Reconciliation of Segment Operating Information to the Consolidated Statement of Operations

| Permium | | For the six months ended June 30, 2006 | | | | | | | |
|--|--|--|-------------|-------------|-----------------|-----------|-------------|-------|--------------|
| Revenue: | | | | | | Other & | | | |
| Premium Net investment income 1908 1681 1981 1981 1982 1982 1983 1984 1984 1984 1985 1885 1985 1 | | Life | Health | Annuity | Investment | Corporate | Adjustments | | Consolidated |
| Net investment income Other i | Revenue: | | | | | | | | |
| Colter income Facility Colter C | Premium | \$761,383 | \$605,682 | \$11,681 | | | \$29,727 | (1) | \$1,408,473 |
| Total revenue 761,383 605,682 11,681 308,118 2,197 35,597 1,724,688 | Net investment income | | | | \$308,118 | | 196 | (2) | |
| Expenses: Policy benefits \$502,766 \$409,884 \$12,495 \$35,765 \$10 \$960,910 \$100,000 | Other income | | | | | | | (3,4) | |
| Policy benefits | Total revenue | 761,383 | 605,682 | 11,681 | 308,118 | 2,197 | 35,597 | | 1,724,658 |
| Required interest on reserves | Expenses: | | | | | | | | |
| Amortization of acquisition costs 201,257 63,158 7,361 -88,535 183,241 Commissions and premium tax 38,770 44,448 20 -660 (3) 82,578 Insurance administrative expense (5) 79,665 79,665 79,665 Parent expense 4,658 4,658 4,658 Stock option expense 3,485 3,485 3,485 Financing costs: Benefit from interest rate swaps 491 196 (2) 33,628 Benefit from interest rate swaps 563,420 505,770 5,778 149,597 87,808 35,301 1,347,674 Subtotal 197,963 99,912 5,903 158,521 -85,611 296 376,984 Non-operating items \$197,963 \$99,912 \$5,903 \$158,521 -85,611 \$0 \$376,688 Deduct applicable income taxes \$197,963 \$99,912 \$5,903 \$158,521 -\$85,611 \$0 \$376,688 Segment profits after tax (net operating income) \$247,349 | | | , | | | | 35,765 | (1) | 960,910 |
| Commissions and premium tax 38,770 44,448 20 79,665 79 | | | | | | | | | - |
| Insurance administrative expense (5) 79,665 79,665 Parent expense 4,658 4,658 4,658 Stock option expense 3,485 3,485 Stock option expense 33,485 3,485 Stock option expense Stock option expenses Stock option expense Sto | | | | | | | | | |
| Parent expense 4,658 4,658 Stock option expense 3,485 3,485 Financing costs: 33,432 196 (2) 33,628 Benefit from interest rate swaps -491 -491 Total expenses 563,420 505,770 5,778 149,597 87,808 35,301 1,347,674 Subtotal 197,963 99,912 5,903 158,521 -85,611 296 376,984 Non-operating items -296 (1.4) -296 -296 (1.4) -296 Measure of segment profitability (pretax operating income) \$197,963 \$99,912 \$5,903 \$158,521 -\$85,611 \$0 \$376,688 Deduct applicable income taxes -129,339 -129,339 \$247,349 \$247,349 Add back income taxes applicable to segment profitability 129,339 247,349 Add back income taxes applicable to segment profitability 129,339 Remove benefit from interest rate swaps (included in "Realized investment gains (losses)") -491 Add (deduct) realized investment gains (losses) 1,485 Add net proceeds from legal settl | | 38,770 | 44,448 | 20 | | | | (3) | |
