FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2004**

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __ to __

Commission File Number **001-12332**

Protective Life Corporation

(Exact name of registrant as specified in its charter)

Delaware	**95-2492236**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

2801 Highway 280 South
Birmingham, Alabama 35223
(Address of principal executive offices and zip code)

(205) 268-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

Number of shares of Common Stock, $.50 par value, outstanding as of July 30, 2004: 69,407,945 shares.

PROTECTIVE LIFE CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Directors and Share Owners
Protective Life Corporation

We have reviewed the accompanying consolidated condensed balance sheet of Protective Life Corporation and its subsidiaries as of June 30, 2004, and the related consolidated condensed statements of income for each of the three-month and six-month periods ended June 30, 2004 and 2003, and the consolidated condensed statement of cash flows for the six-month periods ended June 30, 2004 and 2003. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated condensed interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2003, and the related consolidated statements of income, share-owners' equity, and cash flows for the year then ended (not presented herein), and in our report dated March 11, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed balance sheet as of December 31, 2003, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Birmingham, Alabama
August 3, 2004

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Dollars in thousands except per share amounts)
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
REVENUES				
Premiums and policy fees	$456,088	$397,652	$899,884	$784,746
Reinsurance ceded	(285,369)	(205,268)	(534,708)	(394,685)
Premiums and policy fees, net of reinsurance ceded	170,719	192,384	365,176	390,061
Net investment income	265,899	262,744	530,507	520,445
Realized investment gains (losses):				
Derivative financial instruments	8,740	4,334	13,823	(546)
All other investments	(923)	29,524	15,704	28,346
Other income	37,563	39,981	74,982	65,290
	481,998	528,967	1,000,192	1,003,596
BENEFITS AND EXPENSES				
Benefits and settlement expenses (net of reinsurance ceded: three months: 2004 - $252,954; 2003 - $217,445 six months: 2004 - $494,241; 2003 - $453,216)	282,469	304,933	569,785	602,206
Amortization of deferred policy acquisition costs	45,053	64,803	104,847	120,562
Other operating expenses (net of reinsurance ceded: three months: 2004 - $43,164; 2003 - $35,444 six months: 2004 - $82,726; 2003 - $64,477)	59,106	69,939	130,791	135,497
	386,628	439,675	805,423	858,265
INCOME BEFORE INCOME TAX	95,370	89,292	194,769	145,331
Income tax expense	34,075	29,916	68,169	48,250
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	61,295	59,376	126,600	97,081
Cumulative effect of change in accounting principle, net of income tax	0	0	(10,128)	0
NET INCOME	$61,295	$59,376	$116,472	$ 97,081
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE PER SHARE - BASIC	$.87	$.85	$1.80	$1.39
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE PER SHARE - DILUTED	$.86	$.85	$1.78	$1.38
NET INCOME PER SHARE - BASIC	$.87	$.85	$1.66	$1.39
NET INCOME PER SHARE - DILUTED	$.86	$.85	$1.64	$1.38
DIVIDENDS PAID PER SHARE	$.175	$.16	$ .335	$ .31
Average shares outstanding - basic	70,284,893	70,004,109	70,213,500	69,980,439
Average shares outstanding - diluted	71,030,983	70,561,795	70,959,287	70,522,838

See notes to consolidated condensed financial statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS

(Dollars in thousands)
(Unaudited)

	JUNE 30 2004	DECEMBER 31 2003
ASSETS		
Investments:		
Fixed maturities, at market (amortized cost: 2004 - $13,013,301; 2003 - $12,743,213)	$13,295,606	$13,355,911
Equity securities, at market (cost: 2004 - $54,362; 2003 - $45,379)	57,802	46,731
Mortgage loans on real estate	2,836,683	2,733,722
Investment in real estate, net	107,163	18,126
Policy loans	486,661	502,748
Other long-term investments	197,246	249,494
Short-term investments	694,002	519,419
Total investments	17,675,163	17,426,151
Cash	105,518	136,698
Accrued investment income	194,403	189,232
Accounts and premiums receivable, net	53,958	57,944
Reinsurance receivables	2,515,619	2,350,606
Deferred policy acquisition costs	1,932,737	1,861,020
Goodwill	46,619	47,312
Property and equipment, net	46,821	45,640
Other assets	254,920	238,581
Assets related to separate accounts		
Variable annuity	2,121,517	2,045,038
Variable universal life	188,963	171,408
Other	4,349	4,361
	$25,140,587	$24,573,991
LIABILITIES		
Policy liabilities and accruals	$10,149,490	$ 9,732,697
Stable value product account balances	4,921,166	4,676,531
Annuity account balances	3,419,225	3,480,577
Other policyholders' funds	157,612	158,875
Other liabilities	899,047	875,652
Accrued income taxes	(12,074)	(34,261)
Deferred income taxes	213,967	377,990
Liabilities related to variable interest entities	476,591	400,000
Long-term debt	385,449	461,329
Subordinated debt securities	324,743	221,650
Liabilities related to separate accounts		
Variable annuity	2,121,517	2,045,038
Variable universal life	188,963	171,408
Other	4,349	4,361
	23,250,045	22,571,847
COMMITMENTS AND CONTINGENT LIABILITIES – NOTE B		
SHARE-OWNERS' EQUITY		
Preferred Stock, $1.00 par value, shares authorized: 3,600,000; Issued: None		
Junior Participating Cumulative Preferred Stock, $1.00 par value shares authorized: 400,000; Issued: None		
Common Stock, $.50 par value, shares authorized: 160,000,000 shares issued: 2004 and 2003 – 73,251,960	36,626	36,626
Additional paid-in capital	423,257	418,351
Treasury stock, at cost (2004 – 3,844,015 shares; 2003 – 4,260,259 shares)	(13,783)	(15,275)
Stock held in trust (2004 – 87,588 shares; 2003 – 97,700 shares)	(2,855)	(2,788)
Unallocated stock in Employee Stock Ownership Plan (2004 – 609,735 shares; 2003 – 724,068 shares)	(1,989)	(2,367)
Retained earnings	1,328,280	1,235,012
Accumulated other comprehensive income:		
Net unrealized gains on investments (net of income tax: 2004 - $61,511; 2003 – $177,642)	114,234	329,907
Accumulated gain – hedging (net of income tax: 2004 - $3,646; 2003 - $1,442)	6,772	2,678
	1,890,542	2,002,144
	$25,140,587	$24,573,991

See notes to consolidated condensed financial statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Six Months Ended June 30 2004	Six Months Ended June 30 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 116,472	$ 97,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized investment (gains) losses	(14,061)	(44,125)
Amortization of deferred policy acquisition costs	104,847	120,562
Capitalization of deferred policy acquisition costs	(184,876)	(187,221)
Depreciation expense	4,355	5,953
Deferred income tax	(10,823)	7,956
Accrued income tax	(14,343)	(23,029)
Interest credited to universal life and investment products	327,199	275,733
Policy fees assessed on universal life and investment products	(174,381)	(151,732)
Change in accrued investment income and other receivables	(165,590)	21,862
Change in policy liabilities and other policyholders' funds of traditional life and health products	353,728	113,441
Net change in trading securities	(13,594)	0
Change in other liabilities	(86,310)	(152,210)
Other, net	(7,105)	43,143
Net cash provided by operating activities	235,518	127,414
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments available for sale, net of short-term investments:		
Maturities and principal reductions of investments	1,119,804	2,718,238
Sale of investments	1,654,206	1,632,541
Cost of investments acquired	(2,988,484)	(4,770,140)
Change in mortgage loans, net	(102,961)	(24,861)
Change in investment real estate, net	1,140	3,781
Change in policy loans, net	16,087	10,270
Change in other long-term investments, net	2,779	3,915
Change in short-term investments, net	(64,672)	47,199
Purchase of property and equipment	(5,536)	(10,834)
Net cash used in investing activities	(367,637)	(389,891)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit arrangements and long-term debt	76,000	372,500
Principal payments on line of credit arrangement and long-term debt	(153,101)	(342,215)
Dividends to share owners	(23,204)	(21,346)
Issuance of subordinated debt securities	103,093	0
Issuance (purchase) of common stock held in trust	(67)	(732)
Investment product deposits and change in universal life deposits	1,301,337	875,749
Investment product withdrawals	(1,208,967)	(632,339)
Other financing activities, net	5,848	0
Net cash provided by financing activities	100,939	251,617
CHANGE IN CASH	(31,180)	(10,860)
CASH AT BEGINNING OF PERIOD	136,698	101,953
CASH AT END OF PERIOD	$ 105,518	$ 91,093

See notes to consolidated condensed financial statements

PROTECTIVE LIFE CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)
(Amounts in tables are in thousands, except per share amounts)

NOTE A – BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements of Protective Life Corporation and its subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair statement have been included. Operating results for the six month period ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. The year-end consolidated condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2003.

Certain reclassifications have been made in the previously reported financial statements and accompanying notes to make the prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported net income or share-owners' equity.

With respect to the unaudited consolidated condensed financial information of the Company for the six-month periods ended June 30, 2004 and 2003, PricewaterhouseCoopers LLP ("PricewaterhouseCoopers") reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated August 3, 2004, appearing herein, stated that they did not audit and they do not express an opinion on that unaudited consolidated condensed financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited consolidated condensed financial information because that report is not a "report" or a "part" of a registration statement prepared or certified by PricewaterhouseCoopers into which this Form 10-Q may be incorporated by reference within the meaning of Sections 7 and 11 of the Act.

NOTE B – COMMITMENTS AND CONTINGENT LIABILITIES

The Company's certificate of incorporation provides indemnification for persons serving as officers and directors of the Company. In addition, agreements with the Company's directors require the Company, upon certain "change-in-control" contingencies, to obtain a $20 million letter of credit to secure the Company's indemnification obligations. The letter of credit would provide security for the Company's obligations up to an aggregate amount of $20 million (after taking into account amounts paid by the Company and amounts paid under the Company's directors and officers or other insurance policies).

Under insurance guaranty fund laws, in most states insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. The Company does not believe such assessments will be materially different from amounts already provided for in the financial statements. Most of these laws do provide, however, that an assessment may be excused or deferred if it would threaten an insurer's own financial strength.

A number of civil jury verdicts have been returned against insurers and other providers of financial services involving sales practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or persons with whom the insurer does business, and other matters. Increasingly these lawsuits have resulted in the award of substantial judgments that are disproportionate to the actual damages, including material amounts of punitive and non-economic compensatory damages. In some states, juries, judges, and arbitrators have substantial discretion in awarding punitive and non-economic compensatory damages which creates the potential for unpredictable material adverse judgments or awards in any given lawsuit or arbitration. Arbitration awards are subject to very little appellate review. In addition, in some class action and other lawsuits, companies have made material settlement payments. The Company, like other financial services companies, in the ordinary course of business, is involved in such litigation and in arbitration. Although the outcome of any such litigation or arbitration cannot be predicted, the Company believes that at the present time there are no pending or threatened lawsuits that are reasonably likely to have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

NOTE C – OPERATING SEGMENTS

The Company operates several business segments. An operating segment is generally distinguished by products and/or channels of distribution. A brief description of each segment follows:

Life Marketing. The Life Marketing segment markets level premium term and term-like insurance, universal life, and variable universal life products on a national basis primarily through networks of independent insurance agents and brokers, stockbrokers, and in the "bank owned life insurance" market.

Acquisitions. The Acquisitions segment focuses on acquiring, converting, and servicing policies acquired from other companies. The segment's primary focus is on life insurance policies sold to individuals.

Annuities. The Annuities segment manufactures, sells, and supports fixed and variable annuity products. These products are primarily sold through stockbrokers, but are also sold through financial institutions and the Life Marketing segment's sales force.

Stable Value Products. The Stable Value Products segment markets guaranteed investment contracts to 401(k) and other qualified retirement savings plans, and sells funding agreements to special purpose entities that in turn issue notes or certificates in smaller, transferable denominations. The segment also markets fixed and floating rate funding agreements directly to the trustees of municipal bond proceeds, institutional investors, bank trust departments, and money market funds.

Asset Protection. The Asset Protection segment primarily markets extended service contracts and credit life and disability insurance to protect consumers' investments in automobiles and watercraft.

Corporate and Other. The Company has an additional segment herein referred to as Corporate and Other. The Corporate and Other segment primarily consists of net investment income and expenses not attributable to the segments above (including net investment income on unallocated capital and interest on substantially all debt). This segment also includes earnings from several lines of business which the Company is not actively marketing (mostly cancer insurance, residual value insurance, surety insurance, and group annuities), various investment-related transactions, and the operations of several small subsidiaries. The surety and residual value insurance lines were moved from the Asset Protection segment to Corporate and Other in the first six months of 2004, and prior period segment data was restated to reflect the change.

The Company uses the same accounting policies and procedures to measure segment operating income and assets as it uses to measure its consolidated net income and assets. Segment operating income is generally income before income tax, adjusted to exclude net realized investment gains and losses (and the related amortization of deferred policy acquisition costs) and the cumulative effect of change in accounting principle. Periodic settlements of interest rate swaps associated with corporate debt and certain investments are included in realized gains and losses but are considered part of operating income because the swaps are used to mitigate risk in items affecting operating income. Segment operating income represents the basis on which the performance of the Company's business is assessed by management. Premiums and policy fees, other income, benefits and settlement expenses, and amortization of deferred policy acquisition costs are attributed directly to each operating segment. Net investment income is allocated based on directly related assets required for transacting the business of that segment. Realized investment gains (losses) and other operating expenses are allocated to the segments in a manner which appropriately reflects the operations of that segment.

Assets are allocated based on policy liabilities directly attributable to each segment and deferred policy acquisition costs and goodwill are shown in the segments to which they are attributable. A reclassification adjustment has been made to the December 31, 2003 segment asset information in the Annuities and Corporate and Other segments to reflect segment asset groupings consistently.

There are no significant intersegment transactions.

The following table sets forth total segment operating income and assets for the periods shown. Adjustments represent the cumulative effect of change in accounting principle and the recognition of income tax expense. Asset adjustments represent the inclusion of assets related to discontinued operations. The reduction in the goodwill balance in the Asset Protection segment relates to the sale of a small subsidiary in the first quarter of 2004.

