



ANNUAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2002
OF THE CONDITION AND AFFAIRS OF THE

LOYAL AMERICAN LIFE INSURANCE COMPANY

NAIC Group Code 0084 (Current Period) 0084 (Prior Period) NAIC Company Code 65722 Employer's ID Number 63-0343428

Organized under the Laws of Ohio, State of Domicile or Port of Entry NA

Country of Domicile United States of America

Incorporated 05/18/1955 Commenced Business 07/04/1955

Statutory Home Office 250 East Fifth Street, Cincinnati, OH 45202

Main Administrative Office 250 East Fifth Street, Cincinnati, OH 45202, 513-412-1168

Mail Address P.O. Box 26580, Austin, TX 78755

Primary Location of Books and Records 250 East Fifth Street, Cincinnati, OH 45202, 513-412-1168

Internet Website Address WWW.GAFRI.COM

Statement Contact Wendy Leigh Wilson, 513-412-1168, wwilson@gafri.com

Policyowner Relations Contact 5508 Parkcrest Dr., Austin, TX 78731, 800-633-6752

OFFICERS

President Charles Richard Scheper Secretary Mark Francis Muething
Treasurer Richard Lee Magoteaux Actuary Mark Billingsley

VICE PRESIDENTS

James Edward Moffett David Butler Rich Charles Louis Hardtke
Richard Lee Magoteaux William Richard Ealy Christopher Patrick Miliano
William J. Maney II Billy Buehl Hill Edward Carlisle Dahmer, Jr.

DIRECTORS OR TRUSTEES

Stephen Craig Lindner Christopher Patrick Miliano David Butler Rich
Mark Francis Muething Charles Richard Scheper

State of Ohio } ss
County of Hamilton }

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures Manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Charles Richard Scheper President Richard Lee Magoteaux CFO & Treasurer Mark Francis Muething Secretary

Subscribed and sworn to before me this day of February, 2003

a. Is this an original filing? Yes [ X ] No [ ]
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company**

**ASSETS**

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds .....	300,968,122		300,968,122	226,511,083
2. Stocks:				
2.1 Preferred stocks (Schedule D, Part 2, Section 1).....	11,172,549		11,172,549	11,249,060
2.2 Common stocks (Schedule D, Part 2, Section 2).....	529,326		529,326	938,057
3. Mortgage loans on real estate: (Schedule B, Part 1)				
3.1 First liens .....	479,439		479,439	971,035
3.2 Other than first liens .....			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....	164,535	164,535	0	0
5. Policy loans .....	23,358,788		23,358,788	23,794,476
6. Premium notes, including \$ ..... for first year premiums .....			0	0
7. Cash (\$ .....2,517,301 , Schedule E, Part 1) and short -term investments (\$ .....30,134,585 , Schedule DA, Part 2) .....	32,651,886		32,651,886	8,839,219
8. Other invested assets (Schedule BA, Part 1) .....	0		0	0
9. Receivable for securities .....			0	0
10. Aggregate write-ins for invested assets .....	0	0	0	0
11. Subtotals, cash and invested assets (Lines 1 to 10) .....	369,324,645	164,535	369,160,110	272,302,930
12. Reinsurance ceded:				
12.1 Amounts recoverable from reinsurers (Schedule S, Part 2) .....	30,000		30,000	251,833
12.2 Commissions and expense allowances due .....			0	0
12.3 Experience rating and other refunds due .....			0	0
12.4 Other amounts receivable under reinsurance contracts .....	30,790		30,790	63,638
13. Electronic data processing equipment and software.....			0	113,143
14. Federal and foreign income tax recoverable and interest thereon (including \$ .....3,022,559 net deferred tax asset) .....	11,269,568	5,119,524	6,150,044	4,365,697
15. Guaranty funds receivable or on deposit .....			0	338,865
16. Life insurance premiums and annuity considerations deferred and uncollected on in force business (less premiums on reinsurance ceded and less \$ .....675,077 loading) .....	2,225,820	33,582	2,192,238	2,220,700
17. Accident and health premiums due and unpaid .....	405,219	3,477	401,742	444,665
18. Investment income due and accrued .....	3,705,531		3,705,531	3,371,675
19. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
20. Receivable from parent, subsidiaries and affiliates .....	1,333		1,333	842
21. Amounts receivable relating to uninsured accident and health plans .....			0	0
22. Amounts due from agents .....	1,778,088	1,778,088	0	0
23. Other assets nonadmitted (Exhibit 9) .....	292,810	292,810	0	0
24. Aggregate write-ins for other than invested assets .....	349,716	267,095	82,621	228,827
25. Total assets excluding Separate Accounts business (Lines 11 to 24) .....	389,413,520	7,659,111	381,754,409	283,702,815
26. From Separate Accounts Statement .....			0	0
27. Total (Lines 25 and 26)	389,413,520	7,659,111	381,754,409	283,702,815
<b>DETAILS OF WRITE-INS</b>				
1001. Amounts due from custodian.....			0	0
1002. ....				
1003. ....				
1098. Summary of remaining write-ins for Line 10 from overflow page .....	0	0	0	0
1099. Totals (Lines 1001 thru 1003 plus 1098)(Line 10 above)	0	0	0	0
2401. MISCELLANEOUS RECEIVABLES.....	349,716	267,095	82,621	228,827
2402. ....			0	0
2403. ....				
2498. Summary of remaining write-ins for Line 24 from overflow page .....	0	0	0	0
2499. Totals (Lines 2401 thru 2403 plus 2498)(Line 24 above)	349,716	267,095	82,621	228,827

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Year	2 Prior Year
1. Aggregate reserve for life contracts \$ .....136,164,048 (Exh. 5, Line 9999999) less \$ ..... included in Line 6.3 (including \$ ..... Modco Reserve) .....	136,164,048	147,049,559
2. Aggregate reserve for accident and health contracts (Exhibit 6, Line 17, Col. 1)(including \$ ..... Modco Reserve) .....	31,548,896	30,653,733
3. Liability for deposit-type contracts (Exhibit 7, Line 14, Col. 1) (including \$ ..... Modco Reserve) .....	8,185,439	8,239,151
4. Contract claims:		
4.1 Life (Exhibit 8, Part 1, Line 4.4, Col. 1 less sum of Cols. 9, 10 and 11) .....	2,140,454	2,023,129
4.2 Accident and health (Exhibit 8, Part 1, Line 4.4, sum of Cols. 9, 10 and 11) .....	3,351,733	3,201,971
5. Policyholders' dividends \$ ..... and coupons \$ ..... due and unpaid (Exhibit 4, Line 10) .....	0	9,873
6. Provision for policyholders' dividends and coupons payable in following calendar year—estimated amounts:		
6.1 Dividends apportioned for payment to ..... (including \$ ..... Modco).....	390,063	213,774
6.2 Dividends not yet apportioned (including \$ ..... Modco) .....	0	0
6.3 Coupons and similar benefits (including \$ ..... Modco) .....	0	0
7. Amount provisionally held for deferred dividend policies not included in Line 6 .....	0	0
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$ ..... discount; including \$ .....245,575 accident and health premiums (Exhibit 1, Part 1, Col. 1, sum of Lines 4 and 14) .....	356,017	385,986
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts .....	0	0
9.2 Provision for experience rating refunds, including \$ ..... accident and health experience rating refunds .....	2,351	(794)
9.3 Other amounts payable on reinsurance including \$ ..... assumed and \$ .....244,068 ceded .....	244,068	0
9.4 Interest maintenance reserve (Page 33, Line 6) .....	0	0
10. Commissions to agents due or accrued-life contracts and annuity contracts \$ .....716 accident and health \$ .....31,864 and deposit-type contract funds \$ .....	32,580	32,843
11. Commissions and expense allowances payable on reinsurance assumed .....	0	0
12. General expenses due or accrued (Exhibit 2, Line 12, Col. 5) .....	5,600,466	7,893,172
13. Transfers to Separate Accounts due or accrued (net) (Including \$ .....0 accrued for expense allowances recognized in reserves) .....	0	0
14. Taxes, licenses and fees due or accrued, excluding federal income taxes (Exhibit 3, Line 9, Col. 5) .....	807,445	1,015,977
15. Federal and foreign income taxes including \$ ..... on realized capital gains (losses) (including \$ ..... net deferred tax liability) .....	0	2,903,681
16. Unearned investment income .....	650,823	668,293
17. Amounts withheld or retained by company as agent or trustee .....	344,800	276,553
18. Amounts held for agents' account, including \$ .....425,574 agents' credit balances .....	425,574	397,391
19. Remittances and items not allocated .....	2,011,404	371,297
20. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0
21. Liability for benefits for employees and agents if not included above .....	0	0
22. Borrowed money \$ ..... and interest thereon \$ .....	0	0
23. Dividends to stockholders declared and unpaid .....	0	0
24. Miscellaneous liabilities:		
24.1 Asset valuation reserve (Page 34, Line 16, Col. 7) .....	1,831,506	2,434,284
24.2 Reinsurance in unauthorized companies .....	0	0
24.3 Funds held under reinsurance treaties with unauthorized reinsurers .....	105,579,285	0
24.4 Payable to parent, subsidiaries and affiliates .....	1,436,882	610,992
24.5 Drafts outstanding .....	0	0
24.6 Liability for amounts held under uninsured accident and health plans .....	0	0
24.7 Funds held under coinsurance .....	0	0
24.8 Payable for securities .....	1,085	0
24.9 Capital notes \$ ..... and interest thereon \$ .....	0	0
25. Aggregate write-ins for liabilities .....	0	0
26. Total Liabilities excluding Separate Accounts business (Lines 1 to 25) .....	301,104,919	208,380,865
27. From Separate Accounts Statement .....	0	0
28. Total Liabilities (Lines 26 and 27) .....	301,104,919	208,380,865
29. Common capital stock .....	5,640,000	5,640,000
30. Preferred capital stock .....	0	0
31. Aggregate write-ins for other than special surplus funds .....	0	0
32. Surplus notes .....	0	0
33. Gross paid in and contributed surplus (Page 3, Line 33, Col. 2 plus Page 4, Line 51.1, Col. 1) .....	22,002,119	22,002,119
34. Aggregate write-ins for special surplus funds .....	0	0
35. Unassigned funds (surplus) .....	53,007,371	47,679,831
36. Less treasury stock, at cost:		
36.1 ..... shares common (value included in Line 29 \$ ..... ) .....	0	0
36.2 ..... shares preferred (value included in Line 30 \$ ..... ) .....	0	0
37. Surplus (total Lines 31+32+33+34+35-36) ( Including \$ .....0 in Separate Accounts Statement) .....	75,009,490	69,681,950
38. Totals of Lines 29, 30 and 37 (Page 4, Line 55) .....	80,649,490	75,321,950
39. Totals of Lines 28 and 38 (Page 2, Line 27, Col. 3) .....	381,754,409	283,702,815
<b>DETAILS OF WRITE-INS</b>		
2501. ....		
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	0	0
3101. ....		
3102. ....		
3103. ....		
3198. Summary of remaining write-ins for Line 31 from overflow page .....	0	0
3199. Totals (Lines 3101 thru 3103 plus 3198)(Line 31 above) .....	0	0
3401. ....		
3402. ....		
3403. ....		
3498. Summary of remaining write-ins for Line 34 from overflow page .....	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above) .....	0	0

**SUMMARY OF OPERATIONS**

(Excluding Unrealized Capital Gains and Losses)

	1 Current Year	2 Prior Year
1. Premiums and annuity considerations for life and accident and health contracts (Exhibit 1, Part 1, Line 20.4, Col. 1, less Col. 11)	19,445,300	4,724,563
2. Considerations for supplementary contracts with life contingencies	0	0
3. Net investment income (Exhibit of Net Investment Income, Line 17)	12,076,860	19,593,509
4. Amortization of interest maintenance reserve (IMR) (Page 33, Line 5)	673,040	963,221
5. Separate Accounts net gain from operations excluding unrealized gains or losses	0	0
6. Commissions and expense allowances on reinsurance ceded (Exhibit 1, Part 2, Line 26.1, Col. 1)	4,262,953	250,965
7. Reserve adjustments on reinsurance ceded	0	0
8. Miscellaneous Income:		
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	0	0
8.2 Charges and fees for deposit-type contracts	0	0
8.3 Aggregate write-ins for miscellaneous income	48,515	3,273
9. Total (Lines 1 to 8.3)	36,506,668	25,535,531
10. Death benefits	1,116,979	8,822,165
11. Matured endowments (excluding guaranteed annual pure endowments)	12,794	322,778
12. Annuity benefits (Exhibit 8, Part 2, Line 6.4, Cols. 4 + 8)	407,722	200,845
13. Disability benefits and benefits under accident and health contracts	12,902,275	13,480,965
14. Coupons, guaranteed annual pure endowments and similar benefits	0	0
15. Surrender benefits and withdrawals for life contracts	2,030,273	7,398,036
16. Group conversions	0	0
17. Interest and adjustments on contracts or deposit-type contract funds	270,487	556,021
18. Payments on supplementary contracts with life contingencies	163,999	186,711
19. Increase in aggregate reserves for life and accident and health contracts	(10,155,474)	(33,698,027)
20. Totals (Lines 10 to 19)	6,749,055	(2,730,506)
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) (Exhibit 1, Part 2, Line 31, Col. 1 less Col. 11)	15,569,416	6,068,216
22. Commissions and expense allowances on reinsurance assumed (Exhibit 1, Part 2, Line 26.2, Col. 1)	6,316	13,294
23. General insurance expenses (Exhibit 2, Line 10, Cols. 1 + 2 + 3)	12,933,374	23,371,020
24. Insurance taxes, licenses and fees, excluding federal income taxes (Exhibit 3, Line 7, Cols. 1 + 2 + 3)	1,664,970	1,607,012
25. Increase in loading on deferred and uncollected premiums	(244,582)	197,491
26. Net transfers to or (from) Separate Accounts	0	0
27. Aggregate write-ins for deductions	0	0
28. Totals (Lines 20 to 27)	36,678,549	28,526,527
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28)	(171,881)	(2,990,996)
30. Dividends to policyholders	121,399	382,931
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30)	(293,280)	(3,373,927)
32. Federal and foreign income taxes incurred (excluding tax on capital gains)	(2,862,700)	(3,124,000)
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32)	2,569,420	(249,927)
34. Net realized capital gains or (losses) less capital gains tax of \$ (784,008) (excluding taxes of \$ 207,113 ) transferred to the IMR	(1,456,015)	(2,798,197)
35. Net income (Line 33 plus Line 34)	1,113,405	(3,048,124)
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
36. Capital and surplus, December 31, previous year (Page 3, Line 38, Col. 2)	75,321,950	73,507,657
37. Net income (Line 35)	1,113,405	(3,048,124)
38. Change in net unrealized capital gains (losses)	(245,885)	132,263
39. Change in net unrealized foreign exchange capital gain (loss)	0	0
40. Change in net deferred income tax	(60,221)	(17,278)
41. Change in nonadmitted assets and related items (Exhibit 9, Line 6, Col. 3)	2,143,024	1,477,588
42. Change in liability for reinsurance in unauthorized companies	0	0
43. Change in reserve on account of change in valuation basis, (increase) or decrease (Exhibit 5A, Line 9999999, Col. 4)	0	0
44. Change in asset valuation reserve (Page 34, Lines 2 through 5 minus Line 6 plus Line 7 plus Line 11 plus Lines 14 through 15, Col. 7)	602,777	186,439
45. Change in treasury stock (Page 3, Lines 36.1 and 36.2, Col. 2 minus Col. 1)	0	0
46. Surplus (contributed to) withdrawn from Separate Accounts during period	0	0
47. Other changes in surplus in Separate Accounts Statement	0	0
48. Change in surplus notes	0	0
49. Cumulative effect of changes in accounting principles	0	1,791,403
50. Capital changes:		
50.1 Paid in	0	0
50.2 Transferred from surplus (Stock Dividend)	0	0
50.3 Transferred to surplus	0	0
51. Surplus adjustment:		
51.1 Paid in	0	0
51.2 Transferred to capital (Stock Dividend)	0	0
51.3 Transferred from capital	0	0
51.4 Change in surplus as a result of reinsurance	1,774,440	21,592,000
52. Dividends to stockholders	0	(20,000,000)
53. Aggregate write-ins for gains and losses in surplus	0	(299,998)
54. Net change in capital and surplus for the year (Lines 37 through 53)	5,327,540	1,814,293
55. Capital and surplus, December 31, current year (Lines 36 + 54) (Page 3, Line 38)	80,649,490	75,321,950
<b>DETAILS OF WRITE-INS</b>		
08.301. MISCELLANEOUS INCOME	48,515	3,273
08.302.	0	0
08.303.	0	0
08.398. Summary of remaining write-ins for Line 8.3 from overflow page	0	0
08.399. TOTALS (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above)	48,515	3,273
2701.	0	0
2702.	0	0
2703.	0	0
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. TOTALS (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	0
5301. PRIOR YEAR FIT ADJUSTMENT	0	0
5302. Other changes	0	(299,998)
5303. Adjustment for prior year taxes	0	0
5398. Summary of remaining write-ins for Line 53 from overflow page	0	0
5399. TOTALS (Lines 5301 thru 5303 plus 5398) (Line 53 above)	0	(299,998)

