

LIFE INSURANCE | RETIREMENT | EMPLOYEE BENEFITS



*OneAmerica Financial Partners, Inc.  
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[www.oneamerica.com](http://www.oneamerica.com)*

C-21416 2008



2008 ANNUAL REPORT

*the* Strength



## *Delivering on our* **PROMISES: 2008**

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### POLICYHOLDER BENEFITS

*\$1.6 Billion*

At OneAmerica we deliver value to our customers through expertise and guidance, peace of mind and ultimately, benefit payments.

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### STATUTORY PREMIUMS

*\$2.6 Billion*

Premiums grew 14% in 2008. Customers increasingly recognize OneAmerica as an organization they trust for their financial security.

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### GAAP PRE-TAX OPERATING INCOME

*\$75 million*

OneAmerica achieved solid profits in 2008. Our investment losses were among the very lowest in the industry.

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### FINANCIAL STRENGTH RATINGS

*S & P*     *AA- (Very Strong)*

*AM Best*     *A (Excellent)*

OneAmerica has been recognized by the rating agencies for its solid financial strength and risk management. OneAmerica is one of a very small number of companies to receive a ratings upgrade during the financial crisis.

# EXCEPTIONAL RESULTS *in difficult times*

2008 was a year of turmoil. Confidence in our U.S. and global economy was shaken to its core by the financial events we all know too well. Venerable companies struggled with punishing financial results created by poor decisions and market losses. Americans of every kind and character are concerned about their financial security and futures.

During this past year, OneAmerica stood strong, straight and tall with our customers and distribution partners. In spite of the economic pitfalls placed in our way, we continued to deliver on our promises to policyholders and reduced their fears with steady financial results. *These results can be reviewed in detail in this report*, however, my message to you this year goes beyond the financial results. I want to reinforce the *value* of your *relationship* with OneAmerica and our *promise* to be here for you when you need us most. Our continued strength permits you to have peace of mind concerning your decisions to continue to hold and own

OneAmerica life insurance and retirement products, annuities and employee benefit policies. While OneAmerica's financial position was reviewed in detail by the rating agencies Standard and Poor's and A.M. Best and found to be "very strong" and "excellent," we are keenly aware that many of our customers who invested in the financial markets experienced losses in their portfolios. While our financial base remains strong, our product lines tied to the equity markets suffered alongside our customers.

OneAmerica will continue to provide all of our policyholders and future customers financial and insurance alternatives to help them cope with the uncertain times we all face.

The family of OneAmerica is what our name implies; we are all in this together, we are one. As we look forward to 2009 and beyond, I assure you we will remain true to our mutual heritage to be here for you and your loved ones when you need us most.



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**We lead OneAmerica with a single thought in mind – OneAmerica will deliver financial and insurance alternatives to help customers cope with the uncertain times we all face.**

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— Dayton H. Molendorp,  
Chairman, President & CEO



# Outstanding financial **STRENGTH**

## *Strong* **BALANCE SHEET**

In spite of the downturn in the U.S. economy, OneAmerica continues to maintain one of the strongest financial positions in the industry.

### *Total Assets of \$18.5 Billion*

- High quality, well diversified investment portfolio.
- Among the lowest investment losses in the industry.
- No exposure to subprime mortgages or the other toxic assets that headlined the financial crisis.
- Non-investment grade bonds are less than half the industry average level.
- Very strong liquidity profile.
- GAAP Equity\* of \$1.3 billion.
- Capital adequacy exceeds the AAA “extremely strong” requirements established by Standard & Poor’s.

\* Excludes unrealized appreciation (depreciation) of securities, net of tax

## *Strong* **OPERATION RESULTS**

With many businesses, including insurance companies, reporting net income losses, OneAmerica has set itself apart by posting solid earnings in a difficult environment.