	Segment Operating Income for the Six Months Ended June 30, 2004			
	Life Marketing	Acquisitions	Annuities	Stable Value Products
Premiums and policy fees	$486,917	$139,128	$ 15,222	
Reinsurance ceded	(373,858)	(34,941)	0	
Net of reinsurance ceded	113,059	104,187	15,222	
Net investment income	116,869	117,359	103,111	$130,699
Realized investment gains	0	0	6,294	5,901
Other income	43,491	1,185	3,340	0
Total revenue	273,419	222,731	127,967	136,600
Benefits and settlement expenses	138,718	144,360	90,502	100,489
Amortization of deferred policy acquisition costs	32,007	15,325	16,176	1,564
Other operating expenses	17,496	18,382	11,418	3,021
Total benefits and expenses	188,221	178,067	118,096	105,074
Income before income tax	85,198	44,664	9,871	31,526
Less: realized investment gains			6,294	5,901
Add back: related amortization of deferred policy acquisition costs			4,211	
Operating income	85,198	44,664	7,788	25,625

	Asset Protection	Corporate and Other	Adjustments	Total Consolidated
Premiums and policy fees	$233,533	$25,084		$ 899,884
Reinsurance ceded	(125,226)	(683)		(534,708)
Net of reinsurance ceded	108,307	24,401		365,176
Net investment income	15,041	47,428		530,507
Realized investment gains	0	17,332		29,527
Other income	18,179	8,787		74,982
Total revenue	141,527	97,948		1,000,192
Benefits and settlement expenses	65,562	30,154		569,785
Amortization of deferred policy acquisition costs	37,478	2,297		104,847
Other operating expenses	29,513	50,961		130,791
Total benefits and expenses	132,553	83,412		805,423
Income before income tax	8,974	14,536		194,769
Less: realized investment gains		17,332		
Add back: derivative gains related to corporate debt and investments		10,229		
Operating income	8,974	7,433		
Income tax expense			$ 68,169	68,169
Net income before cumulative effect of change in accounting principle				126,600
Cumulative effect of change in accounting principle, net of income tax			(10,128)	(10,128)
Net income				$ 116,472

	Segment Operating Income for the Three Months Ended June 30, 2004			
	Life Marketing	**Acquisitions**	**Annuities**	**Stable Value Products**
Premiums and policy fees	$250,931	$69,659	$ 7,594	
Reinsurance ceded	(205,072)	(17,840)	0	
Net of reinsurance ceded	45,859	51,819	7,594	
Net investment income	58,929	58,704	51,523	$66,666
Realized investment gains	0	0	290	2,022
Other income	22,348	468	1,555	0
Total revenue	127,136	110,991	60,962	68,688
Benefits and settlement expenses	66,692	71,340	44,456	50,720
Amortization of deferred policy acquisition costs	10,926	7,476	7,119	803
Other operating expenses	5,921	8,714	4,673	1,217
Total benefits and expenses	83,539	87,530	56,248	52,740
Income before income tax	43,597	23,461	4,714	15,948
Less: realized investment gains			290	2,022
Add back: related amortization of deferred policy acquisition costs			551	
Operating income	43,597	23,461	4,975	13,926

	Asset Protection	**Corporate and Other**	**Adjustments**	**Total Consolidated**
Premiums and policy fees	$115,354	$12,550		$456,088
Reinsurance ceded	(62,120)	(337)		(285,369)
Net of reinsurance ceded	53,234	12,213		170,719
Net investment income	7,500	22,577		265,899
Realized investment gains (losses)	0	5,505		7,817
Other income	9,117	4,075		37,563
Total revenue	69,851	44,370		481,998
Benefits and settlement expenses	33,363	15,898		282,469
Amortization of deferred policy acquisition costs	17,522	1,207		45,053
Other operating expenses	14,595	23,986		59,106
Total benefits and expenses	65,480	41,091		386,628
Income before income tax	4,371	3,279		95,370
Less: realized investment gains		5,505		
Add back: derivative gains related to corporate debt and investments		5,354		
Operating income	4,371	3,128		
Income tax expense			$34,075	34,075
Net income				$ 61,295

	Segment Operating Income for the Six Months Ended June 30, 2003			
	Life Marketing	Acquisitions	Annuities	Stable Value Products
Premiums and policy fees	$388,360	$144,389	$ 12,270	
Reinsurance ceded	(265,939)	(37,157)	0	
Net of reinsurance ceded	122,421	107,232	12,270	
Net investment income	114,053	124,816	116,222	$117,622
Realized investment gains (losses)	0	0	11,233	(2,442)
Other income	30,953	2,447	4,016	0
Total revenue	267,427	234,495	143,741	115,180
Benefits and settlement expenses	137,098	145,570	104,325	94,722
Amortization of deferred policy acquisition costs	39,917	18,555	18,353	1,118
Other operating expenses	13,661	23,317	13,222	2,546
Total benefits and expenses	190,676	187,442	135,900	98,386
Income before income tax	76,751	47,053	7,841	16,794
Less: realized investment gains			11,233	(2,442)
Add back: related amortization of deferred policy acquisition costs			10,098	
Operating income	76,751	47,053	6,706	19,236

	Asset Protection	Corporate and Other	Adjustments	Total Consolidated
Premiums and policy fees	$210,077	$29,650		$ 784,746
Reinsurance ceded	(88,178)	(3,411)		(394,685)
Net of reinsurance ceded	121,899	26,239		390,061
Net investment income	18,378	29,354		520,445
Realized investment gains	0	19,009		27,800
Other income	25,138	2,736		65,290
Total revenue	165,415	77,338		1,003,596
Benefits and settlement expenses	70,326	50,165		602,206
Amortization of deferred policy acquisition costs	39,908	2,711		120,562
Other operating expenses	44,178	38,573		135,497
Total benefits and expenses	154,412	91,449		858,265
Income before income tax	11,003	(14,111)		145,331
Less: realized investment gains		19,009		
Add back: derivative gains related to corporate debt and investments		11,519		
Operating income (loss)	11,003	(21,601)		
Income tax expense			$48,250	48,250
Net income				$ 97,081

	Segment Operating Income for the Three Months Ended June 30, 2003			
	Life Marketing	**Acquisitions**	**Annuities**	**Stable Value Products**
Premiums and policy fees	$201,813	$71,326	$ 6,387	
Reinsurance ceded	(141,901)	(18,531)	0	
Net of reinsurance ceded	59,912	52,795	6,387	
Net investment income	57,515	62,520	57,780	$59,090
Realized investment gains	0	0	11,206	4,260
Other income	16,981	1,542	2,075	0
Total revenue	134,408	116,857	77,448	63,350
Benefits and settlement expenses	61,876	72,951	51,339	46,957
Amortization of deferred policy acquisition costs	19,033	8,474	13,967	519
Other operating expenses	7,383	11,151	7,312	1,516
Total benefits and expenses	88,292	92,576	72,618	48,992
Income before income tax	46,116	24,281	4,830	14,358
Less: realized investment gains			11,206	4,260
Add back: related amortization of deferred policy acquisition costs			9,367	
Operating income	46,116	24,281	2,991	10,098

	Asset Protection	**Corporate and Other**	**Adjustments**	**Total Consolidated**
Premiums and policy fees	$104,153	$13,973		$397,652
Reinsurance ceded	(44,026)	(810)		(205,268)
Net of reinsurance ceded	60,127	13,163		192,384
Net investment income	9,132	16,707		262,744
Realized investment gains	0	18,392		33,858
Other income	18,167	1,216		39,981
Total revenue	87,426	49,478		528,967
Benefits and settlement expenses	33,868	37,942		304,933
Amortization of deferred policy acquisition costs	21,425	1,385		64,803
Other operating expenses	22,372	20,205		69,939
Total benefits and expenses	77,665	59,532		439,675
Income before income tax	9,761	(10,054)		89,292
Less: realized investment gains		18,392		
Add back: derivative gains related to corporate debt and investments		5,885		
Operating income (loss)	9,761	(22,561)		
Income tax expense			$29,916	29,916
Net income				$ 59,376

Operating Segment Assets June 30, 2004	Life Marketing	Acquisitions	Annuities	Stable Value Products
Investments and other assets	$5,387,968	$4,108,086	$5,527,672	$4,792,581
Deferred policy acquisition costs	1,242,610	371,958	126,738	13,225
Goodwill	10,354			
Total assets	$6,640,932	$4,480,044	$5,654,410	$4,805,806

	Asset Protection	Corporate and Other	Adjustments	Total Consolidated
Investments and other assets	$895,866	$2,392,153	$56,905	$23,161,231
Deferred policy acquisition costs	169,181	9,025		1,932,737
Goodwill	36,182	83		46,619
Total assets	$1,101,229	$2,401,261	$56,905	$25,140,587

Operating Segment Assets December 31, 2003	Life Marketing	Acquisitions	Annuities	Stable Value Products
Investments and other assets	$4,987,757	$4,356,929	$5,436,619	$4,520,955
Deferred policy acquisition costs	1,185,102	385,042	101,096	7,186
Goodwill	10,354			
Total assets	$6,183,213	$4,741,971	$5,537,715	$4,528,141

	Asset Protection	Corporate and Other	Adjustments	Total Consolidated
Investments and other assets	$ 969,742	$2,333,396	$60,261	$22,665,659
Deferred policy acquisition costs	171,863	10,731		1,861,020
Goodwill	36,875	83		47,312
Total assets	$1,178,480	$2,344,210	$60,261	$24,573,991

NOTE D – STATUTORY REPORTING PRACTICES

Financial statements prepared in conformity with GAAP differ in some respects from the statutory accounting practices prescribed or permitted by insurance regulatory authorities. In accordance with statutory reporting practices, at June 30, 2004, and for the six months then ended, the Company's insurance subsidiaries had combined share-owners' equity of $1,151.2 million and net income of $46.5 million.

NOTE E – REINSURANCE RECEIVABLE

In 2002, the Company discovered that it had overpaid reinsurance premiums to several reinsurance companies. In the first six months and second quarter of 2003, the Company increased premiums and policy fees $18.4 million and $15.6 million, respectively, as a result of cash received and changes in expected receipts at that time. The increase in premiums and policy fees resulted in $6.1 million and $5.1 million of additional amortization of deferred policy acquisition costs in the first six months and second quarter of 2003, respectively. As a result, the Company's pretax income for the first six months and second quarter of 2003 increased by $12.3 million and $10.5 million, respectively. In the second quarter of 2004, the Company adjusted its estimate of the expected receipts, resulting in a $1.0 million decrease in pretax income.

NOTE F – NET INCOME PER SHARE

Net income per share – basic is net income divided by the average number of shares of Common Stock outstanding including shares that are issuable under various deferred compensation plans.

Net income per share – diluted is adjusted net income divided by the average number of shares outstanding including all dilutive, potentially issuable shares that are issuable under various stock-based compensation plans and stock purchase contracts.

Net income and a reconciliation of basic and diluted average shares outstanding for the three and six month periods ended June 30, 2004 and 2003 are summarized as follows:

RECONCILIATION OF NET INCOME AND AVERAGE SHARES OUTSTANDING

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2004	2003	2004	2003
Net income	$61,295	$59,376	$116,472	$97,081
Average shares issued and outstanding	69,388,677	68,897,659	69,281,046	68,846,597
Stock held in trust	(87,588)	(110,922)	(84,365)	(103,632)
Issuable under various deferred compensation plans	983,804	1,217,372	1,016,819	1,237,474
Average shares outstanding – basic	70,284,893	70,004,109	70,213,500	69,980,439
Stock held in trust	87,588	110,922	84,365	103,632
Stock appreciation rights	286,742	222,048	300,163	202,918
Performance shares	371,760	224,716	361,259	235,849
Average shares outstanding - diluted	71,030,983	70,561,795	70,959,287	70,522,838

NOTE G – RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 46 "Consolidation of Variable Interest Entities," which was revised in December 2003. FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated support from other parties. The Company consolidated, as of and for the three months ended March 31, 2004, two real estate investment companies that the Company had previously reported as investments. The entities were consolidated based on the determination that the Company was the primary beneficiary. The consolidation resulted in the Company's reported assets and liabilities increasing by $76.2 million with an immaterial impact on results of operations.

In July 2003, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 03-1, "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts." SOP 03-1 is effective for fiscal years beginning after December 15, 2003. See Note K for discussion of the Company's adoption of SOP 03-1.

NOTE H – COMPREHENSIVE INCOME

The following table sets forth the Company's comprehensive income for the periods presented below:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2004	**2003**	**2004**	**2003**
Net income	$ 61,295	$ 59,376	$116,472	$ 97,081
Change in net unrealized gains/losses on investments (net of income tax: three months: 2004 - $(197,684); 2003 - $98,310 six months: 2004 - $(110,635); 2003 - $129,664)	(367,127)	182,575	(205,465)	240,804
Change in accumulated gain-hedging (net of income tax: three months: 2004 - $1,070; 2003 - $666 six months: 2004 - $2,204; 2003 - $1,746)	1,987	1,237	4,094	3,242
Reclassification adjustment for amounts included in net income (net of income tax: three months: 2004 - $323; 2003 - $(10,333) six months: 2004 - $(5,496); 2003 - $(9,921))	600	(19,191)	(10,208)	(18,425)
Comprehensive income (loss)	$(303,245)	$223,997	$(95,107)	$322,702

NOTE I – RETIREMENT BENEFIT PLANS

The following table sets forth the amount of net periodic benefit cost recognized for the Company's defined benefit pension plan and unfunded excess benefits plan:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2004	2003	2004	2003
Service cost	$1,201	$ 999	$3,213	$2,699
Interest cost	1,352	1,167	3,677	3,158
Expected return on plan assets	(1,427)	(1,123)	(3,707)	(3,026)
Amortization of prior service cost	32	46	124	124
Amortization of net loss	734	234	1,204	631
Net periodic benefit cost	$1,892	$1,323	$4,511	$3,586

The Company previously disclosed in its financial statements for the year ended December 31, 2003, that it expected to contribute $6.4 million to its pension plan in 2004. There has been no change in this estimate. As of June 30, 2004, no contributions have been made.

In addition to pension benefits, the Company provides limited healthcare benefits and life insurance benefits to eligible retirees. The cost of these plans for the six months ended June 30, 2004 and 2003 was immaterial.

NOTE J – SUBORDINATED DEBT SECURITIES AND SENIOR NOTES

On January 27, 2004, a special-purpose entity, PLC Capital Trust V, issued $100 million of 6.125% Trust Originated Preferred Securities (TOPrS). The 6.125% TOPrS are guaranteed on a subordinated basis by the Company. This guarantee, considered together with the other obligations of the Company with respect to the 6.125% TOPrS, constitutes a full and unconditional guarantee by the Company of PLC Capital Trust V's obligations with respect to the 6.125% TOPrS.

PLC Capital Trust V was formed solely to issue securities and use the proceeds thereof to purchase subordinated debt securities of the Company. The sole assets of PLC Capital Trust V are $103.1 million of Protective Life Corporation 6.125% Subordinated Debentures due 2034, Series F. The Company has the right under the subordinated debt securities to extend interest payment periods up to five consecutive years, and as a consequence, dividends on the 6.125% TOPrS may be deferred (but will continue to accumulate, together with additional dividends on any accumulated but unpaid dividends at the dividend rate) by PLC Capital Trust V during any such extended interest payment period. The 6.125% TOPrS are redeemable by PLC Capital Trust V at any time on or after January 27, 2009. The 6.125% Subordinated Debentures are included within subordinated debt securities in the accompanying balance sheets.

The majority of the proceeds of the 6.125% TOPrS was used to pay down outstanding bank debt, including $59.9 million incurred to redeem the Company's outstanding 7.50% 15-year Senior Notes on January 1, 2004. In addition, the Company repaid the $25 million outstanding as of December 31, 2003, on its $200 million line of credit. The balance of the proceeds was used for general corporate purposes.

On July 1, 2004, the Company redeemed the $75.0 million 7.95% 10-year Senior Notes that matured on that date. The Company borrowed against its revolving line of credit to redeem the Senior Notes.

NOTE K – CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

In January 2004, the Company adopted SOP 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts". SOP 03-1 provides guidance related to the establishment of reserves for benefit guarantees provided under certain long-duration contracts, as well as the accounting for mortality benefits provided in certain universal life products. In addition, it addresses the capitalization and amortization of sales inducements to contract holders. The adoption of SOP 03-1 in the first quarter of 2004 resulted in a cumulative charge to net income of $10.1 million, net of income tax of $5.5 million ($0.14 per share on both a basic and diluted basis). The charge to net income includes a $10.0 million charge to recognize additional liabilities, including an adjustment to deferred policy acquisition costs, on certain universal life contracts. These additional liabilities are required due to a change in the pattern of recognition of mortality benefits called for by the SOP. In addition, the Company recorded a $0.1 million adjustment related to guaranteed minimum death benefits (GMDB) on its variable annuity products.