## CASH FLOW

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums and annuity considerations for life and accident and health contracts .....	19,719,942	5,180,885
2. Charges and fees for deposit-type contracts .....	0	0
3. Considerations for supplementary contracts with life contingencies .....	0	0
4. Net investment income .....	11,700,518	20,179,400
5. Commissions and expense allowances on reinsurance ceded .....	4,262,953	250,965
6. Fees associated with investment management, administration and contract guarantees from Separate Accounts .....	0	0
7. Aggregate write-ins for miscellaneous income .....	48,515	3,273
8. Total (Lines 1 to 7) .....	35,731,928	25,614,523
9. Death benefits .....	777,821	9,786,304
10. Matured endowments .....	12,794	322,778
11. Annuity benefits .....	407,722	200,845
12. Disability benefits and benefits under accident and health contracts .....	12,752,512	12,963,525
13. Coupons, guaranteed annual pure endowments and similar benefits .....	0	0
14. Surrender benefits and withdrawals for life contracts .....	2,030,273	7,398,036
15. Group conversions .....	0	0
16. Interest and adjustments on contracts or deposit-type contract funds .....	270,487	556,021
17. Payments on supplementary contracts with life contingencies .....	163,999	186,711
18. Total (Lines 9 to 17) .....	16,415,608	31,414,220
19. Commissions on premiums, annuity considerations and deposit-type contract funds .....	15,569,679	6,056,506
20. Commissions and expense allowances on reinsurance assumed .....	6,316	13,294
21. General insurance expenses .....	15,226,080	17,462,521
22. Insurance taxes, licenses and fees, excluding federal income taxes .....	1,873,502	1,342,188
23. Net transfers to or (from) Separate Accounts .....	0	0
24. Aggregate write-ins for deductions .....	0	0
25. Total (Lines 18 to 24) .....	49,091,185	56,288,729
26. Dividends paid to policyholders .....	0	382,931
27. Federal income taxes (excluding tax on capital gains) .....	(2,862,700)	5,000,000
28. Total (Lines 25 to 27) .....	46,228,485	61,671,660
29. Net cash from operations (Line 8 minus Line 28) .....	(10,496,557)	(36,057,137)
<b>Cash from Investments</b>		
30. Proceeds from investments sold, matured or repaid:		
30.1 Bonds .....	80,671,422	72,354,229
30.2 Stocks .....	375,600	0
30.3 Mortgage loans .....	631,375	248,439
30.4 Real estate .....	0	0
30.5 Other invested assets .....	0	0
30.6 Net gains (losses) on cash and short-term investments .....	0	0
30.7 Miscellaneous proceeds .....	0	0
30.8 Total investment proceeds (Lines 30.1 to 30.7) .....	81,678,397	72,602,668
31. Net tax on capital gains (losses) .....	(784,008)	(1,276,023)
32. Total (Line 30.8 minus Line 31) .....	82,462,405	73,878,691
33. Cost of investments acquired (long-term only):		
33.1 Bonds .....	157,025,104	51,869,234
33.2 Stocks .....	0	19,078
33.3 Mortgage loans .....	0	0
33.4 Real estate .....	0	0
33.5 Other invested assets .....	0	0
33.6 Miscellaneous applications .....	(1,085)	0
33.7 Total investments acquired (Lines 33.1 to 33.6) .....	157,024,019	51,888,312
34. Net increase (or decrease) in policy loans and premium notes .....	(435,688)	(205,470)
35. Net cash from investments (Line 32 minus Line 33.7 minus Line 34) .....	(74,125,926)	22,195,849
<b>Cash from Financing and Miscellaneous Sources</b>		
36. Cash provided:		
36.1 Surplus notes, capital and surplus paid in .....	0	0
36.2 Borrowed money \$ ..... less amounts repaid \$ .....	0	0
36.3 Capital notes \$ ..... less amounts repaid \$ .....	0	0
36.4 Deposits on deposit-type contract funds and other liabilities without life or disability contingencies .....	431,472	252,565
36.5 Other cash provided .....	110,951,853	32,314,841
36.6 Total (Lines 36.1 to 36.5) .....	111,383,325	32,567,406
37. Cash applied:		
37.1 Dividends to stockholders paid .....	0	20,000,000
37.2 Interest on indebtedness .....	0	0
37.3 Withdrawals on deposit-type contract funds and other liabilities without life or disability contingencies .....	753,590	908,088
37.4 Other applications (net) .....	2,194,585	3,058,275
37.5 Total (Lines 37.1 to 37.4) .....	2,948,175	23,966,363
38. Net cash from financing and miscellaneous sources (Line 36.6 minus Line 37.5) .....	108,435,150	8,601,043
<b>RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS</b>		
39. Net change in cash and short-term investments (Line 29, plus Line 35, plus Line 38) .....	23,812,667	(5,260,245)
40. Cash and short-term investments:		
40.1 Beginning of year .....	8,839,219	14,099,464
40.2 End of year (Line 39 plus Line 40.1) .....	32,651,886	8,839,219
<b>DETAILS OF WRITE-INS</b>		
0701. MISCELLANEOUS INCOME .....	48,515	3,273
0702. ASSETS RECEIVED ON RECAPTURE OF REINSURANCE .....	0	0
0703. ....	0	0
0798. Summary of remaining write-ins for Line 7 from overflow page .....	0	0
0799. TOTALS (Lines 0701 thru 0703 plus 0798) (Line 7 above) .....	48,515	3,273
2401. ....	0	0
2402. ....	0	0
2403. ....	0	0
2498. Summary of remaining write-ins for Line 24 from overflow page .....	0	0
2499. TOTALS (Lines 2401 thru 2403 plus 2498) (Line 24 above) .....	0	0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company**

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit) (Excluding Capital Gains and Losses)**

	1	2	Ordinary			6	Group		Accident and Health			12
			3	4	5		7	8	9	10	11	
	Total	Industrial Life	Life Insurance	Individual Annuities	Supplementary Contracts	Credit Life (Group and Individual)	Life Insurance (a)	Annuities	Group	Credit (Group and Individual)	Other	Aggregate of All Other Lines of Business
1. Premiums and annuity considerations for life and accident and health contracts	19,445,300	.0	(106,418,137)	105,690,404		43,765	422,252	.0	291,096	.0	19,415,920	
2. Considerations for supplementary contracts with life contingencies	.0			.0								
3. Net investment income	12,076,860		8,300,767	1,454,000	48,151	58	2,076		24,387		2,247,421	
4. Amortization of Interest Maintenance Reserve (IMR)	673,040		673,040									
5. Separate Accounts net gain from operations excluding unrealized gains or losses	.0											
6. Commissions and expense allowances on reinsurance ceded	4,262,953	.0	4,254,773	.0		.0	.0	.0	.0	.0	8,180	.0
7. Reserve adjustments on reinsurance ceded	.0											
8. Miscellaneous Income:												
8.1 Fees associated with income from investment management, administration and contract guarantees from Separate Accounts	.0											
8.2 Charges and fees for deposit-type contracts	.0											
8.3 Aggregate write-ins for miscellaneous income	48,515		48,515									
9. Totals (Lines 1 to 8.3)	36,506,668	.0	(93,141,042)	107,144,404	48,151	43,823	424,328	.0	315,483	.0	21,671,521	.0
10. Death benefits	1,116,979		909,168			23,763	184,048					
11. Matured endowments (excluding guaranteed annual pure endowments)	12,794	.0	12,794				.0					
12. Annuity benefits	407,722			407,722				.0				
13. Disability benefits and benefits under accident and health contracts	12,902,274								347,181	.0	12,555,093	
14. Coupons, guaranteed annual pure endowments and similar benefits	.0											
15. Surrender benefits and withdrawals for life contracts	2,030,273		1,528,321	501,952								
16. Group conversions	.0											
17. Interest and adjustments on contract or deposit-type contract funds	270,487		267,630	2,857								
18. Payments on supplementary contracts with life contingencies	163,999				163,999							
19. Increase in aggregate reserves for life and accident and health contracts	(10,155,474)		(107,501,250)	96,646,183	(193,162)		(2,408)		1,210		893,953	
20. Totals (Lines 10 to 19)	6,749,054	.0	(104,783,337)	97,558,714	(29,163)	23,763	181,640	.0	348,391	.0	13,449,046	.0
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only)	15,569,416	.0	1,019,590	11,552,982		6,551	.0	.0	.0	.0	2,990,293	.0
22. Commissions and expense allowances on reinsurance assumed	6,316	.0	.0	.0		.0	5,176	.0	.0	.0	1,140	.0
23. General insurance expenses	12,933,357		3,163,016	3,171,955	10,134	26,141	7,984		96,811	.0	6,457,316	.0
24. Insurance taxes, licenses and fees, excluding federal income taxes (FIT)	1,664,970		645,252	161,119		1,139	13,403		12,468	.0	831,589	.0
25. Increase in loading on deferred and uncollected premiums	(244,582)		(252,513)	7,931								
26. Net transfers to or (from) Separate Accounts	.0											
27. Aggregate write-ins for deductions	.0		.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
28. Totals (Lines 20 to 27)	36,678,531	.0	(100,207,992)	112,452,701	(19,029)	57,594	208,203	.0	457,670	.0	23,729,384	.0
29. Net gain from operations before dividends to policyholders and FIT (Line 9 - Line 28)	(171,863)	.0	7,066,950	(5,308,297)	67,180	(13,771)	216,125	.0	(142,187)	.0	(2,057,863)	.0
30. Dividends to policyholders	121,399		121,399									
31. Net gain from operations after dividends to policyholders and before FIT (Line 29 - Line 30)	(293,262)	.0	6,945,551	(5,308,297)	67,180	(13,771)	216,125	.0	(142,187)	.0	(2,057,863)	.0
32. Federal income taxes incurred (excluding tax on capital gains)	(2,862,699)		(329,115)	(1,857,904)	23,513	(4,820)	75,644		(49,765)		(720,252)	
33. Net gain from operations after dividends to policyholders and FIT and before realized capital gains or (losses) (Line 31 - Line 32)	2,569,437	.0	7,274,666	(3,450,393)	43,667	(8,951)	140,481	.0	(92,422)	.0	(1,337,611)	.0
<b>DETAILS OF WRITE-INS</b>												
08.301.	48,515		48,515									
08.302.												
08.303.												
08.398. Summary of remaining write-ins for Line 8.3 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above)	48,515	0	48,515	0	0	0	0	0	0	0	0	0
2701.												
2702.												
2703.												
2798. Summary of remaining write-ins for Line 27 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	0	0	0	0	0	0	0	0	0	0	0

(a) Includes the following amounts for FEGLI/SGLI: Line 1 ..... 0 , Line 10 ..... 0 , Line 16 ..... 0 , Line 23 ..... 0 , Line 24 ..... 0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company**

**ANALYSIS OF INCREASE IN RESERVES DURING THE YEAR**

	1 Total	2 Industrial Life	Ordinary			6 Credit Life (Group and Individual)	Group	
			3 Life Insurance	4 Individual Annuities	5 Supplementary Contracts		7 Life Insurance	8 Annuities
<b>Involving Life or Disability Contingencies (Reserves)</b> (Net of Reinsurance Ceded)								
1. Reserve December 31, prior year .....	147,049,557	0	134,415,879	10,491,642	696,716	799	31,234	1,413,287
2. Tabular net premiums or considerations .....	8,851,953		8,724,960	83,175		7,037	36,781	
3. Present value of disability claims incurred .....	17,892		17,892	0	XXX			
4. Tabular interest .....	4,020,966		3,335,640	563,658	38,103		338	83,227
5. Tabular less actual reserve released .....	96,362,827		(409,432)	96,774,640			(2,381)	
6. Increase in reserve on account of change in valuation basis .....	0							
7. Other increases (net) .....	(107,633,024)		(107,740,515)	148,806	77,408			(118,723)
8. Totals (Lines 1 to 7) .....	148,670,171	0	38,344,424	108,061,921	812,227	7,836	65,972	1,377,791
9. Tabular cost .....	2,925,718		2,881,535		XXX	7,037	37,146	
10. Reserves released by death .....	2,790,826		2,790,826	XXX	XXX			XXX
11. Reserves released by other terminations (net) .....	5,951,572		5,756,387	195,185				
12. Annuity, supplementary contract and disability payments involving life contingencies .....	838,008		1,044	693,412	143,552			
13. Net transfers to or (from) Separate Accounts .....	0			0				
14. Total Deductions (Lines 9 to 13) .....	12,506,124	0	11,429,792	888,597	143,552	7,037	37,146	0
15. Reserve December 31, current year .....	136,164,047	0	26,914,632	107,173,324	668,675	799	28,826	1,377,791

7

**EXHIBIT OF NET INVESTMENT INCOME**

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 480,816	567,215
1.1 Bonds exempt from U.S. tax	(a) 26,857	21,822
1.2 Other bonds (unaffiliated)	(a) 15,247,714	15,466,736
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b) 544,152	544,152
2.2 Common stocks (unaffiliated)	58,524	51,490
2.21 Common stocks of affiliates		
3. Mortgage loans	(c) 59,152	61,948
4. Real estate	(d)	
5. Contract loans	1,527,099	1,552,325
6. Cash/short-term investments	(e) 336,429	366,383
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	8,117	8,117
10. Total gross investment income	18,288,860	18,640,188
11. Investment expenses		(g) 1,000,040
12. Investment taxes, licenses and fees, excluding federal income taxes		(g) 2,857
13. Interest expense		(h) 5,560,431
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		0
16. Total (Lines 11 through 15)		6,563,328
17. Net Investment Income - (Line 10 minus Line 16)		12,076,860
<b>DETAILS OF WRITE-INS</b>		
0901. Miscellaneous Investment Income	8,117	8,117
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	8,117	8,117
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		0
1599. Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ 526,990 accrual of discount less \$ 493,349 amortization of premium and less \$ 804,422 paid for accrued interest on purchases.  
 (b) Includes \$ 694 accrual of discount less \$ 6,464 amortization of premium and less \$ paid for accrued dividends on purchases.  
 (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.  
 (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.  
 (e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.  
 (f) Includes \$ accrual of discount less \$ amortization of premium.  
 (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
 (h) Includes \$ interest on surplus notes and \$ interest on capital notes.  
 (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Net Gain (Loss) from Change in Difference Between Basis Book/ Adjusted Carrying and Admitted Values	5 Total
1. U.S. Government bonds	(14,906)				(14,906)
1.1 Bonds exempt from U.S. tax					0
1.2 Other bonds (unaffiliated)	407,903	(2,181,000)		(142,012)	(1,915,109)
1.3 Bonds of affiliates					0
2.1 Preferred stocks (unaffiliated)				(70,742)	(70,742)
2.11 Preferred stocks of affiliates					0
2.2 Common stocks (unaffiliated)				(33,131)	(33,131)
2.21 Common stocks of affiliates					0
3. Mortgage loans					0
4. Real estate					0
5. Contract loans					0
6. Cash/Short-term investments					0
7. Derivative instruments					0
8. Other invested assets					0
9. Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10. Total capital gains (losses)	392,997	(2,181,000)	0	(245,885)	(2,033,888)
<b>DETAILS OF WRITE-INS</b>					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0	0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company**

**EXHIBIT - 1 PART 1 - PREMIUMS AND ANNUITY CONSIDERATIONS FOR LIFE AND ACCIDENT AND HEALTH POLICIES AND CONTRACTS**

	1		2		3 Ordinary		4	5	6 Group		7 Accident and Health		8	9	10	11
	Total	Industrial Life	Life Insurance	Individual Annuities	Credit Life (Group and Individual)	Life Insurance			Annuities	Group	Credit (Group and Individual)	Other				
<b>FIRST YEAR (other than single)</b>																
1. Uncollected	114,904		5,469													109,435
2. Deferred and accrued	183,703		183,703													
3. Deferred, accrued and uncollected:																
3.1 Direct	298,607		189,172													109,435
3.2 Reinsurance assumed	0		0													
3.3 Reinsurance ceded	0		0													
3.4 Net (Line 1 + Line 2)	298,607	0	189,172	0	0	0	0	0	0	0	0	0	0	0	0	109,435
4. Advance	2,084	0	474	0	0	0	0	0	0	0	0	0	0	0	0	1,610
5. Line 3.4 - Line 4	296,523	0	188,698	0	0	0	0	0	0	0	0	0	0	0	0	107,825
6. Collected during year:																
6.1 Direct	3,240,994		665,444			69				288,127						2,287,354
6.2 Reinsurance assumed	6,964		0			0				0						6,964
6.3 Reinsurance ceded	949,122		860,353			69				0						88,769
6.4 Net	2,298,836	0	(194,909)	0	0	69	0	0	0	288,127	0	0	0	0	0	2,205,549
7. Line 5 + Line 6.4	2,595,359	0	(6,211)	0	0	69	0	0	0	288,127	0	0	0	0	0	2,313,374
8. Prior year (uncollected + deferred and accrued - advance)	210,134	0	59,409	0	0	0	0	0	0	0	0	0	0	0	0	150,725
9. First year premiums and considerations:																
9.1 Direct	3,327,383	0	794,733	0	0	69	0	0	0	288,127	0	0	0	0	0	2,244,454
9.2 Reinsurance assumed	6,964	0	0	0	0	0	0	0	0	6,964	0	0	0	0	0	6,964
9.3 Reinsurance ceded	949,122	0	860,353	0	0	69	0	0	0	0	0	0	0	0	0	88,769
9.4 Net (Line 7 - Line 8)	2,385,225	0	(65,620)	0	0	69	0	0	0	288,127	0	0	0	0	0	2,162,649
<b>SINGLE</b>																
10. Single premiums and considerations:																
10.1 Direct	106,077,772		413,244	105,664,528												
10.2 Reinsurance assumed	0		0	0												
10.3 Reinsurance ceded	0		0	0												
10.4 Net	106,077,772	0	413,244	105,664,528	0	0	0	0	0	0	0	0	0	0	0	0
<b>RENEWAL</b>																
11. Uncollected	633,377		323,553	168	7,359	6,513										295,784
12. Deferred and accrued	2,383,019		2,382,737	282												
13. Deferred, accrued and uncollected:																
13.1 Direct	3,033,784		2,725,421	450	7,359	6,513										294,041
13.2 Reinsurance assumed	37,137		34,358													2,779
13.3 Reinsurance ceded	54,525		53,489													1,036
13.4 Net (Line 11 + Line 12)	3,016,396	0	2,706,290	450	7,359	6,513	0	0	0	0	0	0	0	0	0	295,784
14. Advance	353,933	0	106,905	0	0	3,063	0	0	0	0	0	0	0	0	0	243,965
15. Line 13.4 - Line 14	2,662,463	0	2,599,385	450	7,359	3,450	0	0	0	0	0	0	0	0	0	51,819
16. Collected during year:																
16.1 Direct	31,088,240		13,298,705	25,821	40,581	437,384				2,969						17,282,780
16.2 Reinsurance assumed	70,735		69,581													1,154
16.3 Reinsurance ceded	119,815,641		119,781,803													33,838
16.4 Net	(88,656,666)	0	(106,413,517)	25,821	40,581	437,384	0	0	0	2,969	0	0	0	0	0	17,250,096
17. Line 15 + Line 16.4	(85,994,203)	0	(103,814,132)	26,271	47,940	440,834	0	0	0	2,969	0	0	0	0	0	17,301,915
18. Prior year (uncollected + deferred and accrued - advance)	3,023,494	0	2,951,629	395	4,175	18,651	0	0	0	0	0	0	0	0	0	48,644
19. Renewal premiums and considerations:																
19.1 Direct	30,727,003	0	12,943,671	25,876	43,765	422,183	0	0	0	2,969	0	0	0	0	0	17,288,539
19.2 Reinsurance assumed	69,110	0	69,951	0	0	0	0	0	0	0	0	0	0	0	0	(841)
19.3 Reinsurance ceded	119,813,810	0	119,779,383	0	0	0	0	0	0	0	0	0	0	0	0	34,427
19.4 Net (Line 17 - Line 18)	(89,017,697)	0	(106,765,761)	25,876	43,765	422,183	0	0	0	2,969	0	0	0	0	0	17,253,271
<b>TOTAL</b>																
20. Total premiums and annuity considerations:																
20.1 Direct	140,132,158	0	14,151,648	105,690,404	43,765	422,252	0	0	0	291,096	0	0	0	0	0	19,532,993
20.2 Reinsurance assumed	76,074	0	69,951	0	0	0	0	0	0	0	0	0	0	0	0	6,123
20.3 Reinsurance ceded	120,762,932	0	120,639,736	0	0	0	0	0	0	0	0	0	0	0	0	123,196
20.4 Net (Line 9.4 + 10.4 + 19.4)	19,445,300	0	(106,418,137)	105,690,404	43,765	422,252	0	0	0	291,096	0	0	0	0	0	19,415,920

