

Consolidated and Condensed
GAAP Balance Sheet
AMOUNTS IN THOUSANDS

| | 12/31/2016 |
|-----------------------------------|--------------------|
| Assets | |
| Debt securities | \$3,595,822 |
| Equity securities | 83,707 |
| Other invested assets | <u>1,135,963</u> |
| Total invested assets | 4,815,492 |
| Other assets | <u>385,554</u> |
| Total assets | <u>\$5,201,046</u> |
| Liabilities and Equity | |
| Future policy benefits and claims | \$4,430,010 |
| Long-term debt | 0 |
| Other liabilities | <u>228,805</u> |
| Total liabilities | \$4,658,815 |
| Total equity | <u>542,231</u> |
| Total liabilities and equity | <u>\$5,201,046</u> |

Consolidated and Condensed
GAAP Income Statement
AMOUNTS IN THOUSANDS

| | Year Ended 12/31/2016 |
|---|--------------------------|
| Revenue | |
| Insurance premiums and product charges | \$406,624 |
| Net investment income | 202,947 |
| Net realized investment gains | 8,584 |
| Commissions, fees, and other income | <u>217</u> |
| Total revenue | \$618,372 |
| Benefits and Expenses | |
| Policy benefits, interest credited and dividends to policyholders | \$469,756 |
| Other operating expenses | <u>94,472</u> |
| Total benefits and expenses | <u>564,228</u> |
| Income before income tax expense | 54,144 |
| Income tax expense | <u>14,496</u> |
| Net income | <u>\$ 39,648</u> |

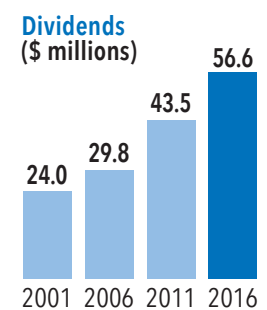
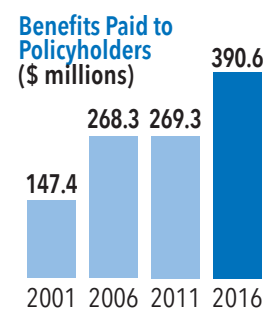
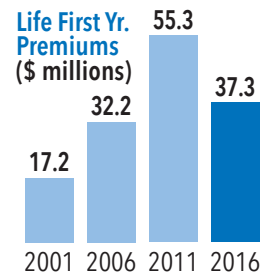
Additional income statement performance measure

Operating earnings* \$ 45,560

Consolidated and Condensed
GAAP Balance Sheet
AMOUNTS IN THOUSANDS

| | 12/31/2016 |
|--|---------------------|
| Assets | |
| Debt securities | \$30,594,475 |
| Equity securities | 1,992,259 |
| Other invested assets | 7,848,135 |
| Other general account assets | 2,114,934 |
| Assets held in separate accounts | <u>2,199,766</u> |
| Total assets | <u>\$44,749,569</u> |
| Liabilities and Equity | |
| Future policy benefits and claims | \$31,333,977 |
| Long-term debt | 496,762 |
| Other general account liabilities | 2,454,606 |
| Liabilities related to separate accounts | <u>2,199,766</u> |
| Total liabilities | \$36,485,111 |
| Total equity | <u>8,264,458</u> |
| Total liabilities and equity | <u>\$44,749,569</u> |

**Lafayette Life
2016 Financial
Highlights**



* Operating earnings are defined as net income excluding income tax and net realized investment gains or losses.

Outstanding Strength

A+ SUPERIOR **A.M. Best**
Superior ability to meet ongoing insurance obligations (second highest of 16 ratings; rating held since June 2009)

AA VERY STRONG **Standard & Poor's**
Very strong financial security characteristics (third highest of 21 ratings; rating held since July 2013)

AA VERY STRONG **Fitch**
Very strong capacity to meet policyholder and contract obligations on a timely basis (third highest of 21 ratings; rating held since June 2009)

96 OUT OF 100 **Comdex Ranking**
The Comdex Ranking is a composite of all the ratings a company has received from the major rating agencies. It ranks insurers on a scale of 1 to 100 (where 1 is the lowest) in an effort to reduce confusion over ratings because each rating agency uses a different scale.