The Company issues variable universal life and variable annuity products through its separate accounts for which the investment risk is borne by the contract holder. The Company also offers, for its variable annuity products, various account value guarantees upon death. The most significant of these guarantees involve (a) return of the highest anniversary date account value, or (b) return of the greater of the highest anniversary date account value or the last anniversary date account value compounded at 5% interest. The GMDB reserve is calculated by applying a benefit ratio, equal to the present value of total expected GMDB claims divided by the present value of total expected contract assessments, to cumulative contract assessments. This amount is then adjusted by the amount of cumulative GMDB claims paid and accrued interest. Assumptions used in the calculation of the GMDB reserve were as follows: mean investment performance of 9%, mortality at 60% of the 1994 MGDB Mortality Table, lapse rates ranging from 1%-20% (depending on product type and duration), and an average discount rate of 7%.

Separate account balances are valued at market and reported separately as assets and liabilities related to separate accounts in the accompanying consolidated balance sheets. Amounts assessed against policy account balances for the costs of insurance, policy administration, and other services are included in premiums and policy fees in the accompanying consolidated statements of income. Changes in the GMDB reserve are included in benefits and settlement expenses in the accompanying consolidated statements of income.

The variable annuity separate account balances subject to GMDB were $2.1 billion at June 30, 2004. The total guaranteed amount payable based on variable annuity account balances at June 30, 2004, was $286.1 million (including $252.9 million in the Annuities segment and $33.2 million in the Acquisitions segment), with a GMDB reserve of $5.6 million (including $5.1 million in the Annuities segment and $0.5 million in the Acquisitions segment). The average attained age of contract holders at June 30, 2004 was 65.

Activity relating to GMDB reserves was as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2004	2003	2004	2003
Incurred claims	$796	$1,729	$1,637	$5,461
Paid claims	921	1,824	1,947	4,918

Account balances of variable annuities with guarantees were invested in variable annuity separate accounts as follows:

	JUNE 30, 2004	DECEMBER 31, 2003
Equity mutual funds	$1,919.0	$1,846.0
Fixed income mutual funds	202.5	199.0
Total	$2,121.5	$2,045.0

Certain of the Company's universal life products have a sales inducement in the form of a retroactive interest credit (RIC). In addition, certain variable annuity contracts provide a sales inducement in the form of a bonus interest credit. In accordance with SOP 03-1, the Company maintains a reserve for all interest credits earned to date. The Company defers the expense associated with the RIC and bonus interest credits each period and amortizes these costs in a manner similar to that used for deferred policy acquisition costs.

Activity in the Company's deferred sales inducement asset was as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2004	2003	2004	2003
Deferred asset, beginning of period	$27,419	$29,369	$27,713	$31,557
Amounts deferred	3,170	3,383	5,911	4,932
Amortization	(3,023)	(3,531)	(6,058)	(7,268)
Deferred asset, end of period	$27,566	$29,221	$27,566	$29,221

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts in tables are in thousands)

INTRODUCTION

Protective Life Corporation is a holding company whose subsidiaries provide financial services through the production, distribution, and administration of insurance and investment products. Founded in 1907, Protective Life Insurance Company is the Company's principal operating subsidiary. Unless the context otherwise requires, the "Company" refers to the consolidated group of Protective Life Corporation and its subsidiaries.

For a more complete understanding of the Company's business and its current period results, please read the following Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the Company's latest annual report on Form 10-K and other filings with the SEC.

The Company operates several business segments each having a strategic focus. An operating segment is generally distinguished by products and/or channels of distribution. The Company's operating segments are Life Marketing, Acquisitions, Annuities, Stable Value Products, and Asset Protection. The Company also has an additional segment referred to as Corporate and Other.

This report reviews the Company's financial condition and results of operations including its liquidity and capital resources. Historical information is presented and discussed. Where appropriate, factors that may affect future financial performance are also identified and discussed. Certain statements made in this report include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statement that may predict, forecast, indicate or imply future results, performance or achievements instead of historical facts and may contain words like "believe," "expect," "estimate," "project," "budget," "forecast," "anticipate," "plan," "will," "shall," “may,” and other words, phrases, or expressions with similar meanings. Forward-looking statements involve risks and uncertainties which may cause actual results to differ materially from the results contained in the forward-looking statements, and the Company cannot give assurances that such statements will prove to be correct. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

The factors which could affect the Company's future results include, but are not limited to, general economic conditions and the following known trends and uncertainties: we are exposed to the risks of natural disasters, malicious and terrorist acts that could adversely affect our operations; we operate in a mature, highly competitive industry, which could limit our ability to gain or maintain our position in the industry; a ratings downgrade could adversely affect our ability to compete; our policy claims fluctuate from period to period, and actual results could differ from our expectations; our results may be negatively affected should actual experience differ from management's assumptions and estimates; the use of reinsurance introduces variability in our statement of income; we could be forced to sell investments at a loss to cover policyholder withdrawals; interest rate fluctuations could negatively affect our spread income or otherwise impact our business; equity market volatility could negatively impact our business; a deficiency in our systems could result in over- or underpayments of amounts owed to or by the Company and/or errors in our critical assumptions or reported financial results; insurance companies are highly regulated and subject to numerous legal restrictions and regulations; changes to tax law or interpretations of existing tax law could adversely affect the Company and its ability to compete with non-insurance products or reduce the demand for certain insurance products;

financial services companies are frequently the targets of litigation, including class action litigation, which could result in substantial judgments; our ability to maintain low unit costs is dependent upon the level of new sales and persistency of existing business; our investments are subject to market and credit risks; we may not realize our anticipated financial results from our acquisitions strategy; we are dependent on the performance of others; our reinsurers could fail to meet assumed obligations, increase rates or be subject to adverse developments that could affect us; computer viruses or network security breaches could affect our data processing systems or those of our business partners; our ability to grow depends in large part upon the continued availability of capital; and new accounting rules or changes to existing accounting rules could negatively impact our reported financial results. Please refer to Exhibit 99, incorporated by reference herein, about these factors that could affect future results.

The Company's results may fluctuate from period to period due to fluctuations in mortality, persistency, claims, expenses, interest rates, and other factors. Therefore, it is management's opinion that quarterly operating results for an insurance company are not necessarily indicative of results to be achieved in future periods, and that a review of operating results over a longer period is necessary to assess an insurance company's performance.

RESULTS OF OPERATIONS

In the following discussion, segment operating income is defined as income before income tax excluding net realized investment gains and losses and related amortization of deferred policy acquisition costs (DAC), and the cumulative effect of change in accounting principle. Periodic settlements of interest rate swaps associated with corporate debt and certain investments are included in realized gains and losses but are considered part of segment operating income because the swaps are used to mitigate risk in items affecting segment operating income. Management believes that segment operating income provides relevant and useful information to investors, as it represents the basis on which the performance of the Company's business is internally assessed. Although the items excluded from segment operating income may be significant components in understanding and assessing the Company's overall financial performance, management believes that segment operating income enhances an investor's understanding of the Company's results of operations. Note that the Company's segment operating income measures may not be comparable to similarly titled measures reported by other companies.

The following table sets forth a summary of results and reconciles segment operating income (loss) to consolidated net income:

	Three Months Ended June 30			Six Months Ended June 30		
	2004	2003	Change	2004	2003	Change
Life Marketing	$ 43,597	$46,116	(5.5)%	$ 85,198	$ 76,751	11.0%
Acquisitions	23,461	24,281	(3.4)	44,664	47,053	(5.1)
Annuities	4,975	2,991	66.3	7,788	6,706	16.1
Stable Value Products	13,926	10,098	37.9	25,625	19,236	33.2
Asset Protection	4,371	9,761	(55.2)	8,974	11,003	(18.4)
Corporate and Other	3,128	(22,561)	n/m	7,433	(21,601)	n/m
	93,458	70,686	32.2	179,682	139,148	29.1
Realized investment gains (losses) – investments[1]	(1,474)	20,157		11,493	18,248	
Realized investment gains (losses) – derivatives[2]	3,386	(1,551)		3,594	(12,065)	
Income tax expense	(34,075)	(29,916)		(68,169)	(48,250)	
Net income before cumulative effect of change in accounting principle	61,295	59,376	3.2	126,600	97,081	30.4
Cumulative effect of change in accounting principle, net of income tax				(10,128)		
Net income	$ 61,295	$59,376	3.2	$116,472	$ 97,081	20.0

	Three Months 2004	Three Months 2003	Six Months 2004	Six Months 2003
[1] Realized investment gains (losses) - investments	$ (923)	$29,524	$ 15,704	$ 28,346
Less: related amortization of DAC	(551)	(9,367)	(4,211)	(10,098)
	(1,474)	20,157	11,493	18,248
[2] Realized investment gains (losses) - derivatives	8,740	4,334	13,823	(546)
Less: settlements on certain interest rate swaps	(5,354)	(5,885)	(10,229)	(11,519)
	3,386	(1,551)	3,594	(12,065)

Compared to second quarter 2003, net income increased 3.2% reflecting improvement in segment operating income offset by lower realized investment gains. Net income for the first six months of 2004 increased 20.0% due to higher contributions from segment operating income and realized investment gains, somewhat offset by the cumulative effect charge. The reduction in realized investment gains for the quarter was primarily due to higher gains on sales of fixed maturity securities in the prior year quarter, which were partially offset by higher gains from derivatives. For the first six months of 2004, reduced gains from sales of securities were more than offset by lower levels of impairments and higher contributions from derivatives. Excluding the impact of reinsurance recoveries during 2003 (see Note E to the consolidated condensed financial statements included herein), Life Marketing's operating income increased 22.3% and 32.1% over the second quarter and first six months of 2003, respectively, reflecting continued growth in life insurance in-force through new sales. For both the quarter and year-to-date comparisons, an increase in average account values and widening of spreads drove the improvement in the Stable Value Products segment, while improvement in the equity markets and higher interest rates in the current quarter contributed to the increase in the Annuities segment's earnings. Excluding gains from charter sales, Asset Protection segment operating income increased 50.6% and 91.9% over the second quarter and first six months of 2003, primarily due to improved results in the segment's service contract lines. The Acquisitions segment's earnings for the quarter and year-to-date declined due to the normal runoff of the segment's previously acquired blocks of business. The improvement in Corporate and Other earnings primarily reflects reduced losses from runoff insurance lines as well as higher amounts of investment income from unallocated capital.

Included in net income for the first six months of 2004 is a cumulative effect charge of $10.1 million arising from the Company's adoption of SOP 03-1 (see Note K to the consolidated condensed financial statements included herein for further discussion of SOP 03-1).

RESULTS BY BUSINESS SEGMENT

In the following segment discussions, various statistics and other key data the Company uses to evaluate its segments are presented. Sales statistics are used by the Company to measure the relative progress in its marketing efforts, but typically have little immediate impact on reported segment operating income. Sales data for traditional life insurance are based on annualized premiums, while universal life sales are based on annualized target premiums. Sales of annuities and stable value products are measured based on the amount of deposits received. Sales within the Asset Protection segment are generally based on the amount of single premium and fees received.

Sales and life insurance in-force amounts are derived from the Company's various sales tracking and administrative systems, and are not derived from the Company's financial reporting systems or financial statements. Mortality variances are derived from actual claims compared to expected claims. These variances do not represent the net impact to earnings due to the interplay of reserves and DAC amortization.

Life Marketing

The Life Marketing segment markets level premium term and term-like insurance, universal life (UL), and variable universal life products on a national basis primarily through networks of independent insurance agents and brokers, stockbrokers, and in the "bank owned life insurance" (BOLI) market. Segment results were as follows:

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
REVENUES						
Gross premiums and policy fees	$250,931	$201,813	24.3%	$486,917	$388,360	25.4%
Reinsurance ceded	(205,072)	(141,901)	44.5	(373,858)	(265,939)	40.6
Net premiums and policy fees	45,859	59,912	(23.5)	113,059	122,421	(7.6)
Net investment income	58,929	57,515	2.5	116,869	114,053	2.5
Other income	22,348	16,981	31.6	43,491	30,953	40.5
Total operating revenues	127,136	134,408	(5.4)	273,419	267,427	2.2
BENEFITS AND EXPENSES						
Benefits and settlement expenses	66,692	61,876	7.8	138,718	137,098	1.2
Amortization of deferred policy acquisition costs	10,926	19,033	(42.6)	32,007	39,917	(19.8)
Other operating expenses	5,921	7,383	(19.8)	17,496	13,661	28.1
Total benefits and expenses	83,539	88,292	(5.4)	188,221	190,676	(1.3)
OPERATING INCOME	43,597	46,116	(5.5)	85,198	76,751	11.0
INCOME BEFORE INCOME TAX	$ 43,597	$ 46,116	(5.5)	$ 85,198	$ 76,751	11.0

The following table summarizes key data for the Life Marketing segment:

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
Sales By Product						
Traditional	$42,207	$52,994	(20.4)%	$ 89,043	$ 94,204	(5.5)%
Universal life	19,266	20,646	(6.7)	36,963	36,882	0.2
Variable universal life	1,474	1,105	33.4	2,599	1,981	31.2
	$62,947	$74,745	(15.8)	$128,605	$133,067	(3.4)
Sales By Distribution Channel						
Brokerage general agents	$39,580	$47,034	(15.8)	$82,327	$ 83,771	(1.7)
Independent agents	12,569	12,382	1.5	25,310	23,004	10.0
Stockbrokers/banks	6,780	6,746	0.5	12,839	11,246	14.2
Direct response	221	1,665	(86.7)	854	3,615	(76.4)
BOLI	3,797	6,918	(45.1)	7,275	11,431	(36.4)
	$62,947	$74,745	(15.8)	$128,605	$133,067	(3.4)
Average Life Insurance In-Force (3)						
Traditional	$291,776,919	$211,549,801	37.9	$284,020,699	$202,338,934	40.4
Universal life	38,819,516	35,607,163	9.0	38,365,473	35,258,221	8.8
	$330,596,435	$247,156,964	33.8	$322,386,172	$237,597,155	35.7
Average Account Values						
Universal life	$3,570,737	$3,082,084	15.9	$3,517,826	$3,020,285	16.5
Variable universal life	185,814	126,309	47.1	181,012	122,327	48.0
	$3,756,551	$3,208,393	17.1	$3,698,838	$3,142,612	17.7
Interest Spread – Universal Life (2)						
Net investment income yield	6.45%	6.96%		6.46%	7.05%	
Interest credited to policyholders	4.94	5.56		4.95	5.54	
Interest spread	1.51%	1.40%		1.51%	1.51%	
Mortality Experience (1)	(12)	783		2,388	(910)	

(1) Represents a favorable (unfavorable) variance as compared to pricing assumptions.

(2) Interest spread on average general account values.

(3) Amounts are not adjusted for reinsurance ceded.

Operating income decreased 5.5% from the second quarter of 2003 and increased 11.0% from the first six months of 2003 as the effect of reinsurance recoveries positively impacted 2003 results. During the second quarter and first six months of 2003, the segment recognized additional net premiums of $15.6 and $18.4 million, respectively, amortization of DAC of $5.1 and $6.1 million, respectively, and operating income of $10.5 and $12.3 million, respectively, as a result of recoveries from previously overpaid reinsurance premiums (see Note E). Excluding the impact from these recoveries, operating income increased 22.3% and 32.1% for the quarter and year-to-date. The increase in operating income reflects continued growth of life insurance in-force through new sales as well as improved results in the segment's non-insurance businesses. In addition, current quarter operating income was reduced by $1.0 million due to the adjustment made to the estimate of expected receipts from reinsurance receivables (see Note E).