| Stock option expense 3,485 3,485 Financing costs: 33,432 196 (2) 33,628 Benefit from interest rate swaps 491 491 491 Total expenses 563,420 505,770 5,778 149,597 87,808 35,301 1,347,674 Subtotal 197,963 99,912 5,903 158,521 -85,611 296 376,984 Non-operating items \$197,963 \$99,912 \$5,903 \$158,521 -85,611 \$0 \$376,688 Deduct applicable income taxes \$197,963 \$99,912 \$5,903 \$158,521 -\$85,611 \$0 \$376,688 Deduct applicable income taxes \$197,963 \$99,912 \$5,903 \$158,521 -\$85,611 \$0 \$376,688 Deduct applicable income taxes \$197,963 \$99,912 \$5,903 \$158,521 -\$85,611 \$0 \$376,688 Deduct applicable income taxes \$197,963 \$99,912 \$5,903 \$158,521 -\$85,611 \$0 \$247,349 Add back income taxes applicable to s | | | | | | • | | | |
| Prinancing costs: Debt 33,432 196 (2) 33,628 Benefit from interest rate swaps 2491 4 | Parent expense | | | | | 4,658 | | | 4,658 |
| Debt Benefit from interest rate swaps 33,432 196 (2) 33,628 491 49 | Stock option expense | | | | | 3,485 | | | 3,485 |
| Renefit from interest rate swaps -491 -491 | Financing costs: | | | | | | | | |
| Total expenses 563,420 505,770 5,778 149,597 87,808 35,301 1,347,674 Subtotal Non-operating items 197,963 99,912 5,903 158,521 -85,611 296 376,984 Measure of segment profitability (pretax operating income) \$197,963 \$99,912 \$5,903 \$158,521 -\$85,611 \$0 \$376,688 Deduct applicable income taxes -129,339 Segment profits after tax (net operating income) 247,349 Add back income taxes applicable to segment profitability Remove benefit from interest rate swaps (included in "Realized investment gains (losses)") -491 Add (deduct) realized investment gains (losses) 1,485 Add net proceeds from legal settlements (4) 6,334 Deduct Part D adjustment (1) -6,038 | Debt | | | | 33,432 | | 196 | (2) | 33,628 |
| Subtotal Non-operating items 197,963 99,912 5,903 158,521 -85,611 296 376,984 -296 (1.4) -296 Measure of segment profitability (pretax operating income) \$197,963 \$99,912 \$5,903 \$158,521 -\$85,611 \$0 \$376,688 Deduct applicable income taxes | Benefit from interest rate swaps | | | | | | | | |
| Measure of segment profitability (pretax operating income) Segment profits after tax (net operating income) Add back income taxes applicable to segment profitability Remove benefit from interest rate swaps (included in "Realized investment gains (losses)") Add (deduct) realized investment gains (losses) Add net proceeds from legal settlements (4) Deduct Part D adjustment (1) Add (desure of segment profitability spans | Total expenses | 563,420 | 505,770 | 5,778 | 149,597 | 87,808 | 35,301 | | 1,347,674 |
| Measure of segment profitability (pretax operating income) \$197,963 \$99,912 \$5,903 \$158,521 -\$85,611 \$0 \$376,688 Deduct applicable income taxes Segment profits after tax (net operating income) Add back income taxes applicable to segment profitability Remove benefit from interest rate swaps (included in "Realized investment gains (losses)") Add (deduct) realized investment gains (losses) Add net proceeds from legal settlements (4) Deduct Part D adjustment (1) \$376,688 \$247,349 \$49.000000000000000000000000000000000000 | Subtotal | 197,963 | 99,912 | 5,903 | 158,521 | -85,611 | | | |