- GAAP Pre-tax Operating Income \$75.0 million
- GAAP Net Income \$39.5 million
- GAAP Revenue \$1.1 billion

**As a mutual organization, we answer to our customers, not Wall Street. Consequently, profit is a means to an end. All of our profits are reinvested in the company to provide better products and service and to enhance financial strength.**

## *Strong* **EXPENSE MANAGEMENT**

OneAmerica continues to manage the costs of its operations in an effective manner, holding expenses nearly flat over the past five years. Assets have grown 32% over the same period. **Expense management at OneAmerica has been diligent but thoughtful, reflecting our commitment to good stewardship of our customers’ money.**

- 2004 General Operating Expense \$192.9 million
- 2005 General Operating Expense \$189.2 million
- 2006 General Operating Expense \$193.3 million
- 2007 General Operating Expense \$190.9 million
- 2008 General Operating Expense \$194.8 million

## *Strong* **GROWTH**

The flight to quality that occurred in 2008 brought many opportunities for growth to the companies of OneAmerica.

- We experienced record sales of \$1.4 billion, an increase of 28 percent.\*
- We achieved record business retention as customers increasingly chose to keep their assets with OneAmerica.
- We continued to deliver quality products and solutions to a rapidly changing marketplace.
- We invested in training and tools to help our distribution partners better serve their customers.

\* In 2008, we changed our process for measuring sales. Under the previous process, 2008 sales growth would be 41%.

# Strong **DISCIPLINE**

Outstanding financial strength isn't achieved overnight. It takes time, commitment to a long-term view and the discipline to evaluate every investment opportunity's risks and rewards.

OneAmerica's investment team has always taken a disciplined, conservative approach to investing. One that balances the risks in the financial markets with our responsibility to pay benefits when customers need them. We don't chase high returns through highly risky assets or complicated structured transactions. We stick to a fundamental investing strategy that is timeless: invest in good companies; stay diversified; understand what you buy; make sure you have enough cash; invest for the long term. This approach insulated OneAmerica's portfolio from the toxic assets that destabilized the markets in 2008.

It takes experienced leadership to make these long-term decisions. Our senior vice president of investments, David Sapp, has been a force for financial stability at OneAmerica for decades. He joined the company in 1969 and took over the senior vice president of investments role in 1992. That's nearly 40 years of experience standing behind every investment decision we make.

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**“Our core investment values enabled us to avoid significant investment losses in 2008.”**

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— *G. David Sapp,*  
*Senior Vice President of Investments*



## *Managing* **RISK**

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When others took excessive risks, we managed risk while producing above average returns. We have **NO**:

- Subprime loans
- Alt-A Investments
- Collateralized Debt Obligations (CDOs)
- Fannie Mae/Freddie Mac Stock
- Credit Default Swaps (CDSs)
- Collateralized Loan Obligations (CLOs)
- Structured Investment Vehicles (SIVs)
- Auction Rate Loans
- Lehman Brothers Securities
- Washington Mutual
- AIG Stock
- Wachovia Stock

## *Bringing value to the* **MARKETPLACE**

In 2008, OneAmerica continued to bring value to the marketplace. We are proud of the products and services we deliver because they help businesses, families and individuals prepare for the future and protect the people they care about.

OneAmerica's excellent life insurance, annuity, asset based long-term care, employee benefits and retirement services products, combined with the advice and counsel of a financial professional, enable customers to create and protect wealth. By working with a strong company like OneAmerica to take control of their financial future, customers can focus on the important aspects of life today: building a business, raising children and grandchildren, and enjoying a well-earned retirement.

The value we provide to our policyholders is reflected in OneAmerica's delivery of over \$1.6 billion in benefits during 2008.

The benefits we provide our policyholders help each of them deal with their needs regarding protection, investment, business management and retirement planning.

Our distribution partners have come to trust OneAmerica's reliability and steady direction. Our products and services provide solid value for both our distribution partners and policyholders. As a mutual organization controlled by our policyholders, OneAmerica has always been focused on the best interests of our customers. We develop and maintain quality products, sell them honorably, invest wisely and treat people fairly.

Each day brings OneAmerica new customers in each of our business lines. Each new customer recognizes our value by the choices they make to become members of the OneAmerica family.