Gross premiums and policy fees grew by 24.3% and 25.4% in the current quarter and year-to-date comparisons due to the growth in life insurance in-force achieved over the last several quarters, while amounts ceded increased 30.2% and 31.5% (excluding reinsurance recoveries in 2003) as the segment continued to reinsure a significant amount of its new business. Net investment income increased 2.5% over the second quarter and first six months of 2003 reflecting the growth of the segment's assets, offset by lower investment yields. The increase in other income for the quarter and year-to-date is due primarily to additional income from the segment's direct response and broker-dealer subsidiaries. Due to the nature of these businesses, the majority of this additional income is offset by increases in other operating expenses.

Benefits and settlement expenses were 7.8% and 1.2% higher than the second quarter and first six months of 2003 due to growth in life insurance in-force, offset by lower crediting rates on UL products for the quarter and year-to-date comparisons, and improved mortality experience versus 2003 year-to-date. Amortization of DAC (excluding the effect of reinsurance recoveries in 2003) was 21.6% and 5.4% lower for the quarter and year-to-date, primarily due to unlocking on UL products and the impact of the current quarter reinsurance receivable adjustment and the Company's adoption of SOP 03-1. Unlocking on UL products reduced amortization by $1.4 million in the current quarter, while the application of SOP 03-1 reduced amortization by $1.3 million and $2.6 million for the second quarter and first six months of 2004, respectively. In addition, the adjustment to the reinsurance receivable reduced current quarter amortization by $1.0 million.

Other operating expenses for the segment were as follows:

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
Insurance Companies:						
First year commissions	$63,528	$75,860	(16.3)%	$141,774	$136,371	4.0%
Renewal commissions	7,496	6,680	12.2	15,177	12,879	17.8
First year ceding allowances	(39,002)	(47,674)	(18.2)	(83,624)	(84,991)	(1.6)
Renewal ceding allowances	(39,462)	(28,470)	38.6	(70,285)	(50,992)	37.8
General & administrative	45,770	46,129	(0.8)	95,712	88,549	8.1
Taxes, licenses and fees	6,144	4,479	37.2	10,434	9,174	13.7
Other operation expenses incurred	44,474	57,004	(22.0)	109,188	110,990	(1.6)
Less commissions, allowances & expenses capitalized	(60,384)	(66,870)	(9.7)	(134,032)	(128,517)	4.3
Other operating expenses	(15,910)	(9,866)	61.3	(24,844)	(17,527)	41.7
Marketing Companies:						
Commissions	15,441	12,472	23.8	30,904	22,856	35.2
Other	6,390	4,777	33.8	11,436	8,332	37.3
Other operating expenses	21,831	17,249	26.6	42,340	31,188	35.8
Other operating expenses	$ 5,921	$ 7,383	(19.8)	$ 17,496	$ 13,661	28.1

Currently, the segment is reinsuring significant amounts of new life insurance sold. Pursuant to the underlying reinsurance contracts, reinsurers pay allowances to the segment as a percentage of both first year and renewal premiums. In accordance with GAAP, a portion of these allowances is deferred as part of DAC while the remainder is recognized immediately as a reduction of other operating expenses. While the recognition of reinsurance allowances is consistent with GAAP, non-deferred allowances often exceed the segment's non-deferred direct costs, causing net other operating expenses to be negative. Consideration of all components of the segment's income statement, including amortization of DAC, is required to assess the impact of reinsurance on segment operating income.

Other operating expenses for the insurance companies were 61.3% and 41.7% more favorable versus the second quarter and first six months of 2003 as the effect of higher overall reinsurance allowances more than offset the increase in non-commission expenses. General and administrative expenses decreased 0.8% versus second quarter 2003, primarily reflecting lower underwriting costs achieved through rate reductions from certain vendors in the fourth quarter of 2003. For the first six months of 2004, general and administrative expenses increased 8.1% due to higher expense levels in the first quarter of 2004. Amounts capitalized as DAC generally include first year commissions and allowances, and other deferrable acquisition expenses. The change in these amounts generally reflects the trend in sales for the quarter and year-to-date.

Other operating expenses for the marketing companies increased 26.6% and 35.8% as compared to the second quarter and first six months of 2003 primarily as a result of higher commissions and other expenses in the segment's broker-dealer subsidiary, resulting from higher revenue.

Sales for the segment decreased 15.8% and 3.4% versus the second quarter and first six months of 2003 primarily due to lower production of traditional life in the brokerage general agent channel. Excluding BOLI, sales of UL product lines experienced double-digit growth as these products continued to be well accepted in the marketplace. BOLI sales will vary widely between periods as the segment responds to opportunities for these products only when the market accommodates required returns. In recent quarters, the segment has changed its direct response business sold through Matrix Direct to focus on a multi-carrier distribution strategy, resulting in the significant decrease in the Company's direct response sales versus 2003.

Acquisitions

The Acquisitions segment focuses on acquiring, converting, and servicing policies acquired from other companies. The segment's primary focus is on life insurance policies sold to individuals. Segment results were as follows:

	Three Months Ended June 30			Six Months Ended June 30		
	2004	2003	Change	2004	2003	Change
REVENUES						
Gross premiums and policy fees	$ 69,659	$ 71,326	(2.3)%	$139,128	$144,389	(3.6)%
Reinsurance ceded	(17,840)	(18,531)	(3.7)	(34,941)	(37,157)	(6.0)
Net premiums and policy fees	51,819	52,795	(1.8)	104,187	107,232	(2.8)
Net investment income	58,704	62,520	(6.1)	117,359	124,816	(6.0)
Other income	468	1,542	(69.6)	1,185	2,447	(51.6)
Total operating revenues	110,991	116,857	(5.0)	222,731	234,495	(5.0)
BENEFITS AND EXPENSES						
Benefits and settlement expenses	71,340	72,951	(2.2)	144,360	145,570	(0.8)
Amortization of deferred policy acquisition costs	7,476	8,474	(11.8)	15,325	18,555	(17.4)
Other operating expenses	8,714	11,151	(21.9)	18,382	23,317	(21.2)
Total benefits and expenses	87,530	92,576	(5.5)	178,067	187,442	(5.0)
OPERATING INCOME	23,461	24,281	(3.4)	44,664	47,053	(5.1)
INCOME BEFORE INCOME TAX	$ 23,461	$ 24,281	(3.4)	$ 44,664	$ 47,053	(5.1)

The following table summarizes key data for the Acquisitions segment:

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
Average Life Insurance In-Force [2]						
Traditional	$12,243,296	$13,891,510	(11.9)%	$12,421,888	$14,099,701	(11.9)%
Universal life	18,546,671	20,223,643	(8.3)	18,720,370	20,411,544	(8.3)
	$30,789,967	$34,115,153	(9.7)	$31,142,258	$34,511,245	(9.8)
Average Account Values						
Universal life	$1,732,770	$1,748,388	(0.9)	$1,738,442	$1,747,652	(0.5)
Fixed annuity [3]	219,550	227,979	(3.7)	220,821	227,961	(3.1)
Variable annuity	97,447	103,724	(6.1)	99,577	106,071	(6.1)
	$2,049,767	$2,080,091	(1.5)	$2,058,840	$2,081,684	(1.1)
Interest Spread – UL & Fixed Annuities						
Net investment income yield	7.28%	7.56%		7.25%	7.65%	
Interest credited to policyholders	5.21	5.70		5.24	5.63	
Interest spread	2.07%	1.86%		2.01%	2.02%	
Mortality Experience [1]	2,216	860		2,876	2,571	

(1) Represents a favorable (unfavorable) variance as compared to pricing assumptions.

(2) Amounts are not adjusted for reinsurance ceded.

(3) Includes general account balances held within variable annuity products.

Net premiums and policy fees declined by 1.8% and 2.8% versus the second quarter and first six months of 2003 due to the continued runoff from acquired blocks of business. The change in gross premiums and policy fees were relatively consistent with the overall decline in policies in-force and policy account values. In addition, lower levels of reinsurance in the current quarter and first six months of 2004 impacted the change in net premiums and policy fees. Net investment income was also lower for the current quarter and year-to-date, caused by the runoff of business and lower overall earned rates. The segment has continued to adjust credited rates on UL and annuity business to minimize the impact of lower earned rates on interest spreads.

Policy benefit expenses were down 2.2% versus the second quarter of 2003 and relatively unchanged from the first six months of 2003, due to the decline in in-force as well as favorable mortality. Amortization of DAC decreased during the current quarter and first six months of 2004 due to the overall decline in business as well as lower gross profits on certain universal life blocks primarily caused by higher mortality. Other operating expenses decreased approximately 20% versus the second quarter and first six months of 2003, due to conversion costs incurred for the Conseco acquisition during 2003 as well as lower agent commissions incurred as a result of lower net premiums.

The segment's life insurance in-force and UL and annuity account values have declined from 2003 levels as no new acquisitions have been made since 2002. In the ordinary course of business, the segment regularly considers acquisitions of blocks of policies or smaller insurance companies. However, the level of the segment's acquisition activity is predicated upon many factors, including available capital, operating capacity, and market dynamics. The Company will continue to pursue suitable acquisitions as they become available.

Annuities

The Annuities segment manufactures, sells, and supports fixed and variable annuity products. These products are primarily sold through stockbrokers, but are also sold through financial institutions and the Life Marketing segment's sales force. Segment results were as follows:

	Three Months Ended June 30			Six Months Ended June 30		
	2004	2003	Change	2004	2003	Change
REVENUES						
Gross premiums and policy fees	$ 7,594	$ 6,387	18.9%	$ 15,222	$ 12,270	24.1%
Reinsurance ceded						
Net premiums and policy fees	7,594	6,387	18.9	15,222	12,270	24.1
Net investment income	51,523	57,780	(10.8)	103,111	116,222	(11.3)
Other income	1,555	2,075	(25.1)	3,340	4,016	(16.8)
Total operating revenues	60,672	66,242	(8.4)	121,673	132,508	(8.2)
BENEFITS AND EXPENSES						
Benefits and settlement expenses	44,456	51,339	(13.4)	90,502	104,325	(13.2)
Amortization of deferred policy acquisition costs	6,568	4,600	42.8	11,965	8,255	44.9
Other operating expenses	4,673	7,312	(36.1)	11,418	13,222	(13.6)
Total benefits and expenses	55,697	63,251	(11.9)	113,885	125,802	(9.5)
OPERATING INCOME	4,975	2,991	66.3	7,788	6,706	16.1
Realized investment gains (losses)	290	11,206		6,294	11,233	
Related amortization of DAC	(551)	(9,367)		(4,211)	(10,098)	
INCOME BEFORE INCOME TAX	$ 4,714	$ 4,830	(2.4)	$ 9,871	$ 7,841	25.9

The following table summarizes key data for the Annuities segment:

	Three Months Ended June 30			Six Months Ended June 30		
	2004	2003	Change	2004	2003	Change
Sales						
Fixed annuity	$108,305	$ 47,418	128.4%	$124,399	$123,786	0.5%
Variable annuity	63,317	94,336	(32.9)	125,041	196,861	(36.5)
	$171,622	$141,754	21.1	$249,440	$320,647	(22.2)
Average Account Values						
Fixed annuity[3]	$3,161,984	$3,377,398	(6.4)	$3,171,000	$3,359,381	(5.6)
Variable annuity	1,992,455	1,510,745	31.9	1,994,422	1,439,182	38.6
	$5,154,439	$4,888,143	5.4	$5,165,422	$4,798,563	7.6
Interest Spread – Fixed Annuities[1]						
Net investment income yield	6.60%	6.91%		6.54%	6.93%	
Interest credited to policyholders	5.72	5.93		5.71	5.92	
Interest spread	0.88%	0.98%		0.83%	1.01%	

	As of June 30		
	2004	2003	
GMDB – Net amount at risk[2]	$252,932	$416,679	(39.3)
GMDB - Reserves	$5,097	$6,246	(18.4)
S&P 500 Index	1,141	975	17.0

(1) Interest spread on average general account values.

(2) Guaranteed death benefit in excess of contract holder account balance.

(3) Includes general account balances held within variable annuity products.

Segment operating income increased by 66.3% and 16.1% compared to the second quarter and first six months of 2003 as lower spreads on fixed annuities were more than offset by the impact of improved equity markets reflected in the variable annuity business.

The improvement in the equity markets caused a significant increase in variable annuity account values, which drove the increase in net premiums and policy fees for the quarter and the year-to-date. The lower interest rate environment and decrease in fixed annuity balances caused net investment income and interest credited to decline from the second quarter and first six months of 2003. Interest spreads on fixed annuities fell 10 basis points and 18 basis points as compared to the second quarter and first six months of 2003. Lower rates on new investments and the impact of prepayments in the mortgage backed security portfolio have more than offset the effects of crediting rate reductions. Other income declined from the second quarter and first six months of 2003 due to the elimination of fee income from segment-managed mutual funds that are no longer offered as investment options within variable annuity products.

Interest credited decreased $4.7 million compared to second quarter 2003 and $8.8 million from the first six months of 2003 due to the decline in fixed annuity account values and lower rate environment. Benefits expense also benefited during the current quarter and first six months of 2004 from lower guaranteed minimum death benefit (GMDB) expenses of $1.1 million and $3.6 million, respectively. The additional profits on variable annuities were partially offset by higher amortization of DAC, accounting for an increase of $1.7 million and $4.5 million for the current quarter and year-to-date, respectively. Other operating expenses decreased 36.1% and 13.6% versus the second quarter and first six months of 2003. The current quarter benefited from lower administrative expenses and the elimination of sub-advisor fees paid for the segment-managed mutual funds, as well as higher expense capitalization caused by the increase in sales. Administrative expenses and sub-advisor fees were lower in the first six months as well, however, lower sales in the first quarter of 2004 negatively impacted the segment's expense capitalization levels.

Sales of fixed annuities increased 128.4% from second quarter 2003 due to higher overall interest rates and more competitive pricing, while sales for the first six months of 2004 were relatively unchanged from the level achieved in 2003. Variable annuity sales were 32.9% and 36.5% lower than the historically high levels achieved in the second quarter and first six months of 2003 as the Company maintained its pricing discipline. The improved equity markets reduced the net amount at risk with respect to guaranteed minimum death benefits by 39.3%.

Stable Value Products

The Stable Value Products segment markets guaranteed investment contracts (GICs) to 401(k) and other qualified retirement savings plans, and sells guaranteed funding agreements (GFA) to special purpose entities that in turn issue notes or certificates in smaller, transferable denominations. The segment also markets fixed and floating rate funding agreements directly to the trustees of municipal bond proceeds, institutional investors, bank trust departments, and money market funds. Segment results were as follows:

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
REVENUES						
Net investment income	$66,666	$59,090	12.8%	$130,699	$117,622	11.1%
BENEFITS AND EXPENSES						
Benefits and settlement expenses	50,720	46,957	8.0	100,489	94,722	6.1
Amortization of deferred policy acquisition costs	803	519	54.7	1,564	1,118	39.9
Other operating expenses	1,217	1,516	(19.7)	3,021	2,546	18.6
Total benefits and expenses	52,740	48,992	7.6	105,074	98,386	6.8
OPERATING INCOME	13,926	10,098	37.9	25,625	19,236	33.2
Realized investment gains (losses)	2,022	4,260		5,901	(2,442)	
INCOME BEFORE INCOME TAX	$15,948	$14,358	11.1	$ 31,526	$ 16,794	87.7

The following table summarizes key data for the Stable Value Products segment:

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
Sales						
GIC	$ 39,000	$ 30,000	30.0%	$ 39,000	$249,000	(84.3)%
GFA – Direct Institutional	960	0	100.0	960	25,000	(96.2)
GFA – Non-Registered Notes	0	100,000	(100.0)	0	300,000	(100.0)
GFA – Registered Notes - Institutional	0	0	0.0	300,000	0	100.0
GFA – Registered Notes - Retail	68,250	0	100.0	289,750	0	100.0
	$108,210	$130,000	(16.8)	$629,710	$574,000	9.7
Average Account Values	$5,062,014	$4,153,071	21.9	$4,956,987	$4,094,474	21.1
Operating Spread						
Net investment income yield	5.40%	5.88%		5.42%	5.91%	
Interest credited	4.11	4.67		4.17	4.76	
Operating expenses	0.16	0.20		0.19	0.18	
Operating spread	1.13%	1.01%		1.06%	0.97%	

Operating income increased 37.9% and 33.2% from the second quarter and first six months of 2003 due to growth in average account balances, as well as the widening of spreads. The growth in average account balances was primarily driven by sales of $522 million in the first quarter of 2004 and the $909 million in sales that occurred during the fourth quarter of 2003. The lower interest rate environment caused both the investment income yield and the interest credited rate to decline from the second quarter and first six months of 2003. However, a rebalancing of the segment's portfolio and replacement of higher rate contracts allowed for a widening of interest spreads. Currently, operating spreads are anticipated to be in the range of 100-105 basis points for the remainder of 2004.