6

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company

**EXHIBIT 1 - PART 2 - DIVIDENDS AND COUPONS APPLIED, REINSURANCE COMMISSIONS AND EXPENSE ALLOWANCES AND COMMISSIONS INCURRED (direct business only)**

	1 Total	2 Industrial Life	3 Ordinary		5 Credit Life (Group and Individual)	6 Group		8 Accident and Health			11 Aggregate of All Other Lines of Business
			3 Life Insurance	4 Individual Annuities		6 Life Insurance	7 Annuities	8 Group	9 Credit (Group and Individual)	10 Other	
<b>DIVIDENDS AND COUPONS APPLIED (included in Part 1)</b>											
21. To pay renewal premiums (Exhibit 4, Line 1) .....	12,460		12,460								
22. All other (Exhibit 4, Lines 2, 3 & 4) .....	33,776		33,776								
<b>REINSURANCE COMMISSIONS AND EXPENSE ALLOWANCES INCURRED</b>											
23. First year (other than single):											
23.1 Reinsurance ceded .....	0										
23.2 Reinsurance assumed .....	0										
23.3 Net ceded less assumed .....	0	0	0	0	0	0	0	0	0	0	0
24. Single:											
24.1 Reinsurance ceded .....	0										
24.2 Reinsurance assumed .....	0										
24.3 Net ceded less assumed .....	0	0	0	0	0	0	0	0	0	0	0
25. Renewal:											
25.1 Reinsurance ceded .....	4,262,953		4,254,773							8,180	
25.2 Reinsurance assumed .....	6,316					5,176				1,140	
25.3 Net ceded less assumed .....	4,256,637	0	4,254,773	0	0	(5,176)	0	0	0	7,040	0
26. Totals:											
26.1 Reinsurance ceded (Page 6, Line 6) .....	4,262,953	0	4,254,773	0	0	0	0	0	0	8,180	0
26.2 Reinsurance assumed (Page 6, Line 23) .....	6,316	0	0	0	0	5,176	0	0	0	1,140	0
26.3 Net ceded less assumed .....	4,256,637	0	4,254,773	0	0	(5,176)	0	0	0	7,040	0
<b>COMMISSIONS INCURRED (direct business only)</b>											
27. First year (other than single) .....	2,006,202		420,563							1,585,639	
28. Single .....	11,552,982			11,552,982						0	
29. Renewal .....	2,010,232		599,027		6,551					1,404,654	
30. Deposit-type contract funds .....	0										
31. Totals (to agree with Page 6, Line 21) .....	15,569,416	0	1,019,590	11,552,982	6,551	0	0	0	0	2,990,293	0

10

**EXHIBIT 2 - GENERAL EXPENSES**

	Insurance			4 Investment	5 Total
	1 Life	2 Accident and Health	3 All Other Lines of Business		
1. Rent	272,024	210,778			482,802
2. Salaries and wages	3,119,722	1,944,634			5,064,356
3.11 Contributions for benefit plans for employees	357,462	231,881			589,343
3.12 Contributions for benefit plans for agents	0	0			0
3.21 Payments to employees under non-funded benefit plans	0	0			0
3.22 Payments to agents under non-funded benefit plans	0	0			0
3.31 Other employee welfare	112,079	82,843			194,922
3.32 Other agent welfare	13,564	14,488			28,052
4.1 Legal fees and expenses	21,682	9,887			31,569
4.2 Medical examination fees	82,265	14,066			96,331
4.3 Inspection report fees	10,317	31			10,348
4.4 Fees of public accountants and consulting actuaries	(21,066)	(29,755)			(50,821)
4.5 Expense of investigation and settlement of policy claims	12,803	17,644			30,447
5.1 Traveling expenses	106,909	78,347			185,256
5.2 Advertising	26,588	32,877			59,465
5.3 Postage, express, telegraph and telephone	319,502	340,275			659,777
5.4 Printing and stationery	82,099	32,160			114,259
5.5 Cost or depreciation of furniture and equipment	77,148	106,320			183,468
5.6 Rental of equipment	15,949	9,420			25,369
5.7 Cost or depreciation of EDP equipment and software	41,284	42,388			83,672
6.1 Books and periodicals	9,074	4,399			13,473
6.2 Bureau and association fees	33,012	39,562			72,574
6.3 Insurance, except on real estate	26,685	14,822			41,507
6.4 Miscellaneous losses	57	73			130
6.5 Collection and bank service charges	117,196	139,461			256,657
6.6 Sundry general expenses	195,717	(6,212)			189,505
6.7 Group service and administration fees	374,835	319,767			694,602
6.8 Reimbursements by uninsured accident and health plans	0	0			0
7.1 Agency expense allowance	155,505	0			155,505
7.2 Agents' balances charged off (less \$ recovered)	27,271	0			27,271
7.3 Agency conferences other than local meetings	44,506	40,817			85,323
9.1 Real estate expenses	0	0			0
9.2 Investment expenses not included elsewhere	0	0		160,040	160,040
9.3 Aggregate write-ins for expenses	745,058	2,863,154	0	840,000	4,448,212
10. General expenses incurred	6,379,247	6,554,127	0	1,000,040 (a)	13,933,414
11. General expenses unpaid December 31, prior year	3,579,554	4,313,618	0	0	7,893,172
12. General expenses unpaid December 31, current year	2,543,045	3,057,421	0	0	5,600,466
13. Amounts receivable relating to uninsured accident and health plans, prior year	0	0	0	0	0
14. Amounts receivable relating to uninsured accident and health plans, current year	0	0	0	0	0
15. General expenses paid during year (Lines 10+11-12-13+14)	7,415,756	7,810,324	0	1,000,040	16,226,120
<b>DETAILS OF WRITE-INS</b>					
09.301. EDP expenses	1,751,455	2,190,339	0	0	3,941,794
09.302. Consulting fees	207,220	276,437	0	840,000	1,323,657
09.303. Management fee	287,622	396,378	0	0	684,000
09.398. Summary of remaining write-ins for Line 9.3 from overflow page	(1,501,239)	0	0	0	(1,501,239)
09.399. Totals (Lines 09.301 thru 09.303 plus 09.398) (Line 9.3 above)	745,058	2,863,154	0	840,000	4,448,212

(a) Includes management fees of \$ 684,000 to affiliates and \$ 0 to non-affiliates.

**EXHIBIT 3 - TAXES, LICENSES AND FEES (EXCLUDING FEDERAL INCOME TAXES)**

	Insurance			4 Investment	5 Total
	1 Life	2 Accident and Health	3 All Other Lines of Business		
1. Real estate taxes				0	0
2. State insurance department licenses and fees	260,215	136,673			396,888
3. State taxes on premiums	347,510	478,910			826,420
4. Other state taxes, incl. \$ for employee benefits	35,735	49,141			84,876
5. U.S. Social Security taxes	156,778	150,840			307,618
6. All other taxes	20,675	28,493			49,168
7. Taxes, licenses and fees incurred	820,913	844,057	0	0	1,664,970
8. Taxes, licenses and fees unpaid December 31, prior year	460,746	555,231	0	0	1,015,977
9. Taxes, licenses and fees unpaid December 31, current year	339,531	467,914	0	0	807,445
10. Taxes, licenses and fees paid during year (Lines 7 + 8 - 9)	942,128	931,374	0	0	1,873,502

**EXHIBIT 4 - DIVIDENDS OR REFUNDS**

	1	2
	Life	Accident and Health
1. Applied to pay renewal premiums	12,460	
2. Applied to shorten the endowment or premium-paying period	0	
3. Applied to provide paid-up additions	33,776	
4. Applied to provide paid-up annuities	0	
5. Total Lines 1 thru 4	46,236	0
6. Paid in cash	100,398	
7. Left on deposit	219,757	
8. Aggregate write-ins for dividend or refund options	(411,407)	0
9. Total Lines 5 thru 8	(45,016)	0
10. Amount due and unpaid	0	
11. Provision for dividends or refunds payable in the following calendar year	390,063	
12. Terminal dividends	0	
13. Provision for deferred dividend contracts	0	
14. Amount provisionally held for deferred dividend contracts not included in Line 13	0	
15. Total Lines 10 thru 14	390,063	0
16. Total from prior year	223,647	0
17. Total Dividends or refunds (Lines 9 + 15 - 16)	121,400	0
<b>DETAILS OF WRITE-INS</b>		
0801. Dividends On Deposit accrual adjustment	(75,000)	
0802. Ceded Dividends - HLR	(336,407)	
0803.		
0898. Summary of remaining write-ins for Line 8 from overflow page	0	0
0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above)	(411,407)	0

**EXHIBIT 5 - AGGREGATE RESERVE FOR LIFE CONTRACTS**

1		2	3	4	5	6
Valuation Standard		Total	Industrial	Ordinary	Credit (Group and Individual)	Group
<b>A. LIFE INSURANCE:</b>						
0100001.	AM(5) 3.00%	28,516		28,516		
0100002.	41 CET 3.00%	49,114		49,114		
0100003.	41 CSJ 3.00%	1,860		1,860		
0100004.	41 CSO 2.50%	16,392		16,392		
0100005.	41 CSO 2.50% CRVM	13,712		13,712		
0100006.	41 CSO 2.75% CRVM	128,590		128,590		
0100007.	41 CSO 3.00%	4,678,853		4,678,853		
0100008.	41 CSO 3.00% CRVM	1,326,520		1,326,520		
0100009.	58 CET 2.50%	141,418		141,418		
0100010.	58 CET 3.00%	1,363,144		1,363,144		
0100011.	58 CET 3.50%	872,756		872,756		
0100012.	58 CET 4.00%	2,416		2,416		
0100013.	58 CET 4.50%	52,551		52,551		
0100014.	58 CSO 2.00%	41,030		41,030		
0100015.	58 CSO 2.50%	154,929		154,929		
0100016.	58 CSO 2.50% CRVM	36,797		36,797		
0100017.	58 CSO 2.75% CRVM	93,358		93,358		
0100018.	58 CSO 3.00%	6,880,565		6,880,565		
0100019.	58 CSO 3.00% CRVM	54,946,770		54,946,770		
0100020.	58 CSO 3.50%	779,206		779,206		
0100021.	58 CSO 3.50% CRVM	14,585,269		14,585,269		
0100022.	58 CSO 4.00%	75,348		75,348		
0100023.	58 CSO 4.00% CRVM	14,151,387		14,151,387		
0100024.	58 CSO 4.50%	290,274		290,274		
0100025.	58 CSO 4.50% CRVM	23,144,072		23,144,072		
0100026.	58 CSO 4.50% CRVM ALB	136,824		136,824		
0100027.	58 CSO 4.50%/20/3.5% CRVM	6,278,404		6,278,404		
0100028.	58 CSO 5.50% CRVM ALB	14,809		14,809		
0100029.	80 CET 3.50%	6,666		6,666		
0100030.	80 CET 4.50%	21,496		21,496		
0100031.	80 CET 5.00%	11,728		11,728		
0100032.	80 CET 5.50%	29,310		29,310		
0100033.	80 CET 6.00%	689		689		
0100034.	80 CSO 3.50%	909		909		
0100035.	80 CSO 3.50% CRVM	285,203		285,203		
0100036.	80 CSO 4.00% CRVM	564,147		564,147		
0100037.	80 CSO 4.50%	185,082		185,082		
0100038.	80 CSO 4.50% CRVM	7,142,723		7,142,723		
0100039.	80 CSO 5.00%	36,451		36,451		
0100040.	80 CSO 5.00% CRVM	3,548,519		3,548,519		
0100041.	80 CSO 5.25% CRVM	10,149,808		10,149,808		
0100042.	80 CSO 5.50%	131,007		131,007		
0100043.	80 CSO 5.50% CRVM	10,127,407		10,127,407		
0100044.	ALB	132,722		132,722		
0100045.	80 CSO 6.00% CRVM	2,902,063		2,902,063		
0100046.	Substandard Extra	43,546		43,546		
0100047.	Unearned Premium	20,990			799	20,191
0100048.	58 CET ALB MALE 3.5% NET LEVEL	23,936		23,936		
0100049.	58 CET ALB MALE 4.0% NET LEVEL	761		761		
0100050.	58 CET ANB MALE 3.5% NET LEVEL	20,628	0	20,628		
0100051.	58 CSO ALB MALE 3.5% CRVM	392,807		392,807		
0100052.	58 CSO ALB MALE 4.0% CRVM	62,331		62,331		
0100053.	58 CSO ALB MALE 4.0% NET LEVEL	2,028		2,028		
0100054.	58 CSO ANB MALE 3.0% CRVM	5,005		5,005		
0100055.	58 CSO ANB MALE 3.5% CRVM	122,959		122,959		
0100056.	58 CSO ANB MALE 3.5% NET LEVEL	29,601		29,601		
0100057.	SUBSTANDARD	12		12		
0100058.	1980 CSO 4.0% NET LEVEL	653		653		
0100059.	1980 CSO 4.5% CRVM	157,603		157,603		
0100060.	a-2000 6.25% NLP	12,774		12,774		
0100061.	SUBSTANDARD	2,609		2,609		
0100062.		0		0		
0100063.		0		0		
0100064.		0		0		
0100065.		0		0		
0100066.		0		0		
<b>0199997. Totals (Gross)</b>		<b>166,459,057</b>	<b>0</b>	<b>166,438,067</b>	<b>799</b>	<b>20,191</b>
<b>0199998. Reinsurance ceded</b>		<b>140,300,782</b>		<b>140,300,782</b>		
<b>0199999. Totals (Net)</b>		<b>26,158,275</b>	<b>0</b>	<b>26,137,285</b>	<b>799</b>	<b>20,191</b>
<b>B. ANNUITIES (excluding supplementary contracts with life contingencies):</b>						
0200001.	51 GA 4.00%	25,135	XXX	0	XXX	25,135
0200002.	71 GA 6.00%	1,352,657	XXX		XXX	1,352,657
0200003.	71 IA 7.00%	390,825	XXX	390,825	XXX	
0200004.	1949-a Female 7.00%	14,160	XXX	14,160	XXX	
0200005.	2.75% Accumulation (Deferred)	190,066	XXX	190,066	XXX	
0200006.	Net Premium Accumulation	2,150,274	XXX	2,150,274	XXX	
0200007.	A-2000 5.00%	586,294	XXX	586,294	XXX	
0200008.	A-2000 5.25%	2,668,120	XXX	2,668,120	XXX	
0200009.	A-2000 5.50%	97,585,918	XXX	97,585,918	XXX	
0200010.	A-2000 5.75%	3,587,666	XXX	3,587,666	XXX	
<b>0299997. Totals (Gross)</b>		<b>108,551,115</b>	<b>XXX</b>	<b>107,173,323</b>	<b>XXX</b>	<b>1,377,792</b>
<b>0299998. Reinsurance ceded</b>		<b>0</b>	<b>XXX</b>		<b>XXX</b>	
<b>0299999. Totals (Net)</b>		<b>108,551,115</b>	<b>XXX</b>	<b>107,173,323</b>	<b>XXX</b>	<b>1,377,792</b>
<b>C. SUPPLEMENTARY CONTRACTS WITH LIFE CONTINGENCIES:</b>						
0300001.	71 IA 3.00%	7,701		7,701		
0300002.	71 IA 5.00%	292,318		292,318		
0300003.	71 IA 6.00%	27,531		27,531		
0300004.	71 IA 6.75%	1,693		1,693		
0300005.	71 IA 7.50%	5,179		5,179		
0300006.	71 IA 10.5%	82,292		82,292		
0300007.	83 IA 4.50%	115,255		115,255		
0300008.	83 IA 4.75%	136,706		136,706		
<b>0399997. Totals (Gross)</b>		<b>668,675</b>	<b>0</b>	<b>668,675</b>	<b>0</b>	<b>0</b>
<b>0399998. Reinsurance ceded</b>		<b>0</b>				
<b>0399999. Totals (Net)</b>		<b>668,675</b>	<b>0</b>	<b>668,675</b>	<b>0</b>	<b>0</b>
<b>D. ACCIDENTAL DEATH BENEFITS:</b>						
0400001.	59 ADB 3.00%	247,754		247,754		
0400002.	59 ADB 58 CSO 3.0% NET LEVEL	286		286		
<b>0499997. Totals (Gross)</b>		<b>248,040</b>	<b>0</b>	<b>248,040</b>	<b>0</b>	<b>0</b>
<b>0499998. Reinsurance ceded</b>		<b>184,674</b>		<b>184,674</b>		
<b>0499999. Totals (Net)</b>		<b>63,366</b>	<b>0</b>	<b>63,366</b>	<b>0</b>	<b>0</b>
<b>E. DISABILITY-ACTIVE LIVES:</b>						
0500001.	52 DIS 58 CSO 3.00% NL	175,285		175,285		

**EXHIBIT 5 - AGGREGATE RESERVE FOR LIFE CONTRACTS**

1		2	3	4	5	6
Valuation Standard		Total	Industrial	Ordinary	Credit (Group and Individual)	Group
0500002.	Unearned Premium - Payor.....	3,800		3,800		
0500003.	52 DIS 58 CSO 3.0%.....	7,886		7,886		
0500004.	1952 Dis Study_Per 2 Ben 5 with 1980 CSO 4%.....	1,140		1,140		
<b>0599997. Totals (Gross)</b>		<b>188,111</b>	<b>0</b>	<b>188,111</b>	<b>0</b>	<b>0</b>
<b>0599998. Reinsurance ceded</b>		<b>153,411</b>		<b>153,411</b>		
<b>0599999. Totals (Net)</b>		<b>34,700</b>	<b>0</b>	<b>34,700</b>	<b>0</b>	<b>0</b>
<b>F. DISABILITY-DISABLED LIVES:</b>						
0600001.	52 DIS / 58 CSO 3.0% BEN 4.....	343,844		343,844		
0600002.	52 DIS / 58 CSO 3.0% BEN 5.....	869,454		869,454		
0600003.	70 GROUP DIS 3.5%.....	8,635				8,635
0600004.	52 DIS 58 CSO 3.5%.....	4,026		4,026		
<b>0699997. Totals (Gross)</b>		<b>1,225,959</b>	<b>0</b>	<b>1,217,324</b>	<b>0</b>	<b>8,635</b>
<b>0699998. Reinsurance ceded</b>		<b>1,126,079</b>		<b>1,126,079</b>		
<b>0699999. Totals (Net)</b>		<b>99,880</b>	<b>0</b>	<b>91,245</b>	<b>0</b>	<b>8,635</b>
<b>G. MISCELLANEOUS RESERVES</b>						
0700001.	Deficiency Reserves.....	8,241		8,241		
0700002.	Non-deduction Reserves.....	574,688		574,688		
0700003.	IPC Reserves.....	2,841,197		2,841,197		
0700004.	Guaranteed Insurability Riders.....	71,062		71,062		
0700005.	NONDEDUCTION RESERVES.....	4,721		4,721		
0700006.	DEFICIENCY RESERVES.....	29,452		29,452		
0700007.	IPC RESERVES.....	8,930		8,930		
0700008.	Deficiency Reserves.....	450,000		450,000		
0700009.	IPC.....	0				
0700010.	Guaranteed Insurability Riders.....	0				
<b>0799997. Totals (Gross)</b>		<b>3,988,291</b>	<b>0</b>	<b>3,988,291</b>	<b>0</b>	<b>0</b>
<b>0799998. Reinsurance ceded</b>		<b>3,400,254</b>		<b>3,400,254</b>		
<b>0799999. Totals (Net)</b>		<b>588,037</b>	<b>0</b>	<b>588,037</b>	<b>0</b>	<b>0</b>
<b>9999999. Totals (Net) - (Page 3, Line 1)</b>		<b>136,164,048</b>	<b>0</b>	<b>134,756,631</b>	<b>799</b>	<b>1,406,618</b>