# Strength is **MUTUAL**

As a mutual organization, OneAmerica's strength exists for our policyholders. Being controlled by our policyholders impacts the way we think about and manage our businesses. We have no external stockholders. We don't answer to Wall Street. In fact, it is our policyholders who elect our board of directors. We are accountable to the people who place their trust in us.

In our business we make long-term promises to pay benefits — often decades in the future. Over that long period of time we make scores of decisions that can impact the value customers ultimately receive from their policies. Because we work for our customers, the path forward is clear – we manage the company on their behalf and for their benefit over the long-term.

We believe passionately in our mission of serving the businesses, individuals and families we call customers. We also believe **MUTUAL** is the best organizational structure for our business because it supports our promise to be there when our customers need us most — whether that need comes tomorrow or years in the future.

When times are good and the markets are on the rise, mutual may seem like an old-fashioned concept. The troubles and uncertainties of recent months remind us of the value of working with a company like OneAmerica that has a clear purpose and a passion for whom we serve. Strength IS mutual.

# Our past guides our **FUTURE**



Being **MUTUAL** focuses all of our efforts on the promise to pay when customers need us most.



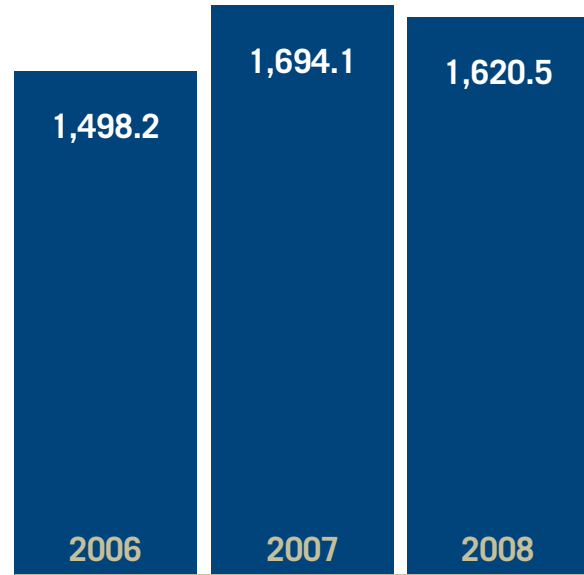
Being **MUTUAL** allows us to connect directly with our customers to build strong trusting relationships.



Being **MUTUAL** creates the financial strength that allows OneAmerica to bring exceptional value to the marketplace.

## STRENGTH *to deliver*

In 2008, we continued to meet our commitments to pay benefits to our customers, delivering amounts promised, when promised... without exception or excuse. Benefit payments were slightly lower in 2008 because more customers decided to leave their money with OneAmerica.



### POLICYHOLDER BENEFITS

(millions of \$)

The companies of OneAmerica paid out \$1.6 billion in policyholder benefits\*, surpassing the \$1 billion mark for the fifth year in a row.

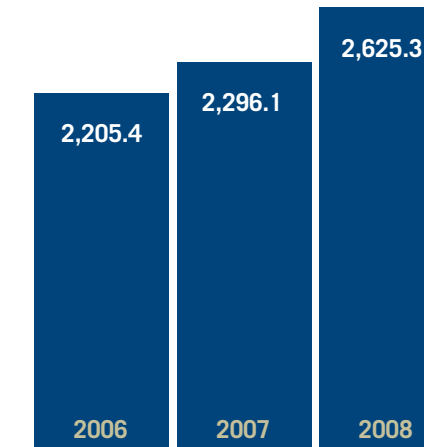
\*Based on statutory benefits paid, adjusted for certain plan terminations.