The retail registered funding agreement-backed notes program, which was introduced during the first quarter of 2004, experienced sales of $68.3 million and $289.8 million during the current quarter and first six months of 2004. The Company currently anticipates sales from this program of approximately $550 million for 2004. In addition, the institutional registered funding agreement-backed notes program, which was launched in the fourth quarter of 2003, experienced sales of $300 million for the first six months of 2004. Sales of traditional GICs during the first six months of 2004 were significantly lower than 2003 levels due to the segment's continued focus on the registered note programs as well as lower overall market demand for traditional GIC products.

Asset Protection

The Asset Protection segment primarily markets extended service contracts and credit life and disability insurance to protect consumers' investments in automobiles and watercraft. Segment results were as follows:

	Three Months Ended June 30			Six Months Ended June 30		
	2004	2003	Change	2004	2003	Change
REVENUES						
Gross premiums and policy fees	$115,354	$104,153	10.8%	$233,533	$210,077	11.2%
Reinsurance ceded	(62,120)	(44,026)	41.1	(125,226)	(88,178)	42.0
Net premiums and policy fees	53,234	60,127	(11.5)	108,307	121,899	(11.2)
Net investment income	7,500	9,132	(17.9)	15,041	18,378	(18.2)
Other income	9,117	18,167	(49.8)	18,179	25,138	(27.7)
Total operating revenues	69,851	87,426	(20.1)	141,527	165,415	(14.4)
BENEFITS AND EXPENSES						
Benefits and settlement expenses	33,363	33,868	(1.5)	65,562	70,326	(6.8)
Amortization of deferred policy acquisition costs	17,522	21,425	(18.2)	37,478	39,908	(6.1)
Other operating expenses	14,595	22,372	(34.8)	29,513	44,178	(33.2)
Total benefits and expenses	65,480	77,665	(15.7)	132,553	154,412	(14.2)
OPERATING INCOME	4,371	9,761	(55.2)	8,974	11,003	(18.4)
INCOME BEFORE INCOME TAX	$ 4,371	$ 9,761	(55.2)	$ 8,974	$ 11,003	(18.4)

The following table summarizes key data for the Asset Protection segment:

	Three Months Ended June 30			Six Months Ended June 30		
	2004	2003	Change	2004	2003	Change
Sales						
Credit insurance	$ 59,035	$ 51,168	15.4%	$109,559	$ 96,810	13.2%
Service contracts	54,861	53,869	1.8	99,136	92,578	7.1
Other products	8,941	23,650	(62.2)	17,814	41,036	(56.6)
	$122,837	$128,687	(4.5)	$226,509	$230,424	(1.7)
Loss Ratios (1)						
Credit insurance	38.1%	39.9%		38.9%	40.0%	
Service contracts	87.6	90.0		82.1	87.8	
Other products	77.2	90.7		77.6	88.6	

(1) Incurred claims as a percentage of earned premiums.

Operating income decreased 55.2% and 18.4% versus the second quarter and first six months of 2003 as the impact of gains from charter sales offset improved results in the segment's remaining operations. The segment realized a gain of $6.9 million in the second quarter of 2003 and a $1.0 million gain in the first quarter of 2004 from the sale of separate inactive charters. Excluding the impact of these charter sales, operating income increased 50.6% and 91.8% from the second quarter and first six months of 2003. The improvement in results reflects an increase in earnings from the service contract business, partially offset by reduced earnings from credit insurance and the segment's other lines of business.

The decline in net premiums for the quarter and year-to-date was primarily related to decreases of $10.1 million and $18.4 million, respectively, in the credit insurance lines, due to higher levels of reinsurance. Partially offsetting this decline was an increase in vehicle service contract and other lines of $1.4 million and $3.3 million, respectively, for the quarter and year-to-date, reflecting the continued steady growth of these lines. The approximate 18% decrease in net investment income versus the second quarter and first six months of 2003 was also primarily attributable to the credit insurance business, due to lower policy liabilities and a lower net yield on investments. Excluding the impact of the charter sale gains, other income declined 19.4% and 6.1% from the second quarter and first six months of 2003, primarily due to lower levels of service contract administration fees.

Policy and benefit expenses declined 1.5% and 6.8% versus the second quarter and first six months of 2003 due to the decrease in the segment's net premiums. Amortization of DAC in the second quarter and first six months of 2004 was lower than the comparable periods in 2003 due to the decline in the segment's credit business. Other operating expenses decreased from the second quarter and first six months of 2003 due to lower commissions and reductions in other general expenses. A $1.7 million third-party administrator receivable write-off in the first quarter of 2003 contributed to the decline in other general expenses in 2004. The remaining decrease in general expenses was primarily due to the outsourcing of the administration of a portion of the segment's credit insurance business during 2003 and other cost saving initiatives.

Loss ratios for credit insurance improved slightly over 2003 levels, primarily reflecting improved results in the dealer credit area. Service contract loss ratios for the current quarter and year-to-date have improved over prior year levels as a result of segment initiatives to increase pricing and tighten the underwriting and claims processes. Loss ratios for other products have declined significantly from the second quarter and first six months of 2003 primarily due to lower losses in the inventory protection product line.

Sales of credit insurance through financial institutions rose 32.5% and 34.1% from levels achieved in the second quarter and first six months of 2003 primarily due to a third party administrator relationship. The increase in financial institution credit insurance sales is expected to decline as the third party administrator goes into runoff over the next year. These strong credit insurance sales results were partially offset by a decline in credit insurance sold through automobile dealers. Service contract sales rose slightly over 2003 levels reflecting modest increases in both vehicle and marine lines. The decrease in other product sales primarily reflects products sold in 2003 that the Company is no longer marketing.

Corporate and Other

The Company has an additional segment herein referred to as Corporate and Other. The Corporate and Other segment primarily consists of net investment income and expenses not attributable to the segments above (including net investment income on unallocated capital and interest on substantially all debt). This segment also includes earnings from several lines of business which the Company is not actively marketing (primarily cancer insurance, residual value insurance, surety insurance, and group annuities), various investment-related transactions, and the operations of several small subsidiaries. The surety and residual value insurance lines were moved from the Asset Protection segment to Corporate and Other during the first six months of 2004, and prior period segment data was restated to reflect the change.

The following table summarizes results for this segment:

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
Operating income (loss) [1]	$3,128	$(22,561)	$25,689	$ 7,433	$(21,601)	$29,034
Realized gains and losses - investments	(3,100)	14,998	(18,098)	3,915	19,834	(15,919)
Realized gains and losses - derivatives	3,251	(2,491)	5,742	3,188	(12,344)	15,532
Income (loss) before income tax	$3,279	$(10,054)	$13,333	$14,536	$(14,111)	$28,647

(1) Includes settlements on interest rate swaps of $5,354 and $5,885 for the three months ended June 30, 2004 and 2003, respectively, and $10,229 and $11,519 for the six months ended June 30, 2004 and 2003, respectively.

Operating income increased $25.7 million from the second quarter and $29.0 million from the first six months of 2003, as higher operating expenses were more than offset by reduced losses on runoff insurance lines and higher amounts of net investment income. During the second quarter of 2003, a $25.4 million charge was incurred to strengthen reserves in the runoff residual value business as the result of lower used vehicle price levels. For the current quarter, additional reserve strengthening of $3.0 million was taken on this line, while the surety block incurred reserve strengthening of $1.5 million and $4.0 million for the current quarter and first six months of 2004, respectively. Net investment income increased $5.9 million and $18.1 million versus the second quarter and first six months of 2003, reflecting increased participating mortgage income and higher amounts of unallocated capital. Higher overall expenses and lower amounts of income from interest rate swaps accounted for the remainder of the change in the current year's results.

Realized Gains and Losses

The following table sets forth realized investment gains and losses for the periods shown:

	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2004	2003	CHANGE	2004	2003	CHANGE
Fixed maturity gains	$ 5,954	$28,836	$(22,882)	$25,852	$43,771	$(17,919)
Fixed maturity losses	(2,299)	(1,277)	(1,022)	(5,376)	(1,373)	(4,003)
Equity gains	825	368	457	1,390	368	1,022
Equity losses	(22)	0	(22)	(22)	0	(22)
Impairments on fixed maturity securities	(2,523)	0	(2,523)	(2,723)	(15,935)	13,212
Impairments on equity securities	(2,125)	0	(2,125)	(2,125)	0	(2,125)
Other	(733)	1,597	(2,330)	(1,292)	1,515	(2,807)
Total realized gains (losses) - investments	$ (923)	$29,524	$(30,447)	$15,704	$28,346	$(12,642)
Foreign currency swaps	$ (1,799)	$17,858	$(19,657)	$(11,518)	$24,781	$(36,299)
Foreign currency adjustments on stable value contracts	1,934	(16,917)	18,851	11,924	(24,502)	36,426
Derivatives related to corporate debt	(3,736)	3,297	(7,033)	3,163	5,188	(2,025)
Derivatives related to mortgage loan commitments	13,678	(12,499)	26,177	5,308	(17,533)	22,841
Derivatives related to various investments	(1,337)	12,595	(13,932)	4,946	11,520	(6,574)
Total realized gains (losses) - derivatives	$ 8,740	$ 4,334	$ 4,406	$ 13,823	$ (546)	$ 14,369

Realized gains and losses on investments reflect portfolio management activities designed to maintain proper matching of assets and liabilities and to enhance long-term investment portfolio performance. The overall decline in net realized investment gains for the current quarter and year-to-date, excluding impairments, reflects the normal operation of the Company's asset/liability program within the context of recently rising interest rates. Investment impairments for the first six months of 2004 were lower than 2003 as a result of significant improvement in the corporate credit environment and proactive portfolio management. Additional details on the Company's investment performance and evaluation is provided in the section entitled "Liquidity and Capital Resources" included herein.

Realized investment gains and losses related to derivatives represent changes in the fair value of derivative financial instruments and gains and losses on derivative contracts closed during the period. The Company has entered into foreign currency swaps to mitigate the risk of changes in the value of principal and interest payments to be made on certain of its foreign currency denominated stable value contracts. The net change in the realized gains (losses) resulting from these securities in the second quarter and first six months of 2004 was $(0.8) million and $0.1 million, respectively. These changes were the result of differences in the related foreign currency spot and forward rates used to value the stable value contracts and foreign currency swaps. The Company also uses interest rate swaps to mitigate interest rate risk related to certain Senior Notes, Medium-Term Notes, and subordinated debt securities. Higher interest rates in the current quarter caused the 2004 results from these swaps to compare unfavorably with both the second quarter and first six months of 2003. The Company has taken short positions in U.S. Treasury futures to mitigate interest rate risk related to the Company's mortgage loan commitments. The higher net gains from these securities in the second quarter and first six months of 2004 were the result of interest rates moving higher in the current year.

The Company also uses various swaps and options to mitigate risk related to certain other investments held by the Company. For the second quarter and first six months of 2004, a portion of the change, a $4.9 million decrease and $1.5 million decrease, respectively, in realized gains (losses) resulted from higher interest rates in 2004, which impacted the fair value of certain interest rate swaps and options. Further, the second quarter and first six months of 2003 reflected a $4.3 million gain and $4.6 million gain, respectively, from a total return swap that was not reflected in 2004 due to the implementation of FIN 46. An additional decrease of $4.7 million and $4.5 million for the second quarter and first six months of 2004, respectively, related to gains from embedded derivatives within certain bonds that matured in the second quarter of 2003, with no similar activity in 2004. For the first six months of 2004, realized gains (losses) improved by $4.2 million due to the impact of embedded derivatives within certain asset swaps that were called in the first quarter of 2004, with no similar activity in the first six months of 2003.

Recently Issued Accounting Standards

In accordance with FASB Interpretation No. (FIN) 46 "Consolidation of Variable Interest Entities", the Company consolidated, as of and for the three months ended March 31, 2004, two real estate investment companies that the Company had previously reported as investments. The entities were consolidated based on the determination that the Company was the primary beneficiary. The consolidation resulted in the Company's reported assets and liabilities increasing by $76.2 million with an immaterial impact on results of operations. See also Note G for further discussion of FIN 46.

In January 2004, the Company adopted Statement of Position (SOP) 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts". SOP 03-1 provides guidance related to the establishment of reserves for benefit guarantees provided under certain long-duration contracts, as well as the accounting for mortality benefits provided in certain universal life products. In addition, it addresses the capitalization and amortization of sales inducements to contract holders. The adoption of SOP 03-1 in the first quarter of 2004 resulted in a cumulative charge to net income of $10.1 million, net of income tax of $5.5 million ($0.14 per share on both a basic and diluted basis). The charge to net income includes a $10.0 million charge to recognize additional liabilities, including an adjustment to deferred policy acquisition costs, on certain universal life contracts. These additional liabilities are required due to a change in the pattern of recognition of mortality benefits called for by the SOP. In addition, the Company recorded a $0.1 million adjustment related to guaranteed minimum death benefits on its variable annuity products. See also Note K for further discussion of SOP 03-1.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations usually produce a positive cash flow. This cash flow is used to fund an investment portfolio to finance future benefit payments. Since future benefit payments largely represent medium- and long-term obligations reserved using certain assumed interest rates, the Company's investments are predominantly in medium- and long-term, fixed-rate investments such as bonds and mortgage loans.

INVESTMENTS

Portfolio Description

The Company's investment portfolio consists primarily of fixed maturity securities (bonds and redeemable preferred stocks) and commercial mortgage loans. The Company generally purchases its investments with the intent to hold to maturity by purchasing investments that match future cash flow needs. However, the Company may sell any of its investments to maintain proper matching of assets and liabilities. Accordingly, the Company has classified $12.9 billion of its fixed maturities and certain other securities as "available for sale."

As of December 31, 2003, the Company consolidated a special-purpose entity, in accordance with FIN 46, whose investments are managed by the Company. These investments with a market value of $432.0 million at June 30, 2004, have been classified as "trading" securities by the Company.

The Company's investments in debt and equity securities are reported at market value, and investments in mortgage loans are reported at amortized cost. At June 30, 2004, the Company's fixed maturity investments had a market value of $13.3 billion, which is 2.2% above amortized cost of $13.0 billion. The Company had $2.8 billion in mortgage loans at June 30, 2004. While the Company's mortgage loans do not have quoted market values, at June 30, 2004, the Company estimates the market value of its mortgage loans to be $2.9 billion (using discounted cash flows from the next call date), which is 3.6% above amortized cost. Most of the Company's mortgage loans have significant prepayment fees. These assets are invested for terms approximately corresponding to anticipated future benefit payments. Thus, market fluctuations are not expected to adversely affect liquidity.