**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company**

**EXHIBIT 6 - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS**

	1 Total	2 Group Accident and Health	3 Credit Accident and Health (Group and Individual)	4 Collectively Renewable	Other Individual Contracts				
					5 Non-Cancelable	6 Guaranteed Renewable	7 Non-Renewable for Stated Reasons Only	8 Other Accident Only	9 All Other
<b>ACTIVE LIFE RESERVE</b>									
1. Unearned premium reserve	1,170,676	17,545		9,951	223	1,142,957			
2. Additional contract reserves (a)	26,704,967	280,832		545,410	4,573	25,874,152			
3. Additional actuarial reserves-Asset/Liability analysis	0								
4. Reserve for future contingent benefits	0								
5. Reserve for rate credits	0								
6. Aggregate write-ins for reserves	0	0	0	0	0	0	0	0	0
7. Totals (Gross)	27,875,643	298,377	0	555,361	4,796	27,017,109	0	0	0
8. Reinsurance ceded	19,366					19,366			
9. Totals (Net)	27,856,277	298,377	0	555,361	4,796	26,997,743	0	0	0
<b>CLAIM RESERVE</b>									
10. Present value of amounts not yet due on claims	3,692,619	40,291		74,993	648	3,576,687			
11. Additional actuarial reserves-Asset/Liability analysis	0								
12. Reserve for future contingent benefits	0								
13. Aggregate write-ins for reserves	0	0	0	0	0	0	0	0	0
14. Totals (Gross)	3,692,619	40,291	0	74,993	648	3,576,687	0	0	0
15. Reinsurance ceded	0								
16. Totals (Net)	3,692,619	40,291	0	74,993	648	3,576,687	0	0	0
17. <b>TOTAL (Net)</b>	31,548,896	338,668	0	630,354	5,444	30,574,430	0	0	0
18. <b>TABULAR FUND INTEREST</b>	780,028	8,353		16,891	149	754,635			
<b>DETAILS OF WRITE-INS</b>									
0601.									
0602.									
0603.									
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0	0	0	0
0699. TOTALS (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0	0	0	0
1301.									
1302.									
1303.									
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0
1399. TOTALS (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0

(a) Attach statement as to valuation standard used in calculating this reserve, specifying reserve bases, interest rates and methods.

**EXHIBIT 7 - DEPOSIT TYPE CONTRACTS**

	1 Total	2 Guaranteed Interest Contracts	3 Supplemental Contracts and Annuities Certain	4 Dividend Accumulations or Refunds	5 Premium and Other Deposit Funds	6 Other
1. Balance at the beginning of the year before reinsurance .....	8,239,152		106,793	5,763,859	2,368,500	
2. Deposits received during the year .....	431,472		0	260,364	171,108	
3. Investment earnings credited to the account .....	264,073		5,052	169,814	89,207	
4. Other net change in reserves .....	4,332		4,332			
5. Fees and other charges assessed .....	0					
6. Surrender charges .....	0					
7. Net surrender or withdrawal payments .....	753,590		20,447	636,948	96,195	
8. Other net transfers to or (from) Separate Accounts .....	0					
9. Balance at the end of current year before reinsurance (Lines 1+2+3+4-5-6-7-8) .....	8,185,439	0	95,730	5,557,089	2,532,620	0
10. Reinsurance balance at the beginning of the year .....	0					
11. Net change in reinsurance assumed .....	0					
12. Net change in reinsurance ceded .....	0					
13. Reinsurance balance at the end of the year (Lines 10+11-12) .....	0	0	0	0	0	0
14. Net balance at the end of current year after reinsurance (Lines 9 + 13)	8,185,439	0	95,730	5,557,089	2,532,620	0

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company**

**EXHIBIT 8 - CLAIMS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS**

**PART 1 - Liability End of Current Year**

	1 Total	2 Industrial Life	Ordinary			6 Credit Life (Group and Individual)	Group		Accident and Health		
			3 Life Insurance	4 Individual Annuities	5 Supplementary Contracts		7 Life Insurance	8 Annuities	9 Group	10 Credit (Group and Individual)	11 Other
<b>1. Due and Unpaid:</b>											
1.1 Direct .....	.0										
1.2 Reinsurance assumed .....	.0										
1.3 Reinsurance ceded .....	.0										
1.4 Net .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
<b>2. In course of settlement:</b>											
2.1 Resisted .....											
2.11 Direct .....	.0										
2.12 Reinsurance assumed .....	.0										
2.13 Reinsurance ceded .....	.0										
2.14 Net .....	.0	.0	(b) .0	(b) .0	.0	(b) .0	(b) .0	.0	.0	.0	.0
2.2 Other .....											
2.21 Direct .....	1,373,296		1,283,529				89,767				
2.22 Reinsurance assumed .....	.0						.0				
2.23 Reinsurance ceded .....	162,442		162,442								
2.24 Net .....	1,210,854	.0	(b) 1,121,087	(b) .0	.0	(b) .0	(b) 89,767	.0	(b) .0	(b) .0	(b) .0
<b>3. Incurred but unreported:</b>											
3.1 Direct .....	4,255,805		900,000				29,600		35,603		3,290,602
3.2 Reinsurance assumed .....	44,628										44,628
3.3 Reinsurance ceded .....	19,100										19,100
3.4 Net .....	4,281,333	.0	(b) 900,000	(b) .0	.0	(b) .0	(b) 29,600	.0	(b) 35,603	(b) .0	(b) 3,316,130
<b>4. TOTALS</b> .....											
4.1 Direct .....	5,629,101	.0	2,183,529	.0	.0	.0	119,367	.0	35,603	.0	3,290,602
4.2 Reinsurance assumed .....	44,628	.0	.0	.0	.0	.0	.0	.0	.0	.0	44,628
4.3 Reinsurance ceded .....	181,542	0	162,442	0	0	0	0	0	0	0	19,100
4.4 Net .....	5,492,187	(a) 0	(a) 2,021,087	0	0	0	(a) 119,367	0	35,603	0	3,316,130

(a) Including matured endowments (but not guaranteed annual pure endowments) unpaid amounting to \$ .....0 in Column 2, \$ .....0 in Column 3 and \$ .....0 in Column 7.

(b) Include only portion of disability and accident and health claim liabilities applicable to assumed "accrued" benefits. Reserves (including reinsurance assumed and net of reinsurance ceded) for unaccrued benefits for Ordinary Life Insurance \$ .....415,663  
 Individual Annuities \$ .....16,988 , Credit Life (Group and Individual) \$ .....990 , and Group Life \$ .....6,012 , are included in Page 3, Line 1, (See Exhibit 5, Section on Disability Disabled Lives); and for Group Accident and Health \$ .....14,511 ,  
 Credit (Group and Individual) Accident and Health \$ .....0 , and Other Accident and Health \$ .....0 are included in Page 3, Line 2 (See Exhibit 6, Claim Reserve).

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company**

**EXHIBIT 8 - CLAIMS FOR LIFE AND ACCIDENT AND HEALTH CONTRACTS**

**PART 2 - Incurred During the Year**

	1 Total	2 Industrial Life (a)	Ordinary			6 Credit Life (Group and Individual)	Group		Accident and Health		
			3 Life Insurance (b)	4 Individual Annuities	5 Supplementary Contracts		7 Life Insurance (c)	8 Annuities	9 Group	10 Credit (Group and Individual)	11 Other
<b>1. Settlements During the Year:</b>											
1.1 Direct	23,483,596		9,975,931	407,722	164,000	23,763	144,281		348,284		12,419,615
1.2 Reinsurance assumed	54,899		35,321								19,578
1.3 Reinsurance ceded	9,423,646		9,388,681								34,965
1.4 Net	14,114,849	0	622,571	407,722	164,000	23,763	144,281	0	348,284	0	12,404,228
<b>2. Liability December 31, current year from Part 1:</b>											
2.1 Direct	5,629,101	0	2,183,529	0	0	0	119,367	0	35,603	0	3,290,602
2.2 Reinsurance assumed	44,628	0	0	0	0	0	0	0	0	0	44,628
2.3 Reinsurance ceded	181,542	0	162,442	0	0	0	0	0	0	0	19,100
2.4 Net	5,492,187	0	2,021,087	0	0	0	119,367	0	35,603	0	3,316,130
<b>3. Amounts recoverable from reinsurers December 31, current year</b>	30,000		30,000								
<b>4. Liability December 31, prior year:</b>											
4.1 Direct	5,370,995	0	2,115,726	0	0	0	79,600	0	36,706	0	3,138,963
4.2 Reinsurance assumed	60,938	0	0	0	0	0	0	0	0	0	60,938
4.3 Reinsurance ceded	206,833	0	172,197	0	0	0	0	0	0	0	34,636
4.4 Net	5,225,100	0	1,943,529	0	0	0	79,600	0	36,706	0	3,165,265
<b>5. Amounts recoverable from reinsurers December 31, prior year</b>	251,833	0	251,833	0	0	0	0	0	0	0	0
<b>6. Incurred Benefits:</b>											
6.1 Direct	23,741,702	0	10,043,734	407,722	164,000	23,763	184,048	0	347,181	0	12,571,254
6.2 Reinsurance assumed	38,589	0	35,321	0	0	0	0	0	0	0	3,268
6.3 Reinsurance ceded	9,176,522	0	9,157,093	0	0	0	0	0	0	0	19,429
6.4 Net	14,603,769	0	921,962	407,722	164,000	23,763	184,048	0	347,181	0	12,555,093

- (a) Including matured endowments (but not guaranteed annual pure endowments) amounting to \$ ..... in Line 1.1, \$ ..... in Line 1.4.  
 \$ ..... in Line 6.1 and \$ ..... in Line 6.4.
- (b) Including matured endowments (but not guaranteed annual pure endowments) amounting to \$ .....65,379 in Line 1.1, \$ .....12,794 in Line 1.4.  
 \$ .....65,379 in Line 6.1 and \$ .....12,794 in Line 6.4.
- (c) Including matured endowments (but not guaranteed annual pure endowments) amounting to \$ ..... in Line 1.1, \$ ..... in Line 1.4.  
 \$ ..... in Line 6.1 and \$ ..... in Line 6.4.
- (d) Includes \$ .....premiums waived under total and permanent disability benefits.

**EXHIBIT 9**  
**ANALYSIS OF NON-ADMITTED ASSETS AND RELATED ITEMS**

	1	2	3
	End of Current Year	End of Prior Year	Changes for Year (Increase) or Decrease
1. Summary of Items Page 2, Lines 12 to 17 and 19 to 22, Column 2.....	6,934,671	8,086,537	1,151,866
2. Other Nonadmitted Assets:			
2.1 Bills receivable .....		.0	.0
2.2 Furniture and equipment .....		842,590	842,590
2.3 Leasehold improvements .....		.0	.0
2.4 Cash advanced to or in the hands of officers or agents .....		.0	.0
2.5 Loans on personal security, endorsed or not .....		.0	.0
2.6 Supplies, stationery, printed matter .....		.0	.0
2.7 Commuted commissions .....		.0	.0
3. Total (Lines 2.1 thru 2.7) .....	.0	842,590	842,590
4. Disallowed interest maintenance reserve .....	292,810	.0	(292,810)
5. Aggregate write-ins for other assets .....	267,095	708,473	441,378
6. Total (Line 1 plus Lines 3 to 5)	7,494,576	9,637,600	2,143,024
<b>DETAILS OF WRITE-INS</b>			
0501. DEPOSIT & RETURNED CHECKS.....	1,694	95	(1,599)
0502. MISCELLANEOUS ACCOUNTS RECEIVABLE.....	265,401	306,576	41,175
0503. Gross up of prior year non admitted agent debit balances.....		401,802	401,802
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	267,095	708,473	441,378

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Accounting Practices

The financial statements of the Great American Life Insurance Company (the "Company") are presented on the basis of accounting practices prescribed or permitted by the Ohio Insurance Department.

The Ohio Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures* manual, version effective March, 2002, ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Ohio.

#### B. Use of Estimates in Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### C. Accounting Policy

Life premiums are recognized as income over the premium paying period of the related policies. Annuity considerations are recognized as revenue when received. Health premiums are earned ratably over the terms of the related insurance. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. The Company pays dividends to participating policyholders..

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at cost.
- (2) Bonds not backed by other loans are stated at amortized cost.
- (3) Common stocks are stated at market, except investments in stocks of wholly owned subsidiaries which are carried on the equity basis.
- (4) Preferred stocks are stated at adjusted carrying value.
- (5) Mortgage loans on real estate and policy loans are stated at the aggregate unpaid balance.
- (6) Loan-backed bonds and structured securities, rated 1 through 5 are stated at amortized cost using the interest method. Securities rated 6 are stated at the lower of amortized cost or market. For loan-backed bonds and structured securities, dealer modeled anticipated prepayment assumptions are used at the date of purchase to determine effective yields. Significant changes in estimated cash flows from the original purchase assumptions are accounted for on a prospective basis.
- (7) The Company does not hold any investment interest in another insurance company.
- (8) The Company does not have any ownership interest in joint ventures.
- (9) The Company does not own any derivatives.
- (10) The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.
- (11) Liabilities for losses and loss/claim adjustment expenses for accident and health contracts are estimated by the Company's valuation actuary using statistical claim development models to develop best estimates of liabilities for medical expense business and using tabular reserves employing mortality/morbidity tables and discount rates specified by regulatory authorities for disability income business.

### 2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

- A. The Company had no material changes in accounting principles and/or the correction of errors.

## NOTES TO FINANCIAL STATEMENTS

- B. Cumulative Effects of Changes in Accounting Principles as a result of the initial implementation of Codification January 1, 2001:

Accounting changes adopted to conform to the provisions of the NAIC SAP - version effective January 1, 2001 are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. The Company did not report a change of accounting principle during the statement period.

### 3. BUSINESS COMBINATIONS AND GOODWILL

- A. The Company was not involved in any Statutory Purchases
- B. The Company was not involved in any statutory mergers.
- C. The Company did not enter into any assumed reinsurance agreements.
- D. The Company did not recognize any impairment losses.

### 4. DISCONTINUED OPERATIONS

The Company has no discontinued operations.

### 5. INVESTMENTS

#### A. Mortgage Loans

- (1) The maximum and minimum lending rates for mortgage loans during 2002 were:

During 2002, the Company did not originate any new mortgage loans.

- (2) During 2002, the Company did not reduce interest rates of outstanding mortgage loans.

- (3) The maximum percentage of any one loan to the value of security at the time of the loans, exclusive of insured or guaranteed mortgages or Purchase money mortgages, was 75%.

	<u>2002</u>	<u>2001</u>
(4) As of year-end the Company held mortgages with interest more than 180 days past due with a recorded investment , excluding accrued interest	\$ 0	\$ 0
Total interest due on mortgages with interest more than 180 days past due	\$ 27,265	\$ 27,266
(5) Taxes, assessments and any amounts advanced and not included in the mortgage loan total	\$ 0	\$ 0
(6) Current year impaired loans with a related allowance for credit losses	\$ 0	\$ 0
Related allowance for credit losses	\$ 0	\$ 0
(7) Impaired Mortgage loans without an allowance for credit losses	\$ 0	\$ 0
(8) Average recorded investment in impaired loans	\$ 0	\$ 0
(9) Interest income recognized during the period the loans were impaired on a cash basis during the period the loans were impaired	\$ 2,878	\$ 5,549
(10) Interest income of impaired loans is processed as a pay-down on the outstanding balance.	\$ 0	\$ 2,766

## NOTES TO FINANCIAL STATEMENTS

### B. Debt Restructuring

The Company has no invested assets that are restructured debt.

### C. The Company has no investment in reverse mortgages.

### D. Loan-Backed Securities

- (1) The company has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date.
- (2) The Company uses dealer modeled prepayment assumptions to determine effective yields for loan-backed bonds and structured securities. The prospective adjustment method is used to value the loan-backed bonds and structured securities.
- (3) Generally market values for publicly traded investment grade bonds were obtained from Interactive Data Services, Inc., a national and municipal security pricing service; EJV Partners, L.P., a national and taxable municipal security pricing service; or Merrill Lynch Pricing Service, a national security pricing service.

Market values for the privately placed investment grade bonds were determined by either Merrill Lynch Pricing Service or by comparison to similar investments in the public market by security analysis of American Money Management Corporation ("AMM"), manager of the Company's investment portfolio. Market values for preferred stocks and non-investment grade bonds were obtained from the Securities Valuation Office of the NAIC.

- (4) The Company did not change from the retrospective to the prospective adjustment methodology due to negative yield on specific securities.

### E. The Company does not have any repurchase agreements.

## 6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

- A. The Company has no investments in joint ventures, partnerships or limited liability companies.

## 7. INVESTMENT INCOME

- A. Due and accrued income is excluded from surplus on the following bases:

All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loans in default.

- B. The amount of investment income due and accrued that is excluded from surplus is \$0 .

## 8. DERIVATIVE INSTRUMENTS

The Company's investment objectives do not include the use of derivative financial instruments. The Company holds no derivative instruments.

## 9. INCOME TAXES

- A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

	<u>2002</u>	<u>2001</u>
(1) Total of all deferred tax assets (admitted and nonadmitted)	\$ 9,096,708	\$ 9,255,192
(2) Total of all deferred tax liabilities	( 954,626)	(1,052,888)
(2) Total deferred tax assets nonadmitted in accordance with SSAP No. 10, Income Taxes	<u>5,119,524</u>	<u>6,428,179</u>
(3) Total of all deferred tax assets	<u>\$ 3,022,559</u>	<u>\$ 1,774,125</u>
(4) Increase (decrease) in deferred tax assets nonadmitted	<u>\$ (1,308,655)</u>	<u>\$ (5,122,556)</u>

- B. As of December 31, the Company had a balance of \$8,500,000 in its Policyholder Surplus account under provisions of the Internal Revenue Code. This amount could become taxable to the extent that future shareholder dividends are paid from this account.