Affirming Top Reputation



**Lafayette Life
Insurance Company**

A member of Western & Southern Financial Group

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The ratings are current as of May 19, 2017, and are subject to change. Ratings refer to the claims-paying ability of the insurance company and do not reflect the performance or safety of any investment product. The rating agencies listed above are independent of each other and use proprietary evaluation criteria and rating scales.

Affirming Top Reputation

THE PRESIDENT'S MESSAGE

Lafayette Life earns the business of independent producers with highly personalized service and products tailor-made for the affluent market.

The Lafayette Life Insurance Company has built a reputation for offering products and services for the affluent, mass affluent and small business markets in a highly personalized style designed to meet the needs of independent producers.

In 2016, the company's total annuity sales topped \$181 million, in part due to the prior year's introduction of a new single premium fixed indexed annuity, Marquis SP. GAAP assets increased 8 percent over the prior year, achieving a new record of \$5.2 billion. Pre-tax operating income experienced a modest increase while total life premiums increased to nearly \$400 million. While retirement plan sales remained level, Lafayette Life produced an 18 percent increase in life premium from qualified plans.

Enhanced Product Benefits. Lafayette Life's products were enhanced to deliver additional benefits to producers and policyowners.

- **Accelerated Death Benefit PLUS**, a new living benefits rider, allows policyowners another way to access the cash value in their policies in a tax-advantaged way and is automatically included on dividend-paying whole life policies with no additional premium.
- **Marquis SP**, introduced in late 2015, was enhanced with additional allocation options to provide clients greater flexibility.
- **Marquis SP-dedicated Illustration Software** was installed, allowing independent producers to easily show clients the annuity's costs, benefits and features.



- **Level Premium Paid-Up Additions Rider** was enhanced with extended issue ages and premium duration, allowing policyowners to obtain better performance from their life insurance policies.

Next-Level Support Now. Lafayette Life made a number of advances in training and support designed to help producers sharpen their competitive edge.

The company's new online library of on-demand multimedia training materials continues to expand with a wider range of topics in text, video and podcast formats.

The Advanced Markets team responded to increased demand for retirement planning by introducing a

comprehensive retirement income planning system and delivering webinars on retirement income, estate and business planning.

The company's Retirement Services division conducted two-day pension schools for producers new to serving retirement clients and began development of a new advanced pension school for 2017.

Technology-Enabled Service and Communication. Collaboration among Lafayette Life's marketing, technology, product, sales and operations areas spurred advances in policyowner, producer and back-office support in 2016.

Foremost was the launch of a new policyowner website offering customers powerful self-service features and enhanced access to policy information through improved navigation and site aesthetics.

Refinements to the policyowner communication process leveraged the latest software for electronic correspondence delivery. Online capabilities were expanded to support producers' policy proposal submissions to the company's Retirement Services division from virtually any traditional or mobile device. The company also added electronic functionality to enhance producers' ability to provide clients in-force illustrations to aid policy adjustments and changes.

By focusing all its resources — human, financial, information and technology — on supporting its independent producers and their clients, Lafayette Life continues to expand its ability to help both producers and policyholders better prepare for a financially secure and successful future. ■

Bryan C. Dunn,
CLU, ChFC

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INSURANCE COMPANY

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Vice President, Marketing Services

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Vice President, Retirement Services

Have a question? Wish to contact us? To reach us via the Internet, visit www.llic.com. To speak to our home office, call us toll-free at 1.800.243.6631. Lafayette Life is an Equal Opportunity Employer.



**Lafayette Life
Insurance Company**

A member of Western & Southern Financial Group

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