At June 30, 2004, total bonds rated less than investment grade were 5.5% of invested assets.

The following table shows the carrying values of the Company's invested assets.

	JUNE 30, 2004		DECEMBER 31, 2003	
($ in thousands)				
Publicly-issued bonds	$11,373,046	64.3%	$11,377,474	65.3%
Privately issued bonds	1,919,155	10.9	1,975,273	11.3
Redeemable preferred stock	3,405	0.0	3,164	0.0
Fixed maturities	13,295,606	75.2%	13,355,911	76.6%
Equity securities	57,802	0.3	46,731	0.3
Mortgage loans	2,836,683	16.1	2,733,722	15.7
Investment real estate	107,163	0.6	18,126	0.1
Policy loans	486,661	2.8	502,748	2.9
Other long-term investments	197,246	1.1	249,494	1.4
Short-term investments	694,002	3.9	519,419	3.0
Total investments	$17,675,163	100.0%	$17,426,151	100.0%

Included in the above table are $417.0 million of fixed maturities and $15.0 million of short term investments at June 30, 2004 and $420.1 million of fixed maturities and $4.8 million of short term investments at December 31, 2003, classified by the Company as trading securities.

Market values for private, non-traded securities are determined as follows: 1) the Company obtains estimates from independent pricing services or 2) the Company estimates market value based upon a comparison to quoted issues of the same issuer or issues of other issuers with similar terms and risk characteristics. The market value of private, non-traded securities was $1,919.2 million at June 30, 2004, representing 10.9% of the Company's total invested assets.

Risk Management and Impairment Review

The Company monitors the overall credit quality of the Company's portfolio within general guidelines. The following table shows the Company's available for sale fixed maturities by credit rating at June 30, 2004.

S&P or Equivalent Designation	Market Value	Percent of Market Value
($ in thousands)		
AAA	$ 4,375,227	34.0%
AA	821,598	6.4
A	3,025,256	23.5
BBB	3,687,044	28.6
Investment grade	11,909,125	92.5%
BB	684,101	5.3
B	244,619	1.9
CCC or lower	33,837	0.3
In or near default	3,536	0.0
Below investment grade	966,093	7.5
Redeemable preferred stock	3,405	0.0
Total	$12,878,623	100.0%

Not included in the table above are $417.0 million of investment grade fixed maturities classified by the Company as trading securities.

Limiting bond exposure to any creditor group is another way the Company manages credit risk. The following table summarizes the Company's ten largest fixed maturity exposures to an individual creditor group as of June 30, 2004.

Creditor	Market Value ($ in millions)
Citigroup	$74.8
Goldman Sachs	72.6
FPL Group	72.2
Encana	71.5
Duke Energy	70.3
Wachovia	70.1
Berkshire Hathaway	69.8
Dominion Resources	65.7
Edison International	65.5
Verizon	64.0

The Company's management considers a number of factors when determining the impairment status of individual securities. These include the economic condition of various industry segments and geographic locations and other areas of identified risks. Although it is possible for the impairment of one investment to affect other investments, the Company engages in ongoing risk management to safeguard against and limit any further risk to its investment portfolio. Special attention is given to correlated risks within specific industries, related parties and business markets.

Once management has determined that a particular investment has suffered an other-than-temporary impairment, the asset is written down to its estimated fair value. The Company generally considers a number of factors in determining whether the impairment is other-than-temporary. These include, but are not limited to: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline, 4) the intent and ability of the Company to hold the investment until recovery, 5) the time period during which the decline has occurred, 6) an economic analysis of the issuer's industry, and 7) the financial strength, liquidity, and recoverability of the issuer. Management performs a security-by-security review each quarter in evaluating the need for any other-than-temporary impairments. Although no set formula is used in this process, the investment performance, collateral position and continued viability of the issuer are significant measures considered.

The Company generally considers a number of factors relating to the issuer in determining the financial strength, liquidity, and recoverability of an issuer. These include but are not limited to: available collateral, tangible and intangible assets that might be available to repay debt, operating cash flows, financial ratios, access to capital markets, quality of management, market position, exposure to litigation or product warranties, and the effect of general economic conditions on the issuer.

There are certain risks and uncertainties associated with determining whether declines in market values are other-than-temporary. These include significant changes in general economic conditions and business markets, trends in certain industry segments, interest rate fluctuations, rating agency actions, changes in significant accounting estimates and assumptions, commission of fraud and legislative actions. The Company continuously monitors these factors as they relate to the investment portfolio in determining the status of each investment. Provided below are additional facts concerning the potential effect upon the Company's earnings should circumstances lead management to conclude that some of the current declines in market value are other-than-temporary.

Unrealized Gains and Losses

The information presented below relates to investments at a certain point in time and is not necessarily indicative of the status of the portfolio at any time after June 30, 2004, the balance sheet date. Information about unrealized gains and losses is subject to rapidly changing conditions, including volatility of financial markets and changes in interest rates. As indicated above, the Company's management considers a number of factors in determining if an unrealized loss is other-than-temporary, including our ability and intent to hold the security until recovery. Furthermore, since the timing of recognizing realized gains and losses is largely based on management's decisions as to the timing and selection of investments to be sold, the tables and information provided below should be considered within the context of the overall unrealized gain (loss) position of the portfolio. At June 30, 2004, the Company had an overall pretax net unrealized gain of $283.1 million.

For traded and private fixed maturity and equity securities held by the Company that are in an unrealized loss position at June 30, 2004, the estimated market value, amortized cost, unrealized loss and total time period that the security has been in an unrealized loss position are presented in the table below.

($ in thousands)	**Estimated Market Value**	**% Market Value**	**Amortized Cost**	**% Amortized Cost**	**Unrealized Loss**	**% Unrealized Loss**
<= 90 days	$3,839,107	85.0%	$3,960,769	84.0%	$(121,662)	61.7%
>90 days but <= 180 days	185,034	4.1	195,638	4.1	(10,604)	5.4
>180 days but <= 270 days	65,595	1.5	68,932	1.5	(3,337)	1.7
>270 days but <= 1 year	160,131	3.5	173,483	3.7	(13,352)	6.8
>1 year but <= 2 years	175,088	3.9	195,336	4.1	(20,248)	10.3
>2 years but <= 3 years	28,362	0.6	36,053	0.8	(7,691)	3.9
>3 years but <= 4 years	3,827	0.1	4,139	0.1	(312)	0.1
>4 years but <= 5 years	12,633	0.3	13,953	0.3	(1,320)	0.7
>5 years	47,570	1.0	66,072	1.4	(18,502)	9.4
Total	$4,517,347	100.0%	$4,714,375	100.0%	$(197,028)	100.0%

At June 30, 2004, securities with a market value of $48.3 million and $22.6 million of unrealized losses were issued in Company sponsored commercial mortgage loan securitizations, including $17.2 million of unrealized losses greater than five years. The Company does not consider these unrealized positions to be other-than-temporary, because the underlying mortgage loans continue to perform consistently with the Company's original expectations.

The Company has no material concentrations of issuers or guarantors of fixed maturity securities. The industry segment composition of all securities in an unrealized loss position held by the Company at June 30, 2004, is presented in the following table.

($ in thousands)	Estimated Market Value	% Market Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
Agency Mortgages	$1,385,588	30.7%	$1,424,859	30.3%	$(39,271)	19.9%
Banking	295,980	6.5	307,199	6.5	(11,219)	5.7
Basic Industrial	125,627	2.8	131,345	2.8	(5,718)	2.9
Brokerage	180,207	4.0	187,738	4.0	(7,531)	3.8
Capital Goods	19,678	0.4	19,766	0.4	(88)	0.0
Communications	90,214	2.0	97,679	2.1	(7,465)	3.8
Consumer Cyclical	93,878	2.1	97,903	2.1	(4,025)	2.0
Consumer Noncyclical	163,162	3.6	169,562	3.6	(6,400)	3.2
Electric	843,724	18.7	883,716	18.7	(39,992)	20.4
Energy	156,179	3.5	163,323	3.5	(7,144)	3.6
Finance Companies	66,605	1.5	67,328	1.4	(723)	0.4
Insurance	174,754	3.9	182,779	3.9	(8,025)	4.1
Municipal Agencies	5,943	0.1	5,992	0.1	(49)	0.0
Natural Gas	288,291	6.4	303,636	6.4	(15,345)	7.8
Non-Agency Mortgages	307,962	6.8	329,010	7.0	(21,048)	10.8
Other Finance	90,792	2.0	98,318	2.1	(7,526)	3.8
Other Government Agencies	483	0.0	491	0.0	(8)	0.0
Other Utility	21	0.0	44	0.0	(23)	0.0
Technology	31,455	0.7	32,660	0.7	(1,205)	0.6
Transportation	171,890	3.8	185,524	3.9	(13,634)	6.9
U. S. Government	24,914	0.5	25,503	0.5	(589)	0.3
Total	$4,517,347	100.0%	$4,714,375	100.0%	$(197,028)	100.0%

The range of maturity dates for securities in an unrealized loss position at June 30, 2004 varies, with 6.2% maturing in less than 5 years, 69.3% maturing between 5 and 10 years, and 24.5% maturing after 10 years. The following table shows the credit rating of securities in an unrealized loss position at June 30, 2004.

S&P or Equivalent Designation ($ in thousands)	Estimated Market Value	% Market Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
AAA/AA/A	$3,125,114	69.2%	$3,236,629	68.6%	$(111,515)	56.6%
BBB	1,119,936	24.8	1,168,925	24.8	(48,989)	24.9
Investment grade	4,245,050	94.0	4,405,554	93.4	(160,504)	81.5
BB	138,745	3.1	149,258	3.2	(10,513)	5.3
B	101,891	2.2	114,731	2.4	(12,840)	6.5
CCC or lower	31,661	0.7	44,832	1.0	(13,171)	6.7
Below investment grade	272,297	6.0	308,821	6.6	(36,524)	18.5
Total	$4,517,347	100.0%	$4,714,375	100.0%	$(197,028)	100.0%

At June 30, 2004, securities in an unrealized loss position that were rated as below investment grade represented 6.0% of the total market value and 18.5% of the total unrealized loss. Unrealized losses related to below investment grade securities that had been in an unrealized loss position for more than twelve months were $28.8 million. Bonds in an unrealized loss position rated less than investment grade were 1.5% of invested assets. The Company does not expect these investments to adversely affect its liquidity or ability to maintain proper matching of assets and liabilities.

The following table shows the estimated market value, amortized cost, unrealized loss and total time period that the security has been in an unrealized loss position for all below investment grade securities.

($ in thousands)	Estimated Market Value	% Market Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
<= 90 days	$142,753	52.4%	$147,961	48.0%	$ (5,208)	14.3%
>90 days but <= 180 days	22,739	8.4	24,657	8.0	(1,918)	5.3
>180 days but <= 270 days	1,713	0.6	1,747	0.6	(34)	0.1
>270 days but <= 1 year	4,076	1.5	4,482	1.5	(406)	1.1
>1 year but <= 2 years	16,189	6.0	20,979	6.8	(4,790)	13.2
>2 years but <= 3 years	26,302	9.6	32,401	10.4	(6,099)	16.8
>3 years but <= 4 years	3,136	1.2	3,255	1.1	(119)	0.3
>4 years but <= 5 years	7,783	2.9	8,001	2.6	(218)	0.6
>5 years	47,270	17.4	64,889	21.0	(17,619)	48.3
Total	$271,961	100.0%	$308,372	100.0%	$(36,411)	100.0%

At June 30, 2004, below investment grade securities with a market value of $42.5 million and $16.4 million of unrealized losses were issued in Company sponsored commercial mortgage loan securitizations, most of which are in an unrealized loss position greater than five years. The Company does not consider these unrealized positions to be other-than-temporary, because the underlying mortgage loans continue to perform consistently with the Company's original expectations.

Realized Losses

Realized losses are comprised of both write-downs on other-than-temporary impairments and actual sales of investments. During the six months ended June 30, 2004, the Company recorded $4.8 million of pretax other-than-temporary impairments in its investments, as compared to $15.9 million in the six months ended June 30, 2003.

As discussed earlier, the Company's management considers several factors when determining other-than-temporary impairments. Although the Company generally intends to hold securities until maturity, the Company may change its positions as a result of a change in circumstances. Any such decision is consistent with the Company's classification of all but a specific portion of its investment portfolio as available for sale. During the six months ended June 30, 2004, the Company sold securities in an unrealized loss position with a market value of $164.7 million resulting in a realized loss of $5.4 million. For such securities, the proceeds, realized loss and total time period that the security had been in an unrealized loss position are presented in the table below.

($ in thousands)	**Proceeds**	**% Proceeds**	**Realized Loss**	**% Realized Loss**
<= 90 days	$ 10,098	6.1%	$(1,543)	28.7%
>90 days but <= 180 days	0	0.0	(0)	0.0
>180 days but <= 270 days	79,518	48.3	(2,229)	41.5
>270 days but <= 1 year	74,358	45.6	(1,598)	29.7
> 1 year	711	0.0	(6)	0.1
Total	$164,685	100.0%	$(5,376)	100.0%

Mortgage Loans

The Company records mortgage loans net of an allowance for credit losses. This allowance is calculated through analysis of specific loans that are believed to be at a higher risk of becoming impaired in the near future. At June 30, 2004 and December 31, 2003, the Company's allowance for mortgage loan credit losses was $4.7 million.

For several years the Company has offered a type of commercial mortgage loan under which the Company will permit a slightly higher loan-to-value ratio in exchange for a participating interest in the cash flows from the underlying real estate. As of June 30, 2004, approximately $412.6 million of the Company's mortgage loans have this participation feature.

In the ordinary course of its commercial mortgage lending operations, the Company will commit to provide a mortgage loan before the property to be mortgaged has been built or acquired. The mortgage loan commitment is a contractual obligation to fund a mortgage loan when called upon by the borrower. The commitment is not recognized in the Company's financial statements until the commitment is actually funded. The mortgage loan commitment contains terms, including the rate of interest, which may become less than prevailing interest rates. At June 30, 2004, the Company had outstanding mortgage loan commitments of $755.3 million at an average rate of 6.29%.

Liabilities

Many of the Company's products contain surrender charges and other features that reward persistency and penalizes the early withdrawal of funds. Certain stable value and annuity contracts have market-value adjustments that protect the Company against investment losses if interest rates are higher at the time of surrender than at the time of issue.

At June 30, 2004, the Company had policy liabilities and accruals of $10.1 billion. The Company's interest-sensitive life insurance policies have a weighted average minimum credited interest rate of approximately 4.5%.

At June 30, 2004, the Company had $4.9 billion of stable value product account balances and $3.4 billion of annuity account balances.

Derivative Financial Instruments

The Company utilizes a risk management strategy that incorporates the use of derivative financial instruments, primarily to reduce its exposure to interest rate risk as well as currency exchange risk. Combinations of interest rate swap contracts, futures contracts, and option contracts are used to mitigate or eliminate certain financial and market risks, including those related to changes in interest rates for certain investments, primarily outstanding mortgage loan commitments and mortgage-backed securities, and the Company's outstanding debt. Swap contracts are also used to alter the effective durations of assets and liabilities. The Company uses foreign currency swaps to reduce its exposure to currency exchange risk on certain stable value contracts denominated in foreign currencies, primarily the European euro and the British pound.

Derivative instruments expose the Company to credit and market risk and could result in material changes from quarter-to-quarter. The Company minimizes its credit risk by entering into transactions with highly rated counterparties. The Company manages the market risk associated with interest rate and foreign exchange contracts by establishing and monitoring limits as to the types and degrees of risk that may be undertaken. The Company monitors its use of derivatives in connection with its overall asset/liability management programs and procedures.