## NOTES TO FINANCIAL STATEMENTS

- C. The components of incurred income tax expense and the change in DTAs and DTLs are as follows:

		<u>2002</u>	<u>2001</u>
(1)	Current income tax expense (benefit)	\$(2,862,700)	\$7,284,000
(2)	Change in DTAs	\$ 1,150,170	\$ (342,579)
	Change in DTLs	\$ (98,262)	\$ (325,301)
(3)	Investment Tax Credit	\$ 0	\$ 0
(4)	Benefit of Operating Loss Carry Forward	\$ 0	\$ 4,400,000
(5)	Adjustment of DTA or DTL	\$ 0	\$ 0

- D. The Company's income tax expense and change in DTA/DTL differs from the amount obtained by applying the federal statutory rate of 35% to net gain from operations after dividends to policyholders for the following reasons:

		<u>2002</u>	<u>2001</u>
(1)	Expected federal income tax expense (benefit) on operations	\$ (102,648)	\$ (1,180,872)
(2)	Tax impact of Hannover reinsurance	(3,346,000)	0
(3)	NOL Carryforward	0	(4,446,841)
(4)	Prior year federal income tax true-up	(396,886)	0
(5)	Other amounts	<u>982,834</u>	<u>2,503,713</u>
(6)	Total incurred income tax expense (Page 4, line 32)	<u>\$(2,862,700)</u>	<u>\$ (3,124,000)</u>

- E. (1) As of December 31, 2002 the Company does not have any operating loss carryforward available to offset future net income subject to federal income taxes.

- (2) The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

2002	\$ (396,886)
2001	\$ 5,736,952
2000	\$ 0

- F. (1) The Company's federal income tax return is consolidated with the following entities:

AAG Holding Company, Inc.	AAG Insurance Agency, Inc.
AAG Insurance Agency of Alabama, Inc.	AAG Insurance Agency of Massachusetts, Inc.
AAG Insurance Agency of Texas, Inc.	ADL Financial Services, Inc.
AFC Coal Properties, Inc.	American Commonwealth Development Company
American DataSolutions International, Inc.	American Deposit Insurance Company
American Empire Insurance Company	American Empire Surplus Lines Insurance Company
American Empire Underwriters, Inc.	American Financial Corporation
American Financial Corporation (Inactive)	American Financial Enterprises, Inc.
American Insurance Agency, Inc.	American Memorial Marketing Services, Inc.
American Money Management Corporation	American Payroll Services, Inc.
American Premier Insurance Company	American Premier Underwriters, Inc.
American Retirement Life Insurance Company	American Signature Underwriters, Inc.
American Special Risk, Inc.	Ann Arbor Railroad Company (The)
Annuity Investors Life Insurance Company	Associates of the Jersey Company (The)
Atlanta Casualty Company	Atlanta Casualty General Agency, Inc.
Atlanta Casualty Group, Inc.	Atlanta Insurance Brokers, Inc.
Atlanta Reserve Insurance Company	Atlanta Specialty Insurance Company
Aviation Specialty Managers, Inc.	Brothers Pennsylvanian Corporation
Brothers Port Richey Corporation	Brothers Property Corporation
Brothers Property Management Corporation	Brothers Railyard Corporation
Budget Insurance Premiums, Inc.	Cal Coal, Inc.
Charleston Harbor Marina, Inc.	CHATBAR, Inc.
Chatham Enterprises, Inc.	Consolidated Financial Corporation
Coventry Insurance Company	Crop Managers Insurance Agency, Inc.
CSW Management Services, Inc.	Delbay Corporation
Dempsey & Siders Agency, Inc.	Detroit Manufacturers Railroad Company
Dixie Terminal Corporation	Driskill Holdings, Inc.
Dudley L. Moore Insurance, Inc.	Eden Park Insurance Brokers, Inc.
ESC, Inc.	Fairmont Holdings, Inc.
FCIA Management Company, Inc.	Fidelity Excess and Surplus Insurance Company
FlexTech Holding Co., Inc.	FWC Corporation
GAI Warranty Company	GAI Warranty Company of Florida
Gains Group, Inc. (The)	GALIC Brothers, Inc.
GALIC Disbursing Company	Global Premier Finance Company
Granite Finance Co., Inc.	Great American Advisors, Inc.
Great American Agency of Texas, Inc.	Great American Alliance Insurance Company
Great American Assurance Company	Great American Claims Services, Inc.
Great American Contemporary Insurance Company	Great American Custom Insurance Services California, Inc.
Great American Custom Insurance Services Illinois, Inc.	Great American Custom Insurance Services, Inc.
Great American Custom Insurance Services Massachusetts, Inc.	Great American Custom Solutions, Inc.
Great American E & S Insurance Company	Great American Fidelity Insurance Company
Great American Financial Resources, Inc.	Great American Holding, Inc.
Great American Insurance Agency, Inc.	Great American Insurance Company
Great American Insurance Company of New York	Great American Life Assurance Company
Great American Life Insurance Company	Great American Lloyd's, Inc.
Great American Lloyd's Insurance Company	Great American Management Services, Inc.

## NOTES TO FINANCIAL STATEMENTS

Great American Protection Insurance Company	Great American Re Inc.
Great American Security Insurance Company	Great American Spirit Insurance Company
Great Southwest Corporation	Grizzly Golf Center, Inc.
Hangar Acquisition Corp.	Indianapolis Union Railway Company (The)
Infinity Agency of Texas, Inc.	Infinity Group, Inc. (The)
Infinity Insurance Company	Infinity National Insurance Company
Infinity Property and Casualty Corporation	Infinity Select Insurance Company
Instech Corporation	Integrated Display Systems, Inc.
Key Largo Group, Inc.	Keyes-Graham Insurance Agency, Inc.
Laurentian Credit Services Corporation	Laurentian Marketing Services, Inc.
Laurentian Securities Corporation	Leader Group, Inc.
Leader Insurance Company	Leader Managing General Agency, Inc.
Leader National Agency, Inc.	Leader Preferred Insurance Company
Leader Specialty Insurance Company	Lehigh Valley Railroad Company
Lifestyle Financial Investments, Inc.	Lifestyle Financial Investments Agency of Ohio, Inc.
Lifestyle Financial Investments of Indiana, Inc.	Lifestyle Financial Investments of the Northwest, Inc.
Loyal American Life Insurance Company	Loyal Marketing Services, Inc.
Marathon Manufacturing Companies, Inc.	Marathon Manufacturing Company
Mid-Continent Casualty Company	Mid-Continent Insurance Company
Money-Plan International, Inc.	Moore Group Inc.
New York and Harlem Railroad Company (The)	Oklahoma Surety Company
One East Fourth, Inc.	Owasco River Railway, Inc. (The)
PCC 38 Corp.	PCC Chicago Realty Corp.
PCC Gun Hill Realty Corp.	PCC Maryland Realty Corp.
PCC Michigan Realty, Inc.	PCC Real Estate, Inc.
PCC Scarsdale Realty Corp.	PCC Technical Industries, Inc.
Penn Camarillo Realty Corp.	Penn Central Energy Management Company
Penn Towers, Inc.	Pennsylvania Company
Pioneer Carpet Mills, Inc.	Pittsburgh and Cross Creek Railroad Company
PLLS, Ltd.	Pointe Apartments, Inc.
Premier Dealer Services, Inc.	Premier Lease & Loan Services Insurance Agency, Inc.
Premier Lease & Loan Services of Canada, Inc.	Professional Risk Brokers of Connecticut, Inc.
Professional Risk Brokers, Inc.	Professional Risk Brokers of Ohio, Inc.
Purity Financial Corporation	Regal Insurance Company
Republic Indemnity Company of America	Republic Indemnity Company of California
Republic Indemnity Medical Management, Inc.	Risico Management Corporation
Skipjack Marina Corp.	Solid State Scientific Hi-Rel, Inc.
Solid State Scientific International, Inc.	Stone Mountain Professional Liability Agency, Inc.
Superior NWN of Ohio, Inc.	SWTC, Inc.
TEJ Holdings, Inc.	Terminal Realty Penn Co.
Texas Windsor Group, Inc.	Three East Fourth, Inc.
TICO Insurance Company	Transport Insurance Company
Treaty House, Ltd. (d/b/a Mr. Budget)	United Railroad Corp.
United Teacher Associates, Ltd.	Waynesburg Southern Railroad Company
Windsor Group, Inc.	Windsor Insurance Company
World Houston, Inc.	Worldwide Casualty Insurance Company
Worldwide Direct Auto Insurance Company	Worldwide Insurance Company

- (2) Tax payments and the recoupment (in the event of future losses) of tax paid pursuant to a tax allocation agreement with American Financial Group, Inc. ("AFG"), are computed on a separate company basis as determined in accordance with generally accepted accounting principles, based upon the rules provided by the Internal Revenue Code of 1986 as amended.

### 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

- A. All outstanding shares of the Company are owned by Great American Life Insurance Company ("GALIC"), a stock life company domiciled in the state of Ohio.
- B. & C. See Schedule Y, Part 1, Organizational Chart.
- During 2002 the Company made no federal income tax payments.
- D. At December 31, 2002, the Company reported \$1,333 as amounts due from the parent and affiliated companies. The terms of the agreement require that these amounts are settled within 90 days.
- E. The Company has no material guarantees or undertakings for the benefit of an affiliate.
- F. Management or service contracts and all cost sharing arrangements involving the Company or any affiliate:
- (1) The Company has an agreement with GAFRI, subject to the direction of the Finance Committee of the Company, whereby GAFRI, along with services provided by American Money Management (an affiliate), provides for money management and accounting services related to the investment portfolio.
  - (2) Certain administrative, management, underwriting, claims, accounting, data processing, collection, and investment services are provided under agreements between the Company and affiliates at charges not unfavorable to the Company or the affiliate.
- G. The Company owns no shares of an upstream intermediate entity or its ultimate parent.
- H. The Company has no investment in a subsidiary that exceeds 10% of admitted assets.
- I. The Company did not recognize any impairment write down for its investments in subsidiary, controlled or affiliated companies during the statement period.

## NOTES TO FINANCIAL STATEMENTS

### 11. DEBT

- A. The Company has no capital notes outstanding.
- B. The Company has no other debt outstanding.

### 12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES, AND OTHER POSTRETIREMENT BENEFIT PLANS

- A. The Company does not participate in a defined benefit plan.
- B. Defined Contribution Plan - See item D below.
- C. The Company does not participate in multiemployer plans.
- D. Consolidated/Holding Company Plans

#### Employees' Retirement Plan

- (1) All employees meeting minimum requirements are eligible to participate in an Employee Stock Ownership Retirement Plan established by GAFRI for employees of GAFRI and its participating subsidiaries. The plan is a defined contribution plan in which participating employees are entitled to share in contributions made by the Company on their behalf. The benefits are based on an employees years of service and eligible compensation for each year of participation. Funding is determined annually. Each participating employer contributes an amount based upon the relationship of its total eligible compensation to total eligible compensation under the Plan. The Company has no legal obligation for benefits under the Plan. The Company's contribution for the Plan was \$122,224 in 2002. At December 31, 2002, the fair market value of Plan assets was \$15,534,327.
- (2) Plan costs are funded as they accrue and vested benefits are fully funded. Contributions to the Plan are subject to the discretion of the Board of Directors of the Company, and the Company has no liability for future contributions to the plan.

(3) The Company's parent, GAFRI, sponsors a 401(k) retirement plan for all eligible employees of GAFRI and its participating subsidiaries. Effective January 1, 2001, GAFRI and participating subsidiaries began making matching contributions to the 401(k) plan. Company contributions are based upon the amount of participating employees' contributions. The Company recognized expense of \$29,102 for its contributions to the plan in 2002.

#### Deferred Compensation Plans

The Company offers to its officers and selected employees the opportunity to defer receipt of a specific percentage of income. Amounts deferred are credited with interest at either a rate set by the Board of Directors or based on the performance of the common stock of GAFRI, as chosen by individual participants.

#### E. Post-employment Benefits and Compensated Absences

The Company accrues obligations for postemployment benefits and compensated absences in accordance with SSAP No. 11.

### 13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

- (1) The Company's capital is common stock. There are 2,500 shares authorized and 1,880 shares issued and outstanding, with a per share par value of \$3,000. All shares are Class A shares.
- (2) The Company has no preferred stock outstanding.
- (3) The maximum amount of dividends which can be paid to stockholders by life insurance companies domiciled in the State of Ohio without prior approval of the Insurance Commissioner is the greater of 10% of surplus as regards policyholders or net income as of the preceding December 31, but only to the extent of earned surplus as of the preceding December 31. The maximum amount of dividends payable in 2003 without prior approval is \$80,649 based on surplus of \$80,649,490 at December 31, 2002. Earned surplus at December 31, 2002 was \$53,007,371.
- (4) Within the limitations of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- (5) The Company has placed no restrictions on unassigned surplus funds.

## NOTES TO FINANCIAL STATEMENTS

- (6) The total amount of advances to surplus not repaid is Not Applicable.
- (7) The amounts of stock held by the Company, including stock of affiliated companies, for special purposes is:
- a. For conversion of preferred stock: 0 shares
  - b. For employee stock options: 0 shares
  - c. For stock purchase warrants: 0 shares
- (8) The Company has no special surplus funds.
- (9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
- |    |                                |              |
|----|--------------------------------|--------------|
| a. | unrealized (gains) and losses: | \$ 245,885   |
| b. | nonadmitted asset values:      | \$ 2,143,024 |
| c. | separate account business:     | \$ -         |
| d. | asset valuation reserves:      | \$ 602,777   |
| e. | provision for reinsurance:     | \$ 1,774,440 |
- (10) The Company has not issued any surplus debentures or similar obligations.
- (11) & (12) There has been no restatement of surplus due to quasi-reorganization.

### 14. CONTINGENCIES

The Company is not aware of any material contingent liabilities and has committed no reserves to cover any contingent liabilities.

### 15. LEASES

A. (1) & (2) During 2002, the Company's leases for certain office space expired. Total rental expense in 2002 for those leases was approximately \$134,000. The leasing agreements for all other space occupied by the Company are held by GAFRI or an affiliate.

(3) The Company did not enter into any sales-leaseback transactions in 2002.

B. Leasing is not part of the Company's business activities.

### 16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

The Company does not have financial instruments with off-balance sheet risk or financial instruments with concentrations of credit risk.

### 17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

A. The Company had no transfers of receivables reported as sales.

B. The Company had no transfers and servicing of financial assets or extinguishments of liabilities.

C. The Company had no wash sales.

### 18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

The Company had no gain or loss to the reporting entity from uninsured A&H plans and the uninsured portion of partially insured plans.

### 19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

The Company has no direct premiums written by managing general agents or third party administrators.

### 20. OTHER ITEMS

A. The Company had no extraordinary events or transactions.

## NOTES TO FINANCIAL STATEMENTS

B. The Company had no troubled debt restructuring.

C. Other Disclosures:

On September 30, 2002, the reinsurance treaty between the Company and Hannover Life Reassurance (Ireland) Limited ("Hannover") was amended effective December 31, 2001. The amendment increased the ceding percentage from 80% to 90% of certain life insurance policies and increased the ceding allowance from \$32 million to \$36 million. The additional \$2.7 million (net of tax) ceding allowance was recognized in the third quarter.

On December 23, 2002, the reinsurance treaty between the Company and Hannover was amended effective December 31, 2001 to convert the treaty from a coinsurance / modified coinsurance treaty to a coinsurance funds withheld treaty.

The Company has no unusual items or exposures related to forward commitments.

D. The Company has no material balance that is reasonably possible to be uncollectible.

E. Reinsurance Accounted for as a Deposit – Not applicable

F. Multiple Peril Crop Insurance – Not applicable

G. The Company holds no mezzanine real estate loans.

H. The Company has no health care receivables.

I. September 11 Events – The Company experienced \$0 losses as a result of the September 11 events.

J. Real Estate

1. The Company recognized no impairment losses on real estate.
2. The Company does not engage in retail land sales operations.

K. Participating policies

1. Participating policies represent approximately 4% of the total life insurance inforce at 12/31/02.
2. Policyholder dividends are recognized on the policy's anniversary.
3. Dividends to policyholders in 2002 = \$121,399.
4. Additional income allocated to participating policyholders was \$390,063 at 12/31/02.

L. The Company has no premium deficiency reserves for 2002.

M. Loss/Claim Adjustment Expenses – Not applicable

N. The Company carries all reserves for structured settlement policies.

O. The Company reported the following non-cash investing or financing activities in 2002:

1. Capitalized interest	\$1,664,879
2. Security exchange	\$1,811,700
3. Pay-down adjustment	\$ 125,107
4. Refunding	\$ 515,107

### 21. EVENTS SUBSEQUENT

There have been no events subsequent to December 31, 2002 that have had a material financial effect on the Company.

### 22. REINSURANCE

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

1. Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ( ) No ( x ) : (If yes, give full details)

2. Have any policies issued by the company been reinsured with a company chartered in a country other than the United states (excluding U.S. Branches of such companies) that is owned in

## NOTES TO FINANCIAL STATEMENTS

excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes ( ) No ( x ) : (If yes, give full details)

### Section 2 – Ceded Reinsurance Report – Part A

1. Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits?

Yes ( ) No ( x )

a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the company to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the Company may consider the current or anticipated experience the business reinsured in making this estimate. \$ 0.

b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability, for these agreements in this statement? \$ 0.

2. Does the company have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No ( x ) : (If yes, give full details)

### Section 3 – Ceded Reinsurance Report – Part B

1. What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$ 0.

2. Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes ( X ) No ( )

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$ 108,158,000

#### B. Uncollectible Reinsurance

The Company did not write off any uncollectible reinsurance during 2002.

#### C. Commutation of Ceded Reinsurance

The Company was not involved in any commutation of ceded reinsurance during 2002.

### 23. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

The Company does not have any retrospectively rated contracts or contracts subject to re-determination.

### 24. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

Reserves on accident and health contracts for incurred and loss adjustment expenses attributable to insured events of prior years developed as anticipated during 2002. See Schedule H – Part 3 and Five Year Historical Data. Original estimates are increased or decreased as additional information becomes known regarding individual claims. However, no significant trends or unanticipated events were noted in 2002. None of the Company's accident and health contracts are subject to retrospective rating or experience refunds.

### 25. INTERCOMPANY POOLING ARRANGEMENTS

The Company does not participate in intercompany pooling arrangements.

### 26. RESERVES FOR LIFE CONTRACTS AND DEPOSIT-TYPE CONTRACTS

- (1) The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserves.