**“Our 2008 financials demonstrate that OneAmerica continues to have a very solid balance sheet with extremely strong capital adequacy and one of the strongest investment portfolios in the insurance industry. This reaffirms that our conservative investment values and customer focused financial management can weather even the most difficult market conditions.”**

— Scott Davison,  
Chief Financial Officer

## STRENGTH *to grow*

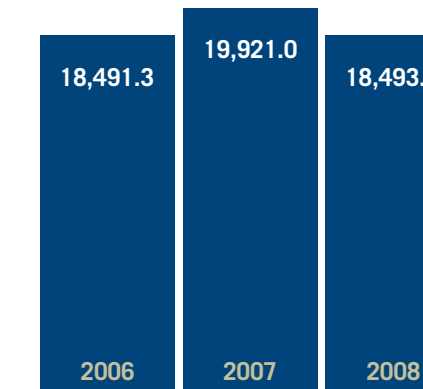
During the uncertain financial times of 2008, the companies of OneAmerica continued to grow. Individuals and businesses — in a flight to quality — increasingly turned to us for security and stability.



### STATUTORY PREMIUMS

(millions of \$)

Premiums grew 14% during 2008.



### GAAP ASSETS

(millions of \$)

GAAP assets declined because of the impact of the stock market on customer account balances in variable products.



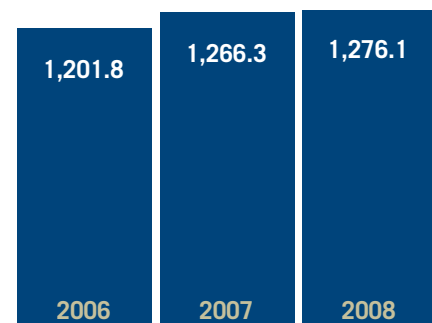
### GAAP REVENUE

(millions of \$)

GAAP revenue growth was positive, despite the market, driven by strong sales and investment income.

## STRENGTH through conservative values

Focusing always on customer protection, the companies of OneAmerica avoided significant investment losses. As a result, we achieved solid profitability in 2008, which will enable future business investment and growth.

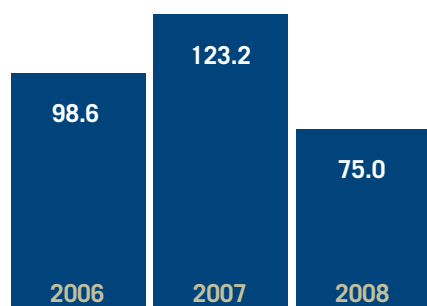


### EQUITY\*

(GAAP, in millions of \$)

OneAmerica maintains an extremely strong capital base to protect our customers.

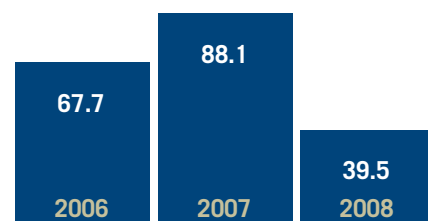
\* Excludes unrealized appreciation (depreciation) of securities, net of tax



### PRE-TAX OPERATING INCOME

(GAAP, in millions of \$)

Profitability in 2008 was lower because of the impact of the stock market decline.



### NET INCOME

(GAAP, in millions of \$)

Investment losses that were among the lowest in the industry enabled us to report solid net income.

## STRENGTH through vision

The companies of OneAmerica aspire to long-term financial strength and stability, not quarter-by-quarter income statement returns. Our focus on quality investments generates solid, long-term results year after year.

### GENERAL ACCOUNT INVESTED ASSETS

	Amount	% of Invested Asset
Fixed Maturities	\$ 7,934.3	79.5%
Mortgages	1,419.7	14.2%
Policy Loans	234.2	2.3%
Cash and Other	395.7	4.0%
<hr/>		
Total General Account Invested Assets	9,983.9	100.0%
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Other Assets Separate Accounts	3,303.0 5,206.8	
Total	\$ 18,493.7	

Our policyholders find security in our solid products and conservative portfolio.