Asset/Liability Management

The Company's asset/liability management programs and procedures involve the monitoring of asset and liability durations for various product lines; cash flow testing under various interest rate scenarios; and the continuous rebalancing of assets and liabilities with respect to yield, risk, and cash flow characteristics. It is the Company's policy to generally maintain asset and liability durations within one-half year of one another, although, from time to time, a broader interval may be allowed.

The Company believes its asset/liability management programs and procedures and certain product features provide protection for the Company against the effects of changes in interest rates under various scenarios. Additionally, the Company believes its asset/liability management programs and procedures provide sufficient liquidity to enable it to fulfill its obligation to pay benefits under its various insurance and deposit contracts. However, the Company's asset/liability management programs and procedures incorporate assumptions about the relationship between short-term and long-term interest rates (i.e., the slope of the yield curve), relationships between risk-adjusted and risk-free interest rates, market liquidity and other factors, and the effectiveness of the Company's asset/liability management programs and procedures may be negatively affected whenever actual results differ from those assumptions.

Cash outflows related to stable value contracts (primarily maturing contracts, scheduled interest payments and expected withdrawals) were approximately $1,100.1 million during 2003. Cash outflows related to stable value contracts are estimated to be approximately $1,074.0 million in 2004. The Company's asset/liability management programs and procedures take into account maturing contracts and expected withdrawals. Accordingly, the Company does not expect stable value contract related cash outflows to have an unusual effect on the future operations and liquidity of the Company.

The life insurance subsidiaries were committed at June 30, 2004, to fund mortgage loans in the amount of $755.3 million. The Company's subsidiaries held $798.5 million in cash and short-term investments at June 30, 2004. The Company had an additional $1.0 million in cash and short-term investments available for general corporate purposes.

While the Company generally anticipates that the cash flows of its subsidiaries will be sufficient to meet their investment commitments and operating cash needs, the Company recognizes that investment commitments scheduled to be funded may, from time to time, exceed the funds then available. Therefore, the Company has arranged sources of credit for its insurance subsidiaries to use when needed. The Company expects that the rate received on its investments will equal or exceed its borrowing rate. Additionally, the Company may from time to time sell short-duration stable value products to complement its cash management practices.

The Company has also used securitization transactions involving its commercial mortgage loans to increase its liquidity.

Capital

At June 30, 2004, the Company had $9.0 million outstanding under its $200.0 million revolving line of credit due October 1, 2005, at an interest rate of 1.71%. On July 1, 2004, the Company borrowed an additional $75 million under the line of credit in connection with the redemption of the 7.95% 10-year Senior Notes. In addition, on July 30, 2004, the Company amended the line of credit agreement to extend the maturity to July 30, 2009 and to allow Protective Life Insurance Company to borrow amounts under the line.

Protective Life Corporation's cash flow is dependent on cash dividends from its subsidiaries, revenues from investment, data processing, legal and management services rendered to the subsidiaries, and investment income. At December 31, 2003, approximately $529.8 million of consolidated share-owners' equity, excluding net unrealized investment gains and losses, represented net assets of the Company's insurance subsidiaries that cannot be transferred to the Company. In addition, the states in which the Company's insurance subsidiaries are domiciled impose certain restrictions on the insurance subsidiaries' ability to pay dividends to the Company.

The Company plans to retain substantial portions of the earnings of its life insurance subsidiaries in those companies primarily to support their future growth. The Company's cash disbursements have from time to time exceeded its cash receipts, and these shortfalls have been funded through various external financings. Therefore, the Company may, from time to time, require additional external financing.

To give the Company flexibility in connection with future acquisitions and other growth opportunities or for other corporate purposes, the Company has registered debt securities, preferred and common stock, and stock purchase contracts of Protective Life Corporation, and additional preferred securities of special purpose finance subsidiaries under the Securities Act of 1933 on a delayed (or shelf) basis.

On May 3, 2004, the Company’s Board of Directors authorized a $100 million share repurchase program, available through May 2, 2007. There has been no activity under this program, and future activity will be dependent upon many factors, including capital levels, rating agency expectations, and the relative attractiveness of alternative uses for capital.

A life insurance company's statutory capital is computed according to rules prescribed by the National Association of Insurance Commissioners ("NAIC"), as modified by the insurance company's state of domicile. Statutory accounting rules are different from GAAP and are intended to reflect a more conservative view by, for example, requiring immediate expensing of policy acquisition costs. The NAIC's risk-based capital requirements require insurance companies to calculate and report information under a risk-based capital formula. The achievement of long-term growth will require growth in the statutory capital of the Company's insurance subsidiaries. The subsidiaries may secure additional statutory capital through various sources, such as retained statutory earnings or equity contributions by the Company.

Contractual Obligations

The table below sets forth future maturities of debt, subordinated debt securities, stable value products, notes payable, operating lease obligation, other property lease obligations, mortgage loan commitments, and liabilities related to variable interest entities.

	2004	2005-2006	2007-2008	After 2008
($ in thousands)				
Long-term debt[a]	$ 75,000	$ 9,000		$299,231
Subordinated debt securities[b]				324,743
Stable value products[c]	583,800	2,097,998	$1,408,345	831,021
Note payable	2,218			
Operating leases[d]	3,589	12,354	71,887	9,313
Mortgage loan commitments	755,350			
Liabilities related to variable interest entities[e]	400,816	12,437	47,945	15,393

(a) Long-term debt includes all principle amounts owed on note agreements, and does not include interest payments due over the term of the notes.

(b) Subordinated debt securities includes all principle amounts owed to non-consolidated special purpose finance subsidiaries of the Company, and does not include interest payments due over the term of the obligations.

(c) Anticipated stable value products cash flows, excluding interest not yet accrued.

(d) Includes all lease payments required under operating lease agreements.

(e) Liabilities related to variable interest entities are not the legal obligations of the Company, but will be repaid with cash flows generated by the variable interest entities. The amounts represent scheduled principal payments.

The table above excludes liabilities related to separate accounts of $2,314.8 million. Separate account liabilities represent funds maintained for contract holders who bear the related investment risk. These liabilities are supported by assets that are legally segregated and are not subject to claims that arise from other business activities of the Company. These assets and liabilities are separately identified on the consolidated balance sheets of the Company. The table also excludes future cash flows related to certain insurance liabilities due to the uncertainty with respect to the timing of the cash flows.

Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>

There has been no material change from the disclosures in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Item 4. <u>Controls and Procedures</u>

Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting and concluded that (i) our disclosure controls and procedures were effective as of June 30, 2004, and (ii) no change in internal control over financial reporting occurred during the quarter ended June 30, 2004 that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting.

PART II

Item 2. <u>Changes in Securities and Use of Proceeds</u>

During the quarter ended June 30, 2004, the Company issued the following securities in transactions which were not registered under the Securities Act of 1933, as amended (the "Act").

(a) On April 28, 2004, the Company issued 825 shares of Common Stock, par value $.50 per share.

(b) No underwriters participated. The shares were issued to nonemployee Directors of the Company as follows:

Vanessa Leonard	75 shares
J. Gary Cooper	750 shares

(c) The shares were issued in partial payment of the Directors' retainer fee.

(d) Exemption from registration under the Act was claimed based upon Section 4(2) as a sale by an issuer not involving a public offering.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Share Owners was held on May 3, 2004. Shares entitled to vote at the Annual Meeting totaled 69,291,140 of which 61,769,655 shares were represented. The number of shares entitled to vote was determined as of March 5, 2004.

At the Annual Meeting the following directors were elected. The number of shares cast for and authorization withheld for each nominee is shown below.

	For	Authorization Withheld
John J. McMahon, Jr.	59,996,160	1,773,496
James S. M. French	58,949,050	2,820,606
John D. Johns	59,720,162	2,049,494
Donald M. James	58,814,385	2,955,271
J. Gary Cooper	59,791,677	1,977,979
H. Corbin Day	58,840,911	2,928,744
W. Michael Warren, Jr.	59,983,644	1,786,011
Malcolm Portera	60,991,141	778,514
Thomas L. Hamby	61,012,691	756,964
Vanessa Leonard	60,983,108	786,547
William A. Terry	61,008,308	761,347

At the Annual Meeting, share owners also approved two proposals. The first proposal was to approve the Company's Stock Plan for Non-Employee Directors. Shares voting for this proposal were 49,784,673 shares, voting against were 4,917,776, and shares abstaining were 372,667.

Additionally, share owners approved a proposal to ratify the appointment by the Board of Directors of PricewaterhouseCoopers LLP as independent registered public accountants for the Company and its subsidiaries for 2004. Shares voting for this proposal were 59,093,240, shares voting against were 2,612,765, and shares abstaining were 63,650.

Item 6. Exhibits and Reports on Form 8-K

Exhibit 10 – Stock Plan for Non-Employee Directors of Protective Life Corporation (Effective May 3, 2004)

Exhibit 15 - Letter re: unaudited interim financial information.

Exhibit 31(a) – Certification Pursuant to §302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31(b) – Certification Pursuant to §302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32(a) - Certification Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32(b) - Certification Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 99 – Safe Harbor for Forward-Looking Statements.

(a) The following Forms 8-K were filed or furnished to the Securities and Exchange Commission during the three months ended June 30, 2004:

A Form 8-K was furnished under Item 12 to the Securities and Exchange Commission on May 4, 2004.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROTECTIVE LIFE CORPORATION

Date: August 9, 2004

/s/ Steven G. Walker
Steven G. Walker
Senior Vice President, Controller
and Chief Accounting Officer
(Duly authorized officer)

Exhibit 15

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Commissioners:

We are aware that our report dated August 3, 2004 on our review of interim financial information of Protective Life Corporation and its subsidiaries (the "Company") for the six month periods ended June 30, 2004 and 2003 and included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2004 is incorporated by reference in the Company's registration statements on Form S-8 (File Nos. 333-32420, 33-51887 and 33-61847) and Form S-3 (File Nos. 333-86477, 333-39103 and 33-59769).

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Birmingham, Alabama
August 9, 2004

Exhibit 31(a)

Certification Pursuant to §302 of the Sarbanes-Oxley Act of 2002

I, John D. Johns, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Protective Life Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2004

/s/ John D. Johns

Title: President and Chief Executive Officer

Exhibit 31(b)

Certification Pursuant to §302 of the Sarbanes-Oxley Act of 2002

I, Allen W. Ritchie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Protective Life Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2004

/s/ Allen W. Ritchie

Title: Executive Vice President and Chief Financial Officer

[PROTECTIVE LIFE CORPORATION LETTERHEAD]

EXHIBIT 32(a)

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Protective Life Corporation (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John D. Johns, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John D. Johns
President and Chief Executive Officer
August 9, 2004

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

[PROTECTIVE LIFE CORPORATION LETTERHEAD]

EXHIBIT 32(b)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Protective Life Corporation (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Allen W. Ritchie, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Allen W. Ritchie
Executive Vice President and
Chief Financial Officer
August 9, 2004

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

Exhibit 99
to
Form 10-Q
of
Protective Life Corporation
for the six months
ended June 30, 2004

Safe Harbor for Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Act") encourages companies to make "forward-looking statements" by creating a safe harbor to protect the companies from securities law liability in connection with forward-looking statements. All statements based on future expectations rather than on historical facts are forward-looking statements. Forward-looking statements can be identified by use of words such as "expect," "estimate," "project," " budget," "forecast," "anticipate," "plan," "may," and similar expressions. Protective Life Corporation (the "Company") intends to qualify both its written and oral forward-looking statements for protection under the Act.

To qualify oral forward-looking statements for protection under the Act, a readily available written document must identify important factors that could cause actual results to differ materially from those in the forward-looking statements. The Company provides the following information to qualify forward-looking statements for the safe harbor protection of the Act.

The operating results of companies in the insurance industry have historically been subject to significant fluctuations. The factors which could affect the Company's future results include, but are not limited to, general economic conditions and the known trends and uncertainties which are discussed more fully below.

The Company is exposed to the risks of natural disasters, malicious and terrorist acts that could adversely affect the Company's operations.

While the Company has obtained insurance, implemented risk management and contingency plans, and taken preventive measures and other precautions, no predictions of specific scenarios can be made nor can assurance be given that there are not scenarios that could have an adverse effect on the Company. A natural disaster or an outbreak of an easily communicable disease could adversely affect the mortality or morbidity experience of the Company or its reinsurers.

The Company operates in a mature, highly competitive industry, which could limit its ability to gain or maintain its position in the industry.

Life and health insurance is a mature industry. In recent years, the industry has experienced little growth in life insurance sales, though the aging population has increased the demand for retirement savings products. Life and health insurance is a highly competitive industry. The Company encounters significant competition in all lines of business from other insurance companies, many of which have greater financial resources than the Company, as well as competition from other providers of financial services. Competition could result in, among other things, lower sales or higher lapses of existing products.

The insurance industry is consolidating, with larger, potentially more efficient organizations emerging from consolidation. Participants in certain of the Company's independent distribution channels are also consolidating into larger organizations. Some mutual insurance companies are converting to stock ownership, which will give them greater access to capital markets. Additionally, commercial banks, insurance companies, and investment banks may now combine, provided certain requirements are satisfied. The ability of banks to increase their securities-related business or to affiliate with insurance companies may materially and adversely affect sales of all of the Company's products by substantially increasing the number and financial strength of potential competitors.

The Company's ability to compete is dependent upon, among other things, its ability to attract and retain distribution channels to market its insurance and investment products, its ability to develop competitive and profitable products, its ability to maintain low unit costs, and its maintenance of strong ratings from rating agencies.

A ratings downgrade could adversely affect the Company's ability to compete.

Rating organizations periodically review the financial performance and condition of insurers, including the Company's subsidiaries. In recent years, downgrades of insurance companies have occurred with increasing frequency. A downgrade in the rating of the Company's subsidiaries could adversely affect the Company's ability to sell its products, retain existing business, and compete for attractive acquisition opportunities. Specifically, a ratings downgrade would materially harm the Company's ability to sell certain products, including guaranteed investment products and funding agreements.

Rating organizations assign ratings based upon several factors. While most of the factors relate to the rated company, some of the factors relate to the views of the rating organization, general economic conditions and circumstances outside the rated company's control. In addition, rating organizations use various models and formulas to assess the strength of a rated company, and from time to time rating organizations have, in their discretion, altered the models. Changes to the models could impact the rating organizations' judgment of the rating to be assigned to the rated company. The Company cannot predict what actions the rating organizations may take, or what actions the Company may be required to take in response to the actions of the rating organizations, which could adversely affect the Company.

The Company's policy claims fluctuate from period to period, and actual results could differ from its expectations.

The Company's results may fluctuate from period to period due to fluctuations in policy claims received by the Company. Certain of the Company's businesses may experience higher claims if the economy is growing slowly or in recession, or equity markets decline.

Mortality, morbidity, and casualty expectations incorporate assumptions about many factors, including for example, how a product is distributed, persistency and lapses, and future progress in the fields of health and medicine. Actual mortality, morbidity, and casualty claims could differ from expectations if actual results differ from those assumptions.

The Company's results may be negatively affected should actual experience differ from management's assumptions and estimates.

In the conduct of business, the Company makes certain assumptions regarding the mortality, persistency, expenses and interest rates, or other factors appropriate to the type of business it expects to experience in future periods. These assumptions are also used to estimate the amounts of deferred policy acquisition costs, policy liabilities and accruals, future earnings, and various components of the Company's balance sheet. The Company's actual experience, as well as changes in estimates, are used to prepare the Company's statements of income.