## NOTES TO FINANCIAL STATEMENTS

- (2) Reserves for substandard policies are equal to the standard reserve for the particular plan, age and duration plus 50%-75% of the extra premium charged for the year.
- (3) As of December 31, 2002 the Company had \$87,106,141 of insurance in force for which the gross premiums are less than the net premiums according to the required valuation standard reserves to cover the above insurance as shown in Exhibit 5, Section G, line 0799993.
- (4) The tabular interest has been determined by the formula as described in the instructions.  
 The tabular less actual reserve released has been determined by the formula as described in the instructions.  
 The tabular cost has been determined by the formula as described in the instructions.
- (5) The method for determining tabular interest on funds not involving life contingencies (Exhibit 7, line 3) and individual and group annuities in their accumulation phase is as described in the formula for tabular interest contained in the 1986 and prior instructions for Page 7.
- (6) **There were no Other Increases on Part B on the Analysis of Increase in Reserves and Deposit Funds during the year.**

### 27. VARIABLE ANNUITIES WITH GUARANTEED LIVING BENEFITS

The Company does not have variable annuities with guaranteed living benefits.

### 28. ANALYSIS OF ANNUITY ACTUARIAL RESERVES AND DEPOSIT LIABILITIES BY WITHDRAWAL CHARACTERISTICS

Withdrawal Characteristics of Annuity Actuarial Reserves and Deposit – Type Contract Funds and other Liabilities without Life or Disability Contingencies

	AMOUNT	% OF TOTAL
A. Subject to discretionary withdrawal		
1. With market value adjustment	\$ -	0.0%
2. At book value less current surrender charge of 5% or more	101,809,815	86.7%
3. At market value	-	0.0%
4. Total with adjustment or at market value (Total of 1 to 3)	101,809,815	86.7%
5. At book value without adjustment (minimal or no charge adjustment)	13,385,727	11.4%
B. Not Subject to discretionary withdrawal:	2,209,688	1.9%
C. Subtotal (gross)	117,405,230	100.0%
D. Reinsurance ceded	-	
E. Total (net)* (C)-(D)	<u>\$ 117,405,229</u>	

\*Reconciliation of total annuity actuarial reserves and deposit fund liabilities.

1. Exhibit 5, Annuities Section, Total (net)	\$ 108,551,115
2. Exhibit 5, Supplementary Contracts with Life Contingencies Section, Total (net)	668,675
3. Exhibit 7, Line 14, Column 1	<u>8,185,439</u>
4. Subtotal	117,405,229

Separate Accounts Annual Statement:

5. Exhibit 3, Line 0299999, Column 2	0
6. Exhibit 3, Line 0399999, Column 2	0
7. Policyholder dividend and coupon accumulations	0
8. Policyholder premiums	0
9. Guaranteed interest contracts	0
10. Other contract deposit funds	<u>0</u>

## NOTES TO FINANCIAL STATEMENTS

11. Subtotal	0
12. Combined Total	\$ 117,405,229

### 29. PREMIUM AND ANNUITY CONSIDERATIONS DEFERRED AND UNCOLLECTED

A. Deferred and uncollected life insurance premiums and annuity considerations as of December 31, 2002, were as follows:

Type	Gross	Net of Loading
(1) Industrial	\$ -	\$ -
(2) Ordinary New Business	189,172	181,242
(3) Ordinary Renewal	2,669,057	1,993,980
(4) Credit Life	5,734	5,734
(5) Group Life	11,282	11,282
(6) Group Annuity		
(7) Total	\$ 2,875,245	\$ 2,192,238

### 30. SEPARATE ACCOUNTS

The Company has no separate accounts.

## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities .....	20,665,555	5.576	20,665,555	5.598
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies .....	2,418,736	0.653	2,418,736	0.655
1.22 Issued by U.S. government sponsored agencies .....	4,900,470	1.322	4,900,470	1.327
1.3 Foreign government (including Canada, excluding mortgaged-backed securities) .....		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations .....	515,043	0.139	515,043	0.140
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations .....		0.000		0.000
1.43 Revenue and assessment obligations .....	14,627,050	3.947	14,627,050	3.962
1.44 Industrial development and similar obligations .....	3,921,790	1.058	3,921,790	1.062
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Guaranteed by GNMA .....	20,380	0.005	20,380	0.006
1.512 Issued by FNMA and FHLMC .....	144,027	0.039	144,027	0.039
1.513 Privately issued .....		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued by FNMA and FHLMC .....	65,663,631	17.717	65,663,631	17.787
1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC .....		0.000		0.000
1.523 All other privately issued .....	48,372,443	13.052	48,372,443	13.103
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) .....	133,448,106	36.007	133,448,106	36.149
2.2 Unaffiliated foreign securities .....	6,270,891	1.692	6,270,891	1.699
2.3 Affiliated securities .....		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds .....		0.000		0.000
3.2 Preferred stocks:				
3.21 Affiliated .....		0.000		0.000
3.22 Unaffiliated .....	11,172,549	3.015	11,172,549	3.026
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated .....		0.000		0.000
3.32 Unaffiliated .....	104,126	0.028	104,126	0.028
3.4 Other equity securities:				
3.41 Affiliated .....		0.000		0.000
3.42 Unaffiliated .....	425,200	0.115	425,200	0.115
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated .....	1,458,100	0.393		0.000
3.52 Unaffiliated .....		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development .....		0.000		0.000
4.2 Agricultural .....		0.000		0.000
4.3 Single family residential properties .....	19,505	0.005	19,505	0.005
4.4 Multifamily residential properties .....		0.000		0.000
4.5 Commercial loans .....	463,067	0.125	459,934	0.125
5. Real estate investments:				
5.1 Property occupied by the company .....		0.000	0	0.000
5.2 Property held for the production of income (includes \$ ..... of property acquired in satisfaction of debt) .....		0.000	0	0.000
5.3 Property held for sale (\$ ..... including property acquired in satisfaction of debt) .....		0.000	0	0.000
6. Policy loans .....	23,358,788	6.303	23,358,788	6.328
7. Receivables for securities .....		0.000	0	0.000
8. Cash and short-term investments .....	32,651,886	8.810	32,651,886	8.845
9. Other invested assets .....		0.000		0.000
10. Total invested assets	370,621,343	100.000	369,160,110	100.000

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? ..... Yes [ X ] No [ ] NA [ ]
- 1.3 State Regulating? ..... Ohio.....
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [ X ]
- 2.2 If yes, date of change: .....  
 If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....12/31/2001
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....12/31/1997
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....06/21/1999
- 3.4 By what department or departments? State of Ohio Departement of Insurance .....
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? ..... Yes [ ] No [ X ]
- 4.12 renewals? ..... Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? ..... Yes [ ] No [ X ]
- 4.22 renewals? ..... Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) ..... Yes [ ] No [ X ]
- 6.2 If yes, give full information: .....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? ..... Yes [ ] No [ X ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control; .....
- 7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity
.....	.....
.....	.....

## GENERAL INTERROGATORIES

(continued)

8. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
 Ernst & Young LLP, 250 E. Fifth St., Cincinnati, OH 45202.....
9. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
 Mark Billingsley, 1314 Mesquite Rd., Cedar Park, TX, 78613 (Employee)
10. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1 What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 10.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]
- 10.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]
- 10.4 If answer to (10.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] NA [ ]

### BOARD OF DIRECTORS

11. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? ..... Yes [ X ] No [ ]
12. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? ..... Yes [ X ] No [ ]
13. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or likely to conflict with the official duties of such person? ..... Yes [ X ] No [ ]

### FINANCIAL

- 14.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- |  |   |           |
|--|---|-----------|
|  | 14.11 To directors or other officers ..                 | \$ .....0 |
|  | 14.12 To stockholders not officers ...                  | \$ .....0 |
|  | 14.13 Trustees, supreme or grand (Fraternal only) ..... | \$ .....0 |
- 14.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- |  |   |           |
|--|---|-----------|
|  | 14.21 To directors or other officers ...                | \$ .....0 |
|  | 14.22 To stockholders not officers ....                 | \$ .....0 |
|  | 14.23 Trustees, supreme or grand (Fraternal only) ..... | \$ .....0 |
- 15.1 Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? ..... Yes [ ] No [ X ]
- 15.2 If yes, state the amount thereof at December 31 of the current year:
- |  |                                  |          |
|--|----------------------------------|----------|
|  | 15.21 Rented from others .....   | \$ ..... |
|  | 15.22 Borrowed from others ..... | \$ ..... |
|  | 15.23 Leased from others .....   | \$ ..... |
|  | 15.24 Other .....                | \$ ..... |
- Disclose in Notes to Financial Statements the nature of each of these obligations.
- 16.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? ..... Yes [ ] No [ X ]
- 16.2 If answer is yes,
- |  |  |          |
|--|--|----------|
|  | 16.21 Amount paid as losses or risk adjustment ..... | \$ ..... |
|  | 16.22 Amount paid as expenses .....                  | \$ ..... |
|  | 16.23 Other amounts paid .....                       | \$ ..... |

# GENERAL INTERROGATORIES

(continued)  
INVESTMENT

17. List the following capital stock information for the reporting entity:

Class	1	2	3	4	5		6	
	Number of Shares Authorized	Number of Shares Outstanding	Par Value Per Share	Redemption Price if Callable	Is Dividend Rate Limited?		Are Dividends Cumulative?	
					Yes	No	Yes	No
Preferred	0	0	0.000	0	[ ]	[ ]	[ ]	[ ]
Common	2,500	1,880	3,000.000	XXX	XXX	XXX	XXX	XXX

18.1. Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits? ..... Yes [ X ] No [ ]

18.2 If no, give full and complete information relating thereto:

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 2 - Special Deposits; or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) ..... Yes [ X ] No [ ]

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21	Loaned to others	\$	.....
19.22	Subject to repurchase agreements	\$	.....
19.23	Subject to reverse repurchase agreements	\$	.....
19.24	Subject to dollar repurchase agreements	\$	.....
19.25	Subject to reverse dollar repurchase agreements	\$	.....
19.26	Pledged as collateral	\$	.....
19.27	Placed under option agreements	\$	.....
19.28	Letter stock or other securities restricted as to sale	\$	.....10,966,000
19.29	Other	\$	.....76,326,222

19.3 For each category above, if any of these assets are held by others, identify by whom held:

19.31	.....	19.35	.....
19.32	.....	19.36	.....
19.33	.....	19.37	.....
19.34	.....	19.38	.....
		19.39	.....

For categories (19.21) and (19.23) above, and for any other securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

1	2	3
Nature of Restriction	Description	Amount
Membership Limitation	Federal Home Loan Bank Atlanta Common Stock	\$ 425,200
Subject To SEC Rule 144	Provident Bancorp, Inc. 8.00 Ser. D Convertible Preferred Stock	\$ 10,540,800
Funds Held Under Coinsurance	Hannover Life Reassurance Trust Agreement	\$ 76,326,222

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? ..... Yes [ ] No [ X ]

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ ] NA [ ]  
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? ..... Yes [ X ] No [ ]

21.2 If yes, state the amount thereof at December 31 of the current year. .... \$ 10,540,800

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes [ X ] No [ ]

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
The Bank of New York	1 Wall Street, New York, New York 10286
.....	.....

## GENERAL INTERROGATORIES

### (continued) INVESTMENT

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year?..... Yes [  ] No [  ]

22.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
Investment Advisor.....	American Money Management Corporation.....	1 East Fourth Street, Cincinnati, Ohio 45201.....

### OTHER

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?..... \$.....0

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
	\$ .....
	\$ .....
	\$ .....

24.1 Amount of payments for legal expenses, if any?..... \$.....31,569

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
	\$ .....
	\$ .....
	\$ .....

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....0

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$ .....
	\$ .....
	\$ .....

# GENERAL INTERROGATORIES

(continued)

## PART 2 - LIFE INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? ..... Yes [ ] No [ X ]
- 1.2 If yes, indicate premium earned on U. S. business only ..... \$ .....
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? ..... \$ .....
- 1.31 Reason for excluding .....
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. .... \$ .....
- 1.5 Indicate total incurred claims on all Medicare Supplement Insurance. .... \$ .....
- 1.6 Individual policies:
- Most current three years:
- 1.61 Total premium earned ..... \$ .....0
- 1.62 Total incurred claims ..... \$ .....0
- 1.63 Number of covered lives ..... \$ .....0
- All years prior to most current three years:
- 1.64 Total premium earned ..... \$ .....0
- 1.65 Total incurred claims ..... \$ .....0
- 1.66 Number of covered lives ..... \$ .....0
- 1.7 Group policies:
- Most current three years:
- 1.71 Total premium earned ..... \$ .....0
- 1.72 Total incurred claims ..... \$ .....0
- 1.73 Number of covered lives ..... \$ .....0
- All years prior to most current three years:
- 1.74 Total premium earned ..... \$ .....0
- 1.75 Total incurred claims ..... \$ .....0
- 1.76 Number of covered lives ..... \$ .....0
- 2.1 Does this reporting entity have Separate Accounts? ..... Yes [ ] No [ X ]
- 2.2 If yes, has a Separate Accounts Statement been filed with this Department? ..... Yes [ ] No [ ] NA [ ]
- 2.3 What portion of capital and surplus funds of the reporting entity covered by assets in the Separate Accounts statement, is not currently distributable from the Separate Accounts to the general account for use by the general account? ..... \$ .....
- 2.4 State the authority under which Separate Accounts are maintained:
- 2.5 Was any of the reporting entity's Separate Accounts business reinsured as of December 31? ..... Yes [ ] No [ ]
- 2.6 Has the reporting entity assumed by reinsurance any Separate Accounts business as of December 31? ..... Yes [ ] No [ ]
- 3.1 Are personnel or facilities of this reporting entity used by another entity or entities or are personnel or facilities of another entity or entities used by this reporting entity (except for activities such as administration of jointly underwritten group contracts and joint mortality or morbidity studies)? ..... Yes [ X ] No [ ]
- 3.2 Net reimbursement of such expenses between reporting entities:
- 3.21 Paid: ..... \$ .....7,501,390
- 3.22 Received: ..... \$ .....10,104
- 4.1 Does the reporting entity write any guaranteed interest contracts? ..... Yes [ ] No [ X ]
- 4.2 If yes, what amount pertaining to these items is included in:
- 4.21 Page 3, Line 3 ..... \$ .....
- 4.22 Page 4, Line 1 ..... \$ .....
5. For stock reporting entities only:
- 5.1 Total amount paid in by stockholders as surplus funds since organization of the reporting entity: ..... \$ .....22,002,119
6. Total dividends paid stockholders since organization of the reporting entity:
- 6.11 Cash: ..... \$ .....107,076,093
- 6.12 Stock: ..... \$ .....0
- 7.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? ..... Yes [ ] No [ X ]
- 7.11 Name of real estate holding company .....
- 7.12 Number of parcels involved .....
- 7.13 Total book/adjusted carrying value ..... \$ .....
- 7.2 If yes, provide explanation:

# GENERAL INTERROGATORIES

(continued)

## PART 2 - LIFE INTERROGATORIES

8.1 Does the company reinsure any Workers' Compensation Carve-Out business defined as: ..... Yes [ ] No [ X ]  
 Workers compensation carve-out business is defined as reinsurance (including retrocessional reinsurance) assumed by life and health insurers of medical, wage loss and death benefits of the occupational illness and accident exposures, but not the employers liability expositors, of business originally written as workers' compensation insurance.

8.2 If yes, has the reporting entity completed the Workers Compensation Carve-Out Supplement to the Annual Statement: ..... Yes [ ] No [ ]

8.3 If 8.1 is yes, the amounts of earned premiums and claims incurred in this statement are:

	1. Reinsurance Assumed	2. Reinsurance Ceded	3. Net Retained
8.31 Earned premium.....	.....	.....	.....
8.32 Paid claims.....	.....	.....	.....
8.33 Claim liability and reserve (beginning of year).....	.....	.....	.....
8.34 Claim liability and reserve (end of year).....	.....	.....	.....
8.35 Incurred Claims.....	.....	.....	.....

8.4 If reinsurance assumed included amounts with attachment points below \$1,000,000, the distribution of the amounts reported in Lines 8.31 and 8.34 for Column 1 are:

	Attachment Point	1. Earned Premium	2. Claim Liability And Reserve
8.41	<\$25,000	.....	.....
8.42	\$25,000 – 99,999	.....	.....
8.43	\$100,000 – 249,999	.....	.....
8.44	\$250,000 – 999,999	.....	.....
8.45	\$1,000,000 or more	.....	.....