| (pretax operating income) \$197,963 \$99,912 \$5,903 \$158,521 -\$85,611 \$0 \$376,688 Deduct applicable income taxes -129,339 Segment profits after tax (net operating income) 247,349 Add back income taxes applicable to segment profitability 129,339 Remove benefit from interest rate swaps (included in "Realized investment gains (losses)") -491 Add (deduct) realized investment gains (losses) 1,485 Add net proceeds from legal settlements (4) 6,334 Deduct Part D adjustment (1) -6,038 | Non-operating items | | | | | | -296 | (1,4) | -296 |
| Deduct applicable income taxes Segment profits after tax (net operating income) Add back income taxes applicable to segment profitability Remove benefit from interest rate swaps (included in "Realized investment gains (losses)") Add (deduct) realized investment gains (losses) Add net proceeds from legal settlements (4) Deduct Part D adjustment (1) -129,339 | Measure of segment profitability | | | | | | | | |
| Segment profits after tax (net operating income) Add back income taxes applicable to segment profitability Remove benefit from interest rate swaps (included in "Realized investment gains (losses)") Add (deduct) realized investment gains (losses) Add net proceeds from legal settlements (4) Deduct Part D adjustment (1) 247,349 129,339 -491 -491 -6,334 -6,038 | (pretax operating income) | <u>\$197,963</u> | \$99,912 | \$5,903 | \$158,521 | -\$85,611 | \$0 | | \$376,688 |
| Add back income taxes applicable to segment profitability Remove benefit from interest rate swaps (included in "Realized investment gains (losses)") Add (deduct) realized investment gains (losses) Add net proceeds from legal settlements (4) Deduct Part D adjustment (1) 129,339 -491 Add (deduct) realized investment gains (losses) 6,334 Deduct Part D adjustment (1) | Deduct applicable income taxes | | | | | | | | -129,339 |
| Remove benefit from interest rate swaps (included in "Realized investment gains (losses)") Add (deduct) realized investment gains (losses) Add net proceeds from legal settlements (4) Deduct Part D adjustment (1) -491 1,485 6,334 -6,038 | Segment profits after tax (net operation | ng income) | | | | | | | 247,349 |
| Remove benefit from interest rate swaps (included in "Realized investment gains (losses)") Add (deduct) realized investment gains (losses) Add net proceeds from legal settlements (4) Deduct Part D adjustment (1) -491 1,485 6,334 -6,038 | Add back income taxes applicable to se | ament profital | oility | | | | | | 129 339 |
| Add (deduct) realized investment gains (losses) Add net proceeds from legal settlements (4) Deduct Part D adjustment (1) 1,485 6,334 -6,038 | | | | vestment a | ains (losses)") | | | | |
| Add net proceeds from legal settlements (4) Deduct Part D adjustment (1) 6,334 -6,038 | | | rtcanzca in | vooument ge | anio (100000)) | | | | |
| Deduct Part D adjustment (1) -6,038 | | | | | | | | | |
| | . • | - (·) | | | | | | | |
| | | tement of Ope | erations" | | | | | | |