The calculations the Company uses to estimate various components of its balance sheet and statements of income are necessarily complex and involve analyzing and interpreting large quantities of data. The Company currently employs various techniques for such calculations and it from time to time will develop and implement more sophisticated administrative systems and procedures capable of facilitating the calculation of more precise estimates.

Assumptions and estimates involve judgment, and by their nature are imprecise and subject to changes and revision over time. Accordingly, the Company's results may be affected, positively or negatively, from time to time, by actual results differing from assumptions, by changes in estimates, and by changes resulting from implementing more sophisticated administrative systems and procedures that facilitate the calculation of more precise estimates.

The use of reinsurance introduces variability in the Company's statements of income.

The timing of premium payments to, and receipt of expense allowances from, reinsurers may differ from the Company's receipt of customer premium payments and incurrence of expenses. These timing differences introduce variability in certain components of the Company's statements of income, and may also introduce variability in the Company's quarterly results.

The Company could be forced to sell investments at a loss to cover policyholder withdrawals.

Many of the products offered by the Company and its insurance subsidiaries allow policyholders and contract holders to withdraw their funds under defined circumstances. The Company and its insurance subsidiaries manage their liabilities and configure their investment portfolios so as to provide and maintain sufficient liquidity to support anticipated withdrawal demands and contract benefits and maturities. While the Company and its life insurance subsidiaries own a significant amount of liquid assets, a certain portion of their assets are relatively illiquid. If the Company or its subsidiaries experience unanticipated withdrawal or surrender activity, the Company or its subsidiaries could exhaust their liquid assets and be forced to liquidate other assets, perhaps on unfavorable terms. If the Company or its subsidiaries are forced to dispose of assets on unfavorable terms, it could have an adverse effect on the Company's financial condition.

Interest-rate fluctuations could negatively affect the Company's spread income or otherwise impact its business.

Significant changes in interest rates expose insurance companies to the risk of not earning anticipated spreads between the interest rate earned on investments and the credited interest rates paid on outstanding policies and contracts. Both rising and declining interest rates can negatively affect the Company's spread income. While the Company develops and maintains asset/liability management programs and procedures designed to preserve spread income in rising or falling interest rate environments, no assurance can be given that changes in interest rates will not affect such spreads.

From time to time, the Company has participated in securities repurchase transactions that have contributed to the Company's investment income. Such transactions involve some degree of risk that the counterparty may fail to perform its obligations to pay amounts owed and the collateral has insufficient value to satisfy the obligation. No assurance can be given that such transactions will continue to be entered into and contribute to the Company's investment income in the future.

Changes in interest rates may also impact its business in other ways. Lower interest rates may result in lower sales of certain of the Company's insurance and investment products. In addition, certain of the Company's insurance and investment products guarantee a minimum credited interest rate, and the Company could become unable to earn its spread income should interest rates decrease significantly.

Higher interest rates may create a less favorable environment for the origination of mortgage loans and decrease the investment income the Company receives in the form of prepayment fees, make-whole payments, and mortgage participation income. Higher interest rates may also increase the cost of debt and other obligations having floating rate or rate reset provisions and may result in lower sales of variable products.

Additionally, the Company's asset/liability management programs and procedures incorporate assumptions about the relationship between short-term and long-term interest rates (i.e., the slope of the yield curve) and relationships between risk-adjusted and risk-free interest rates, market liquidity, and other factors. The effectiveness of the Company's asset/liability management programs and procedures may be negatively affected whenever actual results differ from these assumptions.

In general terms, the Company's results are improved when the yield curve is positively sloped (i.e., when long-term interest rates are higher than short-term interest rates), and will be adversely affected by a flat or negatively sloped curve.

Equity market volatility could negatively impact the Company's business.

The amount of policy fees received from variable products is affected by the performance of the equity markets, increasing or decreasing as markets rise or fall. Equity market volatility can also affect the profitability of variable products in other ways.

The amortization of deferred policy acquisition costs relating to variable products and the estimated cost of providing guaranteed minimum death benefits incorporate various assumptions about the overall performance of equity markets over certain time periods. The rate of amortization of deferred policy acquisition costs and the estimated cost of providing guaranteed minimum death benefits could increase if equity market performance is worse than assumed.

A deficiency in the Company's systems could result in over or underpayments of amounts owed to or by the Company and/or errors in the Company's critical assumptions or reported financial results.

The business of insurance necessarily involves the collection and dissemination of large amounts of data using systems operated by the Company. Examples of data collected and analyzed include policy information, policy rates, expenses, mortality and morbidity experience. To the extent that data input errors, systems errors, or systems failures are not identified and corrected by the Company's internal controls, the information generated by the systems and used by the Company and/or supplied to business partners, policyholders, and others may be incorrect and may result in an overpayment or underpayment of amounts owed to or by the Company and/or the Company using incorrect assumptions in its business decisions or financial reporting.

In the third quarter of 2002, the Company discovered that the rates payable on certain life insurance policies were incorrectly entered into its reinsurance administrative system in 1991. As a result, the Company overpaid to several reinsurance companies the reinsurance premiums related to such policies of approximately $94.5 million over a period of 10 years beginning in 1992. The Company has received payment from substantially all of the affected reinsurance companies.

Insurance companies are highly regulated and subject to numerous legal restrictions and regulations.

The Company and its subsidiaries are subject to government regulation in each of the states in which they conduct business. Such regulation is vested in state agencies having broad administrative power dealing with many aspects of the Company's business, which may include premium rates, marketing practices, advertising, privacy, policy forms, and capital adequacy, and is concerned primarily with the protection of policyholders and other customers rather than share owners. At any given time, a number of financial and/or market conduct examinations of the Company's subsidiaries is ongoing. The Company is required to obtain state regulatory approval for rate increases for certain health insurance products, and the Company's profits may be adversely affected if the requested rate increases are not approved in full by regulators in a timely fashion. From time to time, regulators raise issues during examinations or audits of the Company's subsidiaries that could, if determined adversely, have a material impact on the Company. The Company cannot predict whether or when regulatory actions may be taken that could adversely affect the Company or its operations. In addition, the interpretations of regulations by regulators may change and statutes may be enacted with retroactive impact, particularly in areas such as health insurance.

The Company and its insurance subsidiaries may be subject to regulation by the United States Department of Labor when providing a variety of products and services to employee benefit plans governed by the Employee Retirement Income Security Act (ERISA). Severe penalties are imposed for breach of duties under ERISA.

Certain policies, contracts, and annuities offered by the Company and its subsidiaries are subject to regulation under the federal securities laws administered by the Securities and Exchange Commission. The federal securities laws contain regulatory restrictions and criminal, administrative, and private remedial provisions.

Other types of regulation that could affect the Company and its subsidiaries include insurance company investment laws and regulations, state statutory accounting practices, state anti-trust laws, minimum solvency requirements, state securities laws, federal privacy laws, federal money laundering and anti-terrorism laws, and because the Company owns and operates real property state, federal, and local environmental laws. The Company cannot predict what form any future changes in these or other areas of regulation affecting the insurance industry might take or what effect, if any, such proposals might have on the Company if enacted into law.

Changes to tax law or interpretations of existing tax law could adversely affect the Company and its ability to compete with non-insurance products or reduce the demand for certain insurance products.

Under the Internal Revenue Code of 1986, as amended (the "Code"), income tax payable by policyholders on investment earnings is deferred during the accumulation period of certain life insurance and annuity products. This favorable tax treatment may give certain of the Company's products a competitive advantage over other non-insurance products. To the extent that the Code is revised to reduce the tax-deferred status of life insurance and annuity products, or to increase the tax-deferred status of competing products, all life insurance companies, including the Company and its subsidiaries, would be adversely affected with respect to their ability to sell such products, and, depending upon grandfathering provisions, would be affected by the surrenders of existing annuity contracts and life insurance policies. For example, changes in laws or regulations could restrict or eliminate the advantages of certain corporate or bank-owned life insurance products. Recent changes in tax law, which have reduced the federal income tax rates on corporate dividends in certain circumstances, could make the tax advantages of investing in certain life insurance or annuity products less attractive. Additionally, changes in tax law based on proposals to establish new tax advantaged retirement and life savings plans, if enacted, could reduce the tax advantage of investing in certain life insurance or annuity products. In addition, life insurance products are often used to fund estate tax obligations. Legislation has been enacted that would, over time, reduce and eventually eliminate the estate tax. If the estate tax is significantly reduced or eliminated, the demand for certain life insurance products could be adversely affected. Additionally, the Company is subject to the federal corporation income tax. The Company cannot predict what changes to tax law or interpretations of existing tax law could adversely affect the Company.

Financial services companies are frequently the targets of litigation, including class action litigation, which could result in substantial judgments.

A number of civil jury verdicts have been returned against insurers, broker-dealers, and other providers of financial services involving sales practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or other persons with whom the insurer does business, and other matters. Increasingly these lawsuits have resulted in the award of substantial judgments that are disproportionate to the actual damages, including material amounts of punitive non-economic compensatory damages. In some states, juries, judges, and arbitrators have substantial discretion in awarding punitive and non-economic compensatory damages, which creates the potential for unpredictable material adverse judgments or awards in any given lawsuit or arbitration. Arbitration awards are subject to very limited appellate review. In addition, in some class action and other lawsuits, companies have made material settlement payments.

Group health coverage issued through associations has received some negative coverage in the media as well as increased regulatory consideration and review. The Company has a small closed block of group health insurance coverage that was issued to members of an association; a lawsuit is currently pending against the Company in connection with this business.

The Company, like other financial services companies, in the ordinary course of business is involved in such litigation and arbitration. Although the Company cannot predict the outcome of any such litigation or arbitration, the Company does not believe that any such outcome will have a material impact on the financial condition or results of operations of the Company.

The Company's ability to maintain low unit costs is dependent upon the level of new sales and persistency of existing business.

The Company's ability to maintain low unit costs is dependent upon the level of new sales and persistency (continuation or renewal) of existing business. A decrease in sales or persistency without a corresponding reduction in expenses may result in higher unit costs.

Additionally, a decrease in persistency may result in higher or more rapid amortization of deferred policy acquisition costs and thus higher unit costs, and lower reported earnings. Although many of the Company's products contain surrender charges, the charges decrease over time and may not be sufficient to cover the unamortized deferred policy acquisition costs with respect to the insurance policy or annuity contract being surrendered. Some of the Company's products do not contain surrender charge features and such products can be surrendered or exchanged without penalty. A decrease in persistency may also result in higher claims.

The Company's investments are subject to market and credit risks.

The Company's invested assets and derivative financial instruments are subject to customary risks of credit defaults and changes in market values. The value of the Company's commercial mortgage loan portfolio depends in part on the financial condition of the tenants occupying the properties which the Company has financed. Factors that may affect the overall default rate on, and market value of, the Company's invested assets, derivative financial instruments, and mortgage loans include interest rate levels, financial market performance, and general economic conditions as well as particular circumstances affecting the businesses of individual borrowers and tenants.

The Company may not realize its anticipated financial results from its acquisitions strategy.

The Company's acquisitions have increased its earnings in part by allowing the Company to enter new markets and to position itself to realize certain operating efficiencies. There can be no assurance, however, that suitable acquisitions, presenting opportunities for continued growth and operating efficiencies, or capital to fund acquisitions will continue to be available to the Company, or that the Company will realize the anticipated financial results from its acquisitions.

Additionally, in connection with its acquisitions, the Company assumes or otherwise becomes responsible for the obligations of policies and other liabilities of other insurers. Any regulatory, legal, financial, or other adverse development affecting the other insurer could also have an adverse effect on the Company.

The Company is dependent on the performance of others.

The Company's results may be affected by the performance of others because the Company has entered into various arrangements involving other parties. For example, most of the Company's products are sold through independent distribution channels, and variable annuity deposits are invested in funds managed by third parties. Additionally, the Company's operations are dependent on various technologies, some of which are provided and/or maintained by other parties.

Certain of these other parties may act on behalf of the Company or represent the Company in various capacities. Consequently, the Company may be held responsible for obligations that arise from the acts or omissions of these other parties.

As with all financial services companies, its ability to conduct business is dependent upon consumer confidence in the industry and its products. Actions of competitors and financial difficulties of other companies in the industry could undermine consumer confidence and adversely affect retention of existing business and future sales of the Company's insurance and investment products.

The Company's reinsurers could fail to meet assumed obligations, increase rates or be subject to adverse developments that could affect the Company.

The Company and its insurance subsidiaries cede material amounts of insurance and transfer related assets to other insurance companies through reinsurance. The Company may enter into third-party reinsurance arrangements under which the Company will rely on the third party to collect premiums, pay claims, and/or perform customer service functions. However, notwithstanding the transfer of related assets or other issues, the Company remains liable with respect to ceded insurance should any reinsurer fail to meet the obligations assumed by it.

The Company's ability to compete is dependent on the availability of reinsurance. Premium rates charged by the Company are based, in part, on the assumption that reinsurance will be available at a certain cost. Under certain reinsurance agreements, the reinsurer may increase the rate it charges the Company for the reinsurance, though the Company does not anticipate increases to occur with respect to existing reinsurance contracts. Therefore, if the cost of reinsurance were to increase or if reinsurance were to become unavailable, or if a reinsurer should fail to meet its obligations, the Company could be adversely affected.

Recently, certain commentators on the insurance industry have speculated that reinsurance might become more costly or less available in the future, which could have a negative effect on the Company's ability to compete. In recent years, the number of life reinsurers has decreased as the reinsurance industry has consolidated. The decreased number of participants in the life reinsurance market results in increased concentration risk for insurers, including the Company. In addition, some reinsurers have indicated an unwillingness to continue to reinsure new sales of long-term guarantee products. If the reinsurance markets for these products further contracts, the Company's ability to continue to offer such products would be adversely impacted.

Computer viruses or network security breaches could affect the data processing systems of the Company or its business partners.

A computer virus could affect the data processing systems of the Company or its business partners, destroying valuable data or making it difficult to conduct business. In addition, despite our implementation of network security measures, our servers could be subject to physical and electronic break-ins, and similar disruptions from unauthorized tampering with our computer systems.

The Company's ability to grow depends in large part upon the continued availability of capital.

The Company has recently deployed significant amounts of capital to support its sales and acquisitions efforts. Capital has also been consumed as the Company increased its reserves on the residual value product. Although positive performance in the equity markets has recently allowed the Company to decrease its GMDB related policy liabilities and accruals, deterioration in these markets could lead to further capital consumption. Although the Company believes it has sufficient capital to fund its immediate growth and capital needs, the amount of capital available can vary significantly from period to period due to a variety of circumstances, some of which are neither predictable nor foreseeable, nor within the Company's control. A lack of sufficient capital could impair the Company's ability to grow.

New accounting rules or changes to existing accounting rules could negatively impact the Company's reported financial results.

Like all publicly traded companies, the Company is required to comply with accounting principles generally accepted in the United States of America (GAAP). A number of organizations are instrumental in the development of GAAP such as the Securities and Exchange Commission (SEC), the Financial Accounting Standards Board (FASB), and the American Institute of Certified Public Accountants (AICPA). GAAP is subject to constant review by these organizations and others in an effort to address emerging issues and otherwise improve financial reporting. In this regard, these organizations adopt new accounting rules and issue interpretive accounting guidance on a continual basis. The Company can give no assurance that future changes to GAAP will not have a negative impact on the Company's reported financial results.

Forward-looking statements express expectations of future events and/or results. All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties which could cause actual events or results to differ materially from those projected. Due to these inherent uncertainties, investors are urged not to place undue reliance on forward-looking statements. In addition, the Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events, or changes to projections over time.