8.5 What portion of earned premium reported in 8.31, Column 1 was assumed from pools? ..... \$.....

**FIVE-YEAR HISTORICAL DATA**

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6.  
 Show amounts of life insurance in this exhibit in thousands (omit \$000)

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>Life Insurance in Force</b>					
(Exhibit of Life Insurance)					
1. Ordinary - Whole Life and Endowment (Line 34, Col. 4) .....	1,044,849	1,225,837	1,556,018	1,336,833	1,600,047
2. Ordinary - Term (Line 21, Col. 4, less Line 34, Col. 4) .....	275,052	165,968	152,387	337,970	216,462
3. Credit Life (Line 21, Col. 6) .....	9,467	11,529	14,418	14,869	15,229
4. Group, excluding FEGLI/SGLI (Line 21, Col. 9 less Lines 43 & 44, Col. 4) .....	40,107	44,409	40,113	41,532	46,740
5. Industrial (Line 21, Col. 2) .....	0	0	0	0	0
6. FEGLI/SGLI (Lines 43 & 44, Col. 4) .....	0	0	0	0	0
7. Total (Line 21, Col. 10) .....	1,369,475	1,447,743	1,762,936	1,731,204	1,878,478
<b>New Business Issued</b>					
(Exhibit of Life Insurance)					
8. Ordinary - Whole Life and Endowment (Line 34, Col. 2) .....	50,758	209,582	280,531	151,264	165,325
9. Ordinary - Term (Line 2, Col. 4, less Line 34, Col. 2) .....	143,245	27,591	70,653	36,590	69,436
10. Credit Life (Line 2, Col. 6) .....	4,212	1,232	2,939	2,313	2,069
11. Group (Line 2, Col. 9) .....	2,126	1,712	1,452	1,300	764
12. Industrial (Line 2, Col. 2) .....	0	0	0	0	0
13. Total (Line 2, Col. 10) .....	200,341	240,117	355,575	191,467	237,594
<b>Premium Income - Lines of Business</b>					
14. Industrial Life (Exhibit 1-Part 1, Line 20.4, Col. 2) .....	0	0	0	0	0
15.1 Ordinary-Life Insurance (Exhibit 1-Part 1, Line 20.4, Col. 3) .....	(106,418,137)	(17,177,094)	14,843,844	14,357,917	16,388,165
15.2 Ordinary-Individual Annuities (Exhibit 1-Part 1, Line 20.4, Col. 4) .....	105,690,404	118,041	4,340,346	3,792,084	51,843
16. Credit Life (Group and Individual) (Exhibit 1-Part 1, Line 20.4, Col. 5) .....	43,765	34,817	49,847	29,249	35,575
17.1 Group Life Insurance (Exhibit 1-Part 1, Line 20.4, Col. 6) .....	422,252	502,069	567,164	608,476	607,874
17.2 Group Annuities (Exhibit 1-Part 1, Line 20.4, Col. 7) .....	0	0	0	0	0
18.1 A & H-Group (Exhibit 1-Part 1, Line 20.4, Col. 8) .....	291,096	350,368	339,216	604,818	1,127,036
18.2 A & H-Credit (Group and Individual) (Exhibit 1-Part 1, Line 20.4, Col. 9) .....	0	0	0	0	0
18.3 A & H-Other (Exhibit 1-Part 1, Line 20.4, Col. 10) .....	19,415,920	20,896,362	20,620,518	19,874,033	18,709,380
19. Aggregate of All Other Lines of Business (Exhibit 1-Part 1, Line 20.4, Col. 11) .....	0	0	0	0	0
20. Deposit-type funds .....	XXX	XXX	0	0	0
21. Total .....	19,445,300	4,724,563	40,760,935	39,266,577	36,919,873
<b>Balance Sheet Items (Pages 2 &amp; 3)</b>					
22. Total Admitted Assets Excluding Separate Accounts Business (Page 2, Line 25, Col. 3) .....	381,754,409	283,702,815	310,794,417	178,447,642	312,071,469
23. Total Liabilities Excluding Separate Accounts Business (Page 3, Line 26) .....	301,104,919	208,380,865	237,286,766	29,670,920	227,902,109
24. Aggregate Life Reserves (Page 3, Line 1) .....	136,164,048	147,049,559	180,644,902	2,826,651	171,716,062
25. Aggregate A & H Reserves (Page 3, Line 2) .....	31,548,896	30,653,733	30,724,404	5,640,000	28,550,119
26. Deposit-type contract funds (Page 3, Line 3) .....	8,185,439	8,239,151	XXX	XXX	XXX
27. Asset Valuation Reserve (Page 3, Line 24.1) .....	1,831,506	2,434,284	2,620,723	2,826,651	2,466,626
28. Capital (Page 3, Lines 29 and 30) .....	5,640,000	5,640,000	5,640,000	5,640,000	5,640,000
29. Surplus (Page 3, Line 37) .....	75,009,490	69,681,950	67,867,651	68,743,030	78,529,360
<b>Risk-Based Capital Analysis</b>					
30. Total Adjusted Capital .....	82,676,028	77,863,121	76,235,261	77,316,568	86,742,873
31. Authorized Control Level Risk - Based Capital .....	4,002,425	2,345,700	3,527,355	3,643,502	3,635,138
<b>Percentage Distribution of Assets</b>					
(Page 2, Col. 3) (Line No. / Page 2, Line 11, Col. 3) x 100.0					
32. Bonds (Line 1) .....	81.5	83.2	82.8	81.5	80.0
33. Stocks (Lines 2.1 and 2.2) .....	3.2	4.5	4.0	4.8	5.0
34. Mortgage Loans on Real Estate (Lines 3.1 and 3.2) .....	0.1	0.4	0.5	0.9	1.2
35. Real Estate (Lines 4.1, 4.2 and 4.3) .....	0.0	0.0	0.0	0.1	1.3
36. Policy Loans (Line 5) .....	6.3	8.7	7.9	9.5	9.9
37. Premium Notes (Line 6) .....	0.0	0.0	0.0	0.0	0.0
38. Cash and Short - Term Investments (Line 7) .....	8.8	3.2	4.7	3.2	2.6
39. Other Invested Assets (Line 8) .....	0.0	0.0	0.0	0.0	0.0
40. Receivable for Securities (Line 9) .....	0.0	0.0	0.0	0.0	0.0
41. Aggregate Write-ins for Invested Assets (Line 10) .....	0.0	0.0	0.1	0.0	0.0
42. Cash and Invested Assets (Line 11) .....	100.0	100.0	100.0	100.0	100.0

**FIVE-YEAR HISTORICAL DATA**

(Continued)

	1 2002	2 2001	3 2000	4 1999	5 1998
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
43. Affiliated Bonds (Schedule D Summary, Line 25, Col. 1) .....	0	0	0	0	0
44. Affiliated Preferred Stocks (Schedule D Summary, Line 39, Col. 1) .....	0	0	0	0	0
45. Affiliated Common Stocks (Schedule D Summary, Line 53, Col. 2) .....	0	0	0	0	0
46. Affiliated Short-Term Investments (Subtotals included in Schedule DA Part 2 Col. 5, Line 11) .....	0	0	0	0	0
47. Affiliated Mortgage Loans on Real Estate .....	0	0	0	0	0
48. All Other Affiliated .....	0	0	0	0	0
49. Total of above Lines 43 to 48 .....	0	0	0	0	0
<b>Total Non-admitted and Admitted Assets</b>					
50. Total Non admitted Assets (Page 2, Line 27, Col. 2) .....	7,659,111	9,400,333	6,169,243	6,898,017	6,630,254
51. Total Admitted Assets (Page 2, Line 27, Col. 3) .....	381,754,409	283,702,815	310,794,417	310,316,512	312,071,469
<b>Investment Data</b>					
52. Net Investment Income (Exhibit of Net Investment Income) .....	12,076,860	19,593,509	18,175,504	20,073,579	24,390,014
53. Realized Capital Gains (Losses) .....		(2,369,762)	(467,305)	(1,140,281)	56,060,806
54. Unrealized Capital Gains (Losses) .....		132,263	26,791	(21,695)	31,244,465
55. Total of above Lines 52, 53 & 54 .....	12,076,860	17,356,010	17,734,990	18,911,603	111,695,285
<b>Benefits and Reserve Increases (Page 6)</b>					
56. Total contract benefits - life (Lines 10, 11, 12, 13, 14 and 15, Col.1 less Lines 10, 11, 12, 13, 14, and 15, Cols. 9, 10 & 11) .....	3,567,768	16,743,824	17,809,461	16,754,715	17,867,694
57. Total contract benefits - A & H (Lines 13 & 14, Cols. 9, 10 & 11) .....	12,902,274	13,480,966	11,823,258	10,270,328	10,048,240
58. Increase in Life Reserves - Other than Group and Annuities (Line 19, Cols. 2 and 3) .....	(107,501,250)	(33,384,779)	(1,351,246)	3,268,742	231,878
59. Increase in A & H Reserves (Line 19, Cols. 9, 10 & 11) .....	895,163	(70,671)	1,053,484	1,120,801	1,442,146
60. Dividends to Policyholders (Line 30, Col. 1) .....	121,399	382,931	610,342	390,930	26,723
<b>Operating Percentages</b>					
61. Insurance Expense Percent (Page 6, Col. 1, Lines 21, 22 & 23, less Line 6)/(Page 6, Col. 1, Line 1 plus group annuity contribution funds) x 100.0 .....	124.7	618.1	68.1	65.1	52.5
62. Lapse Percent (Ordinary Only) (Exhibit of Life Insurance, Col. 4, Lines 14 & 15) x 100.0 / 1/2 (Lines 1 & 21) .....	18.7	33.9	17.0	16.0	13.2
63. A & H Loss Percent (Schedule H, Part 1, Lines 3 and 4, Col. 2) .....	70.2	63.3	61.4	56.3	58.1
64. A & H Expense Percent (Schedule H, Pt. 1, Line 8, Col. 2) .....	52.4	65.4	84.9	73.6	57.0
<b>A &amp; H Claim Reserve Adequacy</b>					
65. Incurred Losses on Prior Years' Claims - Group Health (Schedule H, Part 3, Line 3.1 Col. 2) .....	150,582	217,205	182,711	147,312	129,190
66. Prior Years' Claim Liability and Reserve - Group Health (Schedule H, Part 3, Line 3.2 Col. 2) .....	77,992	75,954	76,153	68,105	56,826
67. Incurred Losses on Prior Years' Claims-Health other than Group (Schedule H, Part 3, Line 3.1 Col. 1 less Col. 2) .....	6,007,075	5,984,285	5,506,551	4,924,727	4,795,349
68. Prior Years' Claim Liability and Reserve-Health other than Group (Schedule H, Part 3, Line 3.2 Col. 1 less Col. 2) .....	6,695,868	6,903,296	6,165,274	6,025,611	5,956,202
<b>Net Gains From Operations After Federal Income Taxes by Lines of Business (Page 6, Line 33)</b>					
69. Industrial Life (Col. 2) .....	0	0	0	0	0
70. Ordinary - Life (Col. 3) .....	7,274,666	(3,059,026)	4,017,963	4,281,315	11,502,164
71. Ordinary - Individual Annuities (Col. 4) .....	(3,450,393)	71,464	239,094	125,934	6,608
72. Ordinary-Supp. Contracts (Col. 5) .....	43,667	(4,299)	(86,102)	(115,897)	(9,632)
73. Credit Life (Col. 6) .....	(8,951)	(106,771)	(684,461)	(443,802)	4,532
74. Group Life (Col. 7) .....	140,481	24,774	271,588	198,783	(106,407)
75. Group Annuities (Col. 8) .....	0	0	0	0	70,607
76. A & H-Group (Col. 9) .....	(92,422)	(180,214)	(295,537)	(3,166)	200,761
77. A & H-Credit (Col. 10) .....	0	0	0	0	0
78. A & H-Other (Col. 11) .....	(1,337,611)	3,004,151	(6,705,130)	(2,343,924)	(485,099)
79. Aggregate of All Other Lines of Business (Col. 12) .....	0	0	0	0	0
80. Total (Col. 1) .....	2,569,437	(249,921)	(3,242,585)	1,699,243	11,183,534

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company**

**EXHIBIT OF LIFE INSURANCE**

	Industrial		Ordinary		Credit Life (Group and Individual)		Group			10 Total Amount of Insurance (a)
	1	2	3	4	5	6	Number of		9	
	Number of Policies	Amount of Insurance (a)	Number of Policies	Amount of Insurance (a)	Number of Individual Policies and Group Certificates	Amount of Insurance (a)	7 Policies	8 Certificates	Amount of Insurance (a)	
1. In force end of prior year	0	0	76,959	1,391,805	7,641	11,529	104	36,042	44,409	1,447,743
2. Issued during year	0	0	1,738	194,003	724	4,212		2,489	2,126	200,341
3. Reinsurance assumed										0
4. Revived during year			246	14,072						14,072
5. Increased during year (net)										0
6. Subtotals, Lines 2 to 5	0	0	1,984	208,075	724	4,212	0	2,489	2,126	214,413
7. Additions by dividends during year	XXX		XXX		XXX		XXX	XXX		0
8. Aggregate write-ins for increases	0	0	0	0	0	0	0	0	0	0
9. Totals (Lines 1 and 6 to 8)	0	0	78,943	1,599,880	8,365	15,741	104	38,531	46,535	1,662,156
Deductions during year:										
10. Death			1,335	9,938	16	24	XXX	310	144	10,106
11. Maturity			26	175			XXX			175
12. Disability							XXX			0
13. Expiry			1,304	11,322						11,322
14. Surrender			4,226	175,681						175,681
15. Lapse			1,103	78,151	1,632	6,250		4,155	6,284	90,685
16. Conversion			10	153			XXX	XXX	XXX	153
17. Decreased (net)				4,559						4,559
18. Reinsurance										0
19. Aggregate write-ins for decreases	0	0	0	0	0	0	0	0	0	0
20. Totals, (Lines 10 to 19)	0	0	8,004	279,979	1,648	6,274	0	4,465	6,428	292,681
21. In force end of year, (Line 9 minus Line 20)	0	0	70,939	1,319,901	6,717	9,467	104	34,066	40,107	1,369,475
22. Reinsurance ceded end of year	XXX		XXX	1,006,476	XXX		XXX	XXX		1,006,476
23. Line 21 minus Line 22	XXX	0	XXX	313,425	XXX	(b) 9,467	XXX	XXX	40,107	362,999
<b>DETAILS OF WRITE-INS</b>										
0801.										
0802.										
0803.										
0898. Summary of remaining write-ins for Line 8 from overflow page	0	0	0	0	0	0	0	0	0	0
0899. TOTALS (Lines 0801 thru 0803 plus 0898) (Line 8 above)	0	0	0	0	0	0	0	0	0	0
1901.										
1902.										
1903.										
1998. Summary of remaining write-ins for Line 19 from overflow page	0	0	0	0	0	0	0	0	0	0
1999. TOTALS (Lines 1901 thru 1903 plus 1998) (Line 19 above)	0	0	0	0	0	0	0	0	0	0

(a) Amounts of life insurance in this exhibit shall be shown in thousands (omit 000)

(b) Group \$ 9,467 ; Individual \$ 0

30

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company**

**EXHIBIT OF LIFE INSURANCE (Continued)**

**ADDITIONAL INFORMATION ON INSURANCE IN FORCE END OF YEAR**

	Industrial		Ordinary	
	1 Number of Policies	2 Amount of Insurance (a)	3 Number of Policies	4 Amount of Insurance (a)
24. Additions by dividends .....	XXX		XXX	1,319
25. Other paid-up insurance .....			14,348	41,422
26. Debit ordinary insurance .....	XXX	XXX		

**ADDITIONAL INFORMATION ON ORDINARY INSURANCE**

	Issued During Year (Included in Page 30, Line 2)		In Force End of Year (Included in Page 30, Line 21)	
	1 Number of Policies	2 Amount of Insurance (a)	3 Number of Policies	4 Amount of Insurance (a)
<b>Term Insurance Excluding Extended Term Insurance</b>				
27. Term policies - decreasing .....			515	5,243
28. Term policies - other .....	257	132,992	1,326	144,779
29. Other term insurance - decreasing .....	XXX	1	XXX	2,239
30. Other term insurance .....	XXX	10,252	XXX	88,521
31. Totals, Line 27 to 30 .....	257	143,245	1,841	240,782
Reconciliation to Page 30, Lines 2 and 21:				
32. Term additions .....	XXX		XXX	
33. Totals, extended term insurance .....	XXX	XXX	4,325	34,270
34. Totals, whole life and endowment .....	1,481	50,758	64,773	1,044,849
35. Total (Lines 31 to 34) .....	1,738	194,003	70,939	1,319,901

**CLASSIFICATION OF AMOUNT OF INSURANCE (a) BY PARTICIPATING STATUS**

	Issued During Year (Included in Page 30, Line 2)		In Force End of Year (Included in Page 30, Line 21)	
	1 Non-Participating	2 Participating	3 Non-Participating	4 Participating
36. Industrial .....				
37. Ordinary .....	194,003		1,263,441	56,460
38. Credit Life (Group and Individual) .....	4,212		9,467	
39. Group .....	2,126		40,107	
40. Totals (Lines 36 to 39) .....	200,341	0	1,313,015	56,460

**ADDITIONAL INFORMATION ON CREDIT LIFE AND GROUP INSURANCE**

	Credit Life		Group	
	1 Number of Individual Policies and Group Certificates	2 Amount of Insurance (a)	3 Number of Certificates	4 Amount of Insurance (a)
41. Amount of insurance included in Page 30, Line 2 ceded to other companies .....	XXX		XXX	
42. Number in force end of year if the number under shared groups is counted on a pro-rata basis .....	6,717	XXX	34,066	XXX
43. Federal Employees' Group Life Insurance included in Page 30, Line 21 .....				
44. Servicemen's Group Life Insurance included in Page 30, Line 21 .....				
45. Group Permanent Insurance included in Page 30, Line 21 .....				

**ADDITIONAL ACCIDENTAL DEATH BENEFITS**

46. Amount of additional accidental death benefits in force end of year under ordinary policies (a)	205,007
---	---------

**BASIS OF CALCULATION OF ORDINARY TERM INSURANCE**

47. State basis of calculation of (47.1) decreasing term insurance contained in Family Income, Mortgage Protection, etc., policies and riders and of (47.2) term insurance on wife and children under Family, Parent and Children, etc., policies and riders included above.	
47.1 .....	
47.2 .....	

**POLICIES WITH DISABILITY PROVISIONS**

Disability Provision	Industrial		Ordinary		Credit		Group	
	1 Number of Policies	2 Amount of Insurance (a)	3 Number of Policies	4 Amount of Insurance (a)	5 Number of Policies	6 Amount of Insurance (a)	7 Number of Certificate s	8 Amount of Insurance (a)
48. Waiver of Premium .....			7,688	109,106				
49. Disability Income .....			4	14				
50. Extended Benefits .....			XXX	XXX				
51. Other .....								
52. Total .....	0 <sup>(b)</sup>	0	7,692 <sup>(b)</sup>	109,120	0 <sup>(b)</sup>	0	0 <sup>(b)</sup>	0

(a) Amounts of life insurance in this exhibit shall be shown in thousands (omit 000)

(b) See paragraph 9 of the Annual Audited Financial Reports in the General section of the annual statement instructions.

**EXHIBIT OF NUMBER OF POLICIES, CONTRACTS, CERTIFICATES,  
INCOME PAYABLE AND ACCOUNT VALUES IN FORCE FOR  
SUPPLEMENTARY CONTRACTS, ANNUITIES, ACCIDENT & HEALTH  
AND OTHER POLICIES**

**SUPPLEMENTARY CONTRACTS**

	Ordinary		Group	
	1 Involving Life Contingencies	2 Not Involving Life Contingencies	3 Involving Life Contingencies	4 Not Involving Life Contingencies
1. In force end of prior year .....	112	20	0	0
2. Issued during year .....		0		
3. Reinsurance assumed .....				
4. Increased during year (net) .....				
5. Total (Lines 1 to 4) .....	112	20	0	0
Deductions during year:				
6. Decreased (net) .....				
7. Reinsurance .....				
8. Totals (Lines 6 and 7) .....	0	0	0	0
9. In force end of year .....	112	20	0	0
10. Amount on deposit .....		(a) 40,883		(a)
11. Income now payable .....	112	7		
12. Amount of income payable .....	(a) 88,876	(a) 19,426	(a)	(a)

**ANNUITIES**

	Ordinary		Group	
	1 Immediate	2 Deferred	3 Contracts	4 Certificates
1. In force end of prior year .....	2	707	3	80
2. Issued during year .....		2,085		
3. Reinsurance assumed .....				
4. Increased during year (net) .....				
5. Total (Lines 1 to 4) .....	2	2,792	3	80
Deductions during year:				
6. Decreased (net) .....		43		
7. Reinsurance .....				
8. Totals (Lines 6 and 7) .....	0	43	0	0
9. In force end of year .....	2	2,749	3	80
Income now payable:				
10. Amount of income payable .....	(a) 52,200	XXX	XXX	(a) 151,318
Deferred fully paid:				
11. Account balance .....	XXX	(a) 114,580,977	XXX	(a) 251,309
Deferred not fully paid:				
12. Account balance .....	XXX	(a) 2,703,621	XXX	(a) 0

**ACCIDENT AND HEALTH INSURANCE**

	Ordinary		Group		Credit	
	1 Policies	2 Premiums in Force	3 Policies	4 Premiums in Force	5 Policies	6 Premiums in Force
1. In force end of prior year .....	114,588	21,664,936	3	527,743	0	0
2. Issued during year .....	8,459	2,531,439				
3. Reinsurance assumed .....						
4. Increased during year (net) .....		XXX		XXX		XXX
5. Total (Lines 1 to 4) .....	123,047	XXX	3	XXX	0	XXX
Deductions during year:						
6. Conversions .....	XXX	XXX		XXX	XXX	XXX
7. Decreased (net) .....	19,101	XXX	0	XXX		XXX
8. Reinsurance .....		XXX		XXX		XXX
9. Total (Lines 6 thru 8) .....	19,101	XXX	0	XXX	0	XXX
10. In force end of year .....	103,946	(a) 19,267,987	3	(a) 451,667	0	(a)

**DEPOSIT FUNDS AND DIVIDEND ACCUMULATIONS**

	1	2
	Deposit Funds Contracts	Dividend Accumulations Contracts
1. In force end of prior year .....	2,745	6,049
2. Issued during year .....	1	
3. Reinsurance assumed .....		
4. Increased during year (net) .....		
5. Total (Lines 1 to 4) .....	2,746	6,049
Deductions During Year:		
6. Decreased (net) .....	16	
7. Reinsurance .....		
8. Totals (Lines 6 and 7) .....	16	0
9. In force end of year .....	2,730	6,049
10. Amount of account balance .....	(a) 2,532,620	(a) 5,557,089

(a) See paragraph 9 of the Annual Audited Financial Reports in the General section of the annual statement instructions.

**ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company**

**SCHEDULE D - SUMMARY BY COUNTRY**

**Long-Term Bonds and Stocks OWNED December 31 of Current Year**

Description	1 Book/Adjusted Carrying Value	2 Fair Value (a)	3 Actual Cost	4 Par Value of Bonds
<b>BONDS</b>				
Governments (Including all obligations guaranteed by governments)	1. United States ..... 23,104,671 2. Canada ..... 0 3. Other Countries ..... 0 4. Totals ..... 23,104,671	23,796,784 0 0 23,796,784	23,185,708 0 0 23,185,708	22,842,298 0 0 22,842,298
States, Territories and Possessions (Direct and guaranteed)	5. United States ..... 0 6. Canada ..... 0 7. Other Countries ..... 515,043 8. Totals ..... 515,043	0 0 552,851 552,851	0 0 515,107 515,107	0 0 515,000 515,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States ..... 0 10. Canada ..... 0 11. Other Countries ..... 0 12. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States ..... 85,232,042 14. Canada ..... 0 15. Other Countries ..... 0 16. Totals ..... 85,232,042	89,051,255 0 0 89,051,255	84,476,655 0 0 84,476,655	84,770,109 0 0 84,770,109
Public Utilities (unaffiliated)	17. United States ..... 29,443,079 18. Canada ..... 0 19. Other Countries ..... 0 20. Totals ..... 29,443,079	30,376,863 0 0 30,376,863	29,534,685 0 0 29,534,685	29,324,217 0 0 29,324,217
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States ..... 156,402,396 22. Canada ..... 4,046,682 23. Other Countries ..... 2,224,209 24. Totals ..... 162,673,287	163,089,190 4,215,330 2,191,640 169,496,160	161,322,022 4,722,745 2,329,080 168,373,847	159,067,172 4,500,000 2,000,000 165,567,172
Parent, Subsidiaries and Affiliates	25. Totals ..... 0 26. <b>Total Bonds</b> ..... 300,968,122	0 313,273,913	0 306,086,002	0 303,018,796
<b>PREFERRED STOCKS</b>				
Public Utilities (unaffiliated)	27. United States ..... 0 28. Canada ..... 0 29. Other Countries ..... 0 30. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Banks, Trust and Insurance Companies (unaffiliated)	31. United States ..... 10,540,800 32. Canada ..... 0 33. Other Countries ..... 0 34. Totals ..... 10,540,800	10,289,226 0 0 10,289,226	10,540,800 0 0 10,540,800	10,540,800 0 0 10,540,800
Industrial and Miscellaneous (unaffiliated)	35. United States ..... 631,749 36. Canada ..... 0 37. Other Countries ..... 0 38. Totals ..... 631,749	631,749 0 0 631,749	723,305 0 0 723,305	723,305 0 0 723,305
Parent, Subsidiaries and Affiliates	39. Totals ..... 0 40. <b>Total Preferred Stocks</b> ..... 11,172,549	0 10,920,975	0 11,264,105	0 11,264,105
<b>COMMON STOCKS</b>				
Public Utilities (unaffiliated)	41. United States ..... 104,126 42. Canada ..... 0 43. Other Countries ..... 0 44. Totals ..... 104,126	104,126 0 0 104,126	46,375 0 0 46,375	46,375 0 0 46,375
Banks, Trust and Insurance Companies (unaffiliated)	45. United States ..... 425,200 46. Canada ..... 0 47. Other Countries ..... 0 48. Totals ..... 425,200	425,200 0 0 425,200	425,200 0 0 425,200	425,200 0 0 425,200
Industrial and Miscellaneous (unaffiliated)	49. United States ..... 0 50. Canada ..... 0 51. Other Countries ..... 0 52. Totals ..... 0	0 0 0 0	0 0 0 0	0 0 0 0
Parent, Subsidiaries and Affiliates	53. Totals ..... 0 54. <b>Total Common Stocks</b> ..... 529,326	0 529,326	2,500,100 2,971,675	2,500,100 2,971,675
	55. <b>Total Stocks</b> ..... 11,701,875 56. <b>Total Bonds and Stocks</b> ..... 312,669,997	11,450,301 324,724,214	14,235,780 320,321,782	14,235,780 320,321,782

(a) The aggregate value of bonds which are valued at other than actual fair value is \$ .....

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

1. Book/adjusted carrying value of bonds and stocks, prior year ..... 238,698,200	6. Foreign Exchange Adjustment:
2. Cost of bonds and stocks acquired, Column 6, Part 3 ..... 157,025,104	6.1 Column 17, Part 1 ..... 0
3. Increase (decrease) by adjustment:	6.2 Column 13, Part 2, Sec. 1 ..... 0
3.1 Column 16, Part 1 ..... (2,428,250)	6.3 Column 11, Part 2, Sec. 2 ..... 0
3.2 Column 12, Part 2, Sec. 1 ..... (76,512)	6.4 Column 11, Part 4 ..... 0
3.3 Column 10, Part 2, Sec. 2 ..... (33,131)	7. Book/adjusted carrying value at end of current period ..... 312,669,997
3.4 Column 10, Part 4 ..... 138,831	8. Total valuation allowance ..... 0
4. Total gain (loss), Col. 14, Part 4 ..... 392,777	9. Subtotal (Lines 7 plus 8) ..... 312,669,997
5. Deduct consideration for bonds and stocks disposed of Column 6, Part 4 ..... 81,047,022	10. Total nonadmitted amounts ..... 0
	11. Statement value of bonds and stocks, current period ..... 312,669,997

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company

SCHEDULE T—PREMIUMS AND ANNUITY CONSIDERATIONS

Allocated by States and Territories

States, Etc.	1	Life Contracts		Direct Business Only			
		2	3	4	5	6	
							Life Insurance Premiums
1. Alabama	AL	Yes	1,572,720	1,450	3,638,623	.0	.0
2. Alaska	AK	Yes	7,946	.0	3,254	.0	.0
3. Arizona	AZ	Yes	67,628	7,506,038	274,219	.0	.0
4. Arkansas	AR	Yes	463,687	766,865	537,051	.0	.0
5. California	CA	Yes	218,458	13,436,195	1,366,212	.0	.0
6. Colorado	CO	Yes	36,024	1,858,098	76,404	.0	.0
7. Connecticut	CT	Yes	10,198	1,652,207	15,983	.0	.0
8. Delaware	DE	Yes	12,450	72,298	5,409	.0	.0
9. District of Columbia	DC	Yes	31,236	.0	13,969	.0	.0
10. Florida	FL	Yes	1,466,675	18,147,872	891,033	.0	.0
11. Georgia	GA	Yes	715,925	836,651	471,150	.0	.0
12. Hawaii	HI	Yes	21,159	738,981	117,259	.0	.0
13. Idaho	ID	Yes	7,006	587,764	48,434	.0	.0
14. Illinois	IL	Yes	281,228	1,966,026	416,422	.0	.0
15. Indiana	IN	Yes	539,409	5,592,305	452,670	.0	.0
16. Iowa	IA	Yes	12,404	1,660,247	180,833	.0	.0
17. Kansas	KS	Yes	122,520	484,574	405,675	.0	.0
18. Kentucky	KY	Yes	68,039	520,334	159,083	.0	.0
19. Louisiana	LA	Yes	895,897	438,212	495,869	.0	.0
20. Maine	ME	Yes	140,481	118,565	328,134	.0	.0
21. Maryland	MD	Yes	141,207	222,824	300,128	.0	.0
22. Massachusetts	MA	Yes	149,998	87,305	50,804	.0	.0
23. Michigan	MI	Yes	90,366	9,847,211	21,079	.0	.0
24. Minnesota	MN	Yes	92,786	1,597,938	90,899	.0	.0
25. Mississippi	MS	Yes	742,136	45,000	1,282,282	.0	.0
26. Missouri	MO	Yes	411,550	1,825,084	499,981	.0	.0
27. Montana	MT	Yes	5,162	263,412	10,506	.0	.0
28. Nebraska	NE	Yes	32,598	749,242	85,808	.0	.0
29. Nevada	NV	Yes	24,917	691,097	203,174	.0	.0
30. New Hampshire	NH	Yes	33,807	744,435	5,494	.0	.0
31. New Jersey	NJ	Yes	192,864	1,744,961	10,417	.0	.0
32. New Mexico	NM	Yes	13,326	.0	15,683	.0	.0
33. New York	NY	No	37,881	1,215,341	4,512	.0	.0
34. North Carolina	NC	Yes	1,146,182	32,816	581,425	.0	.0
35. North Dakota	ND	Yes	5,286	966,942	9,563	.0	.0
36. Ohio	OH	Yes	237,726	7,460,738	281,817	.0	.0
37. Oklahoma	OK	Yes	139,749	160,000	262,813	.0	.0
38. Oregon	OR	Yes	12,459	9,971	14,848	.0	.0
39. Pennsylvania	PA	Yes	70,791	9,644,314	35,304	.0	.0
40. Rhode Island	RI	Yes	60,710	583,684	33,395	.0	.0
41. South Carolina	SC	Yes	714,963	1,047	785,642	.0	.0
42. South Dakota	SD	Yes	16,143	184,440	52,671	.0	.0
43. Tennessee	TN	Yes	1,308,246	2,150,206	2,838,181	.0	.0
44. Texas	TX	Yes	295,691	1,742,313	938,752	.0	.0
45. Utah	UT	Yes	11,544	1,685,969	44,160	.0	.0
46. Vermont	VT	Yes	258,587	522,269	67,396	.0	.0
47. Virginia	VA	Yes	439,604	1,352,424	347,614	.0	.0
48. Washington	WA	Yes	29,803	243,892	76,191	.0	.0
49. West Virginia	WV	Yes	286,680	236,072	875,112	.0	.0
50. Wisconsin	WI	Yes	19,155	2,827,439	24,452	.0	.0
51. Wyoming	WY	Yes	14,861	454,528	52,954	.0	.0
52. American Samoa	AS	No	.0	.0	.0	.0	.0
53. Guam	GU	No	2,203	.0	120	.0	.0
54. Puerto Rico	PR	No	45,349	10,475	4,655	.0	.0
55. US Virgin Islands	VI	Yes	60,532	2,345	922	.0	.0
56. Canada	CN	No	.0	.0	79	.0	.0
57. Aggregate Other Alien	OT	XXX	576,100	(64)	45,992	.0	.0
58. Subtotal	(a)	.51	14,412,052	105,690,352	19,852,511	.0	.0
90. Reporting entity contributions for employee benefit plans	XXX						
91. Dividends or refunds applied to purchase paid-up additions and annuities	XXX		33,776				
92. Dividends or refunds applied to shorten endowment or premium paying period	XXX						
93. Premium or annuity considerations waived under disability or other contract provisions	XXX		207,275		8,716		
94. Aggregate of other amounts not allocable by State	XXX		.0	.0	.0	.0	.0
95. Totals (Direct Business)	XXX		14,653,103	105,690,352	19,861,227	.0	.0
96. Plus Reinsurance Assumed	XXX		69,581		8,119		
97. Totals (All Business)	XXX		14,722,684	105,690,352	19,869,346	.0	.0
98. Less Reinsurance Ceded	XXX		120,440,654		122,607		
99. Totals (All Business) less Reinsurance Ceded	XXX		(105,717,970)	105,690,352	(b) 19,746,739	.0	.0
<b>DETAILS OF WRITE-INS</b>							
5701. Alien 1	XXX		576,100	(64)	45,992	.0	.0
5702.	XXX						
5703.	XXX						
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX		.0	.0	.0	.0	.0
5799. Totals (Lines 5701 thru 5703 plus 5798)(Line 57 above)	XXX		576,100	(64)	45,992	.0	.0
9401.	XXX						
9402.	XXX						
9403.	XXX						
9498. Summary of remaining write-ins for Line 94 from overflow page	XXX		.0	.0	.0	.0	.0
9499. Totals (Lines 9401 thru 9403 plus 9498)(Line 94 above)	XXX		0	0	0	0	0

Explanation of basis of allocation by states, etc., of premiums and annuity considerations

(a) Insert the number of yes responses except for Canada and Other Alien.

(b) Column 4 should balance with Exhibit 1, Lines 6.4, 10.4, and 16.4, Cols. 8, 9 and 10, or with Schedule H, Part 1, Line 1, indicate which:

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

STATEMENT AS OF DECEMBER 31, 2002 OF THE LOYAL AMERICAN LIFE INSURANCE COMPANY

**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

PART 1 – ORGANIZATIONAL CHART

	<u>FEIN Number</u>	<u>NAIC Co. Code</u>	<u>Domiciliary State</u>
<b>AMERICAN FINANCIAL GROUP, INC.</b>	31-1544320		
<b>AFC HOLDING COMPANY</b>	31-1422526		
<b>AMERICAN FINANCIAL CORPORATION</b>	31-0624874		
One East Fourth, Inc.	31-0686194		
<b>American Premier Underwriters, Inc.</b>	23-6000765		
GAI (Bermuda) Ltd. (Bermuda)			
GAI Insurance Company, Ltd. (Bermuda)*			
<b>Infinity Property and Casualty Corporation</b>	03-0483872		
Atlanta Casualty Company*	58-1132392	21792	OH
American Premier Insurance Company*	31-1287689	37001	IN
Atlanta Casualty Group, Inc.	58-1293110		
Atlanta Reserve Insurance Company*	31-1627506	10968	OH
Atlanta Specialty Insurance Company*	42-1019055	31925	OH
Penn Central U.K. Limited (United Kingdom)			
Insurance (GB) Limited (United Kingdom)*			
Infinity Insurance Company*	31-0943862	22268	IN
The Infinity Group, Inc.	31-1357130		
Infinity National Insurance Company*	31-1358834	10068	IN
Infinity Select Insurance Company*	31-1333017	20260	IN
Leader Insurance Company*	34-0927698	11738	OH
Leader Preferred Insurance Company*	34-1785809	10195	OH
Leader Specialty Insurance Company*	34-1767787	10061	IN
TICO Insurance Company*	75-1227771	39497	OH
Windsor Insurance Company*	58-1806189	12599	IN
American Deposit Insurance Company*	73-0772113	16802	OK
Coventry Insurance Company*	31-1277903	35211	OH
El Aguila Compañía de Seguros, S.A. de C.V. (Mexico)*			
Moore Group Inc.	58-1080659		
Regal Insurance Company*	58-1806192	38873	IN
Republic Indemnity Company of America*	95-2801326	22179	CA
Republic Indemnity Company of California*	31-1054123	43753	CA
<b>Great American Holding, Inc.</b>	Applied For		
Great American Security Insurance Company*	31-1209419	31135	OH
Great American Spirit Insurance Company*	31-1237970	33723	IN
<b>Great American Insurance Company*</b>	31-0501234	16691	OH
AFC Coal Properties, Inc.	31-1487015		
American Empire Surplus Lines Insurance Company*	31-0912199	35351	DE
American Empire Insurance Company*	31-0973761	37990	OH

ANNUAL STATEMENT FOR THE YEAR 2002 OF THE Loyal American Life Insurance Company

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Fidelity Excess and Surplus Insurance Company*	22-2824607	12203	OH
Brothers Property Corporation	59-2840291		
FCIA Management Company, Inc.	13-3628555		
GAI Warranty Company	31-1753938		
Great American Alliance Insurance Company*	95-1542353	26832	OH
Great American Assurance Company*	15-6020948	26344	OH
Great American Contemporary Insurance Company*	36-4079497	10646	OH
Great American E & S Insurance Company*	31-0954439	37532	DE
Great American Fidelity Insurance Company*	31-1036473	41858	DE
Great American Insurance Company of New York*	13-5539046	22136	NY
Great American Lloyd's Insurance Company*@	31-0974853	38024	TX
Great American Management Services, Inc.	31-0856644		
Great American Protection Insurance Company*	31-1288778	38580	IN
Great Texas County Mutual Insurance Company*@	43-6030348	13820	TX
Mid-Continent Casualty Company*	73-0556513	23418	OK
Mid-Continent Insurance Company*	73-1406844	15380	OK
Oklahoma Surety Company*	73-0773259	23426	OK
National Interstate Corporation	34-1607394		
Hudson Indemnity, Ltd. (Cayman Islands)*			
National Interstate Insurance Company*	34-1607395	32620	OH
National Interstate Insurance Company of Hawaii, Inc.*	99-0345306	11051	HI
PCC 38 Corp.	36-4123081		
Pointe Apartments, Inc.	41-1752820		
Transport Insurance Company*	75-0784127	33014	OH
Worldwide Insurance Company*	39-1341441	26050	OH
Worldwide Direct Auto Insurance Company*	61-6027355	20133	OH
Worldwide Casualty Insurance Company*	61-0983091	39896	OH
<b>Great American Financial Resources, Inc.</b>	06-1356481		
AAG Holding Company, Inc.	31-1475936		
Great American Life Insurance Company*	13-1935920	63312	OH
American Retirement Life Insurance Company*	59-2760189	88366	OH
Annuity Investors Life Insurance Company*	31-1021738	93661	OH
Great American Life Assurance Company*	95-2496321	62200	OH
Great American Life Insurance Company of New York*	13-1996152	67288	NY
Loyal American Life Insurance Company*	63-0343428	65722	OH
Manhattan National Life Insurance Company*	45-0252531	67083	IL
United Teacher Associates, Ltd.	74-2180806		
United Teacher Associates Insurance Company*	58-0869673	63479	TX
Great American Life Assurance Company of Puerto Rico*	66-0258488	73814	PR

\*Denotes Insurer

@ Denotes company which is affiliated but not owned