI  
Director, Project Management

**Bryan D. Grosscup**, FLMI  
Director, Finance and  
Accounting Special Projects

**Timothy S. Janousek**  
Director, Network Operations

**Ann E. Johnson**  
Director, Employer-Sponsored Services

**Samuel E. Kruse**, ALHC, FLMI, ACS  
Chief Investigator, Claims Management

**Mary L. Lenners**, FLMI  
Director, Claims Management

**Debra K. Patterson**, ACS, LTCP  
Director, Long-Term Care

**John D. Ragsdale**, J.D., CLU  
Director, Deputy General Counsel

**William E. Ray**  
Director, Purchasing, Building  
and Mail Services

**Lance F. Schaible**  
Director, Software Development

**Bruce K. Scheiber**, FLMI, ACS  
Director, Underwriting Services

**Kenneth J. Smith**, CLU  
Director, Health Products

**Kirk J. Spellman**, FLMI, ACS  
Director, Marketing Services

**Patricia K. Williams**, J.D., CLU, FLMI, AIRC  
Director, Deputy General Counsel

**Michael V. Woody**, CLU, FLMI, ACS  
Director, Product Development



## Assurity at a glance

### Individual Plans

- Critical Illness Insurance
- Disability Income Insurance
- Hospital Indemnity Insurance
- Long-Term Care Insurance
- Term Life Insurance
- Universal Life Insurance
- Whole Life Insurance
- Annuities
- 412(i) Plans

### Business Plans

#### Worksite Products

- Accident Expense Insurance
- Critical Illness Insurance
- Disability Income Insurance
- Hospital Indemnity Insurance
- Universal Life Insurance

#### Group or Voluntary Group Employee Benefits

- Term Life Insurance
- Section 125 Plans

Retirement plan administration and management services are offered through Assurity Advisors®, Inc., a subsidiary company.



**Assurity**<sup>®</sup>

*Life Insurance Company*

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