⁽¹⁾ Medicare Part D items adjusted to GAAP from the segment analysis, which matches expected benefits with policy premium.

⁽²⁾ Reclassification of interest amount due to adoption of FIN46R (accounting rule requiring deconsolidation of Trust Preferred Securities).

⁽³⁾ Elimination of intersegment commission, \$660 thousand.

⁽⁴⁾ Legal settlements related to disposed subsidiary.

⁽⁵⁾ Administrative expense is not allocated to insurance segments.

Reconciliation of Segment Operating Information to the Consolidated Statement of Operations

| | For the six months ended June 30, 2005 | | | | | | | |
|--|--|-----------|------------|-----------------|-----------|-------------|------|--------------|
| | Other & | | | | | | | |
| | Life | Health | Annuity | Investment | Corporate | Adjustments | (| Consolidated |
| Revenue: | | | | | | | | |
| Premium | \$733,749 | \$520,188 | \$12,387 | | | | | \$1,266,324 |
| Net investment income | | | | \$299,616 | | \$180 | (1) | 299,796 |
| Other income | | | | | \$1,329 | 12,767 (| 3,4) | 14,096 |
| Total revenue | 733,749 | 520,188 | 12,387 | 299,616 | 1,329 | 12,947 | | 1,580,216 |
| Expenses: | | | | | | | | |
| Policy benefits | 485,898 | 342,933 | 13,426 | | | | | 842,257 |
| Required interest on reserves | -168,324 | -10,077 | -15,295 | 193,696 | | | | 0 |
| Amortization of acquisition costs | 191,898 | 59,320 | 8,390 | -82,487 | | | | 177,121 |
| Commissions and premium tax | 37,293 | 37,828 | 25 | | | -724 | (3) | 74,422 |
| Insurance administrative expense (2) | | | | | 72,901 | 4,000 | (4) | 76,901 |
| Parent expense | | | | | 5,321 | | | 5,321 |
| Financing costs: | | | | | | | | |
| Debt | | | | 29,906 | | 180 | (1) | 30,086 |
| Benefit from interest rate swaps | | | | -5,221 | | | | -5,221 |
| Total expenses | 546,765 | 430,004 | 6,546 | 135,894 | 78,222 | 3,456 | | 1,200,887 |
| Subtotal | 186,984 | 90,184 | 5,841 | 163,722 | -76,893 | 9,491 | | 379,329 |
| Net proceeds from legal settlements | | | | | | -9,491 | (4) | -9,491 |
| Measure of segment profitability | | | | | | | | |
| (pretax operating income) | \$186,984 | \$90,184 | \$5,841 | \$163,722 | -\$76,893 | \$0 | | \$369,838 |
| Deduct applicable income taxes | | | | | | | _ | -128,030 |
| Segment profits after tax (net operating | g income) | | | | | | | 241,808 |
| Add back income taxes applicable to see | ament profital | oility | | | | | | 128,030 |
| Remove benefit from interest rate swaps | | | vestment a | ains (losses)") | | | | -5,221 |
| Add (deduct) realized investment gains | | | | (, , | | | | 7,575 |
| Add net proceeds from legal settlements | | | | | | | | 9,491 |
| Pretax income per "Consolidated Stat | | erations" | | | | | - | \$381,683 |

⁽¹⁾ Reclassification of interest amount due to adoption of FIN46R (accounting rule requiring deconsolidation of Trust Preferred Securities).

⁽²⁾ Administrative expense is not allocated to insurance segments.

⁽³⁾ Elimination of intersegment commission, \$724 thousand.

⁽⁴⁾ Legal settlements.

Analysis of Profitability by Segment (Dollar amounts in thousands)

| | Six month | ns ended | Increase (Decrease) | | | |
|---|-----------|-----------|------------------------|----|--|--|
| | June | 30, | | | | |
| | 2006 | 2005 | Amount | % | | |
| Life insurance | \$197,963 | \$186,984 | \$10,979 | 6 | | |
| Health insurance | 99,912 | 90,184 | 9,728 | 11 | | |
| Annuity | 5,903 | 5,841 | 62 | 1 | | |
| Other insurance: | | | | | | |
| Other income | 2,197 | 1,329 | 868 | 65 | | |
| Administrative expense | -79,665 | -72,901 | -6,764 | 9 | | |
| Investment | 158,521 | 163,722 | -5,201 | -3 | | |
| Corporate and adjustments | -8,143 | -5,321 | -2,822 | 53 | | |
| Pretax total (pretax operating income) | 376,688 | 369,838 | 6,850 | 2 | | |
| Applicable taxes | -129,339 | -128,030 | -1,309 | 1 | | |
| After-tax total (net operating income) | 247,349 | 241,808 | 5,541 | 2 | | |
| Reconciling items: Remove benefit from interest rate swaps | 240 | 2 204 | 2.075 | | | |
| (after tax) from Investment Segment | -319 | -3,394 | 3,075 | | | |
| Realized gains (losses) (after tax) | 965 | 5,625 | -4,660 | | | |
| Part D adjustment (after tax) | -3,925 | 0 | -3,925 | | | |
| Tax settlements | -538 | 0 | -538 | | | |
| Net proceeds from legal settlements (after tax) | 4,117 | 6,169 | -2,052 | | | |
| Net Income | \$247,649 | \$250,208 | -\$2,559 | | | |