### 60-DAY MORTGAGE DELINQUENCIES AND FORECLOSURES

December 31	OneAmerica	Industry Average*
1999	0.02%	0.55%
2000	0.13	0.50
2001	0.00	0.36
2002	0.37	0.37
2003	0.03	0.23
2004	0.00	0.13
2005	0.00	0.10
2006	0.00	0.04
2007	0.00	0.01
2008	0.01	0.09

\* Source: ACLI

### PORTFOLIO YIELD VS. THE INDUSTRY

December 31	OneAmerica	Industry Average*	OneAmerica vs. Industry
1999	7.56%	7.25%	0.31%
2000	7.78	7.34	0.44
2001	7.71	7.01	0.70
2002	7.44	6.55	0.89
2003	6.90	6.13	0.77
2004	6.40	5.82	0.58
2005	6.18**	5.78	0.40
2006	6.09	5.85	0.24
2007	6.03	5.92	0.11
2008	6.07	n/a	n/a

\* Source: A.M. Best, 12/31/08 not available at time of printing

\*\* Adjusted to reflect the acquisition of Golden Rule Financial Services

### NON-INVESTMENT GRADE BONDS (% of portfolio)

December 31	OneAmerica	Industry Average*
1999	2.3%	7.3%
2000	3.8	7.4
2001	3.1	7.5
2002	4.2	8.4
2003	2.8	7.4
2004	1.9	6.1
2005	1.7	5.8
2006	2.1	5.7
2007	1.6	5.8
2008	2.3	5.9**

\* Source: ACLI \*\* As of 9/30/08

With no exposure to the subprime mortgage market and focus on high quality investments, OneAmerica avoided problems that plagued much of the marketplace in 2008.

ONEAMERICA FINANCIAL PARTNERS, INC.

**Consolidated Balance Sheets**

December 31	(in millions)	2008	2007
<b>ASSETS</b>			
Investments:			
Fixed maturities - available for sale, at fair value:			
(amortized cost: 2008 - \$8,386.4; 2007 - \$7290.7)		\$ 7,934.3	\$ 7,369.3
Equity securities at fair value:			
(cost: 2008 - \$102.6; 2007 - \$35.5)		90.7	47.8
Mortgage loans		1,419.7	1,394.6
Real estate, net		49.0	45.5
Policy loans		234.2	225.3
Short-term and other invested assets		14.6	9.8
Cash and cash equivalents		241.4	152.7
<b>TOTAL INVESTMENTS</b>		<b>9,983.9</b>	<b>9,245.0</b>
Accrued investment income		118.1	101.5
Reinsurance receivables		2,101.0	2,017.1
Deferred acquisition costs		715.8	647.9
Value of business acquired		117.8	105.6
Property and equipment, net		52.5	61.6
Insurance premiums in course of collection		24.0	21.6
Federal income taxes		94.9	1.9
Other assets		78.9	85.7
Assets held in separate accounts		5,206.8	7,633.1
<b>TOTAL ASSETS</b>		<b>\$ 18,493.7</b>	<b>\$ 19,921.0</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
<b>LIABILITIES</b>			
Policy reserves		\$ 10,429.6	\$ 9,819.5
Other policyholder funds		891.2	205.5
Pending policyholder claims		255.2	245.6
Surplus notes and notes payable		275.0	275.0
Federal income taxes		-	87.0
Other liabilities and accrued expenses		331.3	267.0
Deferred gain on indemnity reinsurance		62.3	67.5
Liabilities related to separate accounts		5,206.8	7,633.1
<b>TOTAL LIABILITIES</b>		<b>17,451.4</b>	<b>18,600.2</b>
<b>SHAREHOLDER'S EQUITY</b>			
Common stock, no par value - authorized			
1,000 shares; issued and outstanding 100 shares		-	-
Retained earnings		1,317.5	1,278.0
Accumulated other comprehensive income (loss):			
Unrealized appreciation (depreciation) of securities, net of tax		(233.8)	54.5
Benefit plans, net of tax		(41.4)	(11.7)
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>1,042.3</b>	<b>1,320.8</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>\$ 18,493.7</b>	<b>\$ 19,921.0</b>

ONEAMERICA FINANCIAL PARTNERS, INC.

**Consolidated Statements of Operations**

Year ended December 31	(in millions)	2008	2007	2006
<b>REVENUES</b>				
Insurance premiums and other considerations		\$ 342.9	\$ 344.4	\$ 406.4
Policy and contract charges		181.0	190.4	173.9
Net investment income		584.2	534.3	522.6
Realized investment losses, net		(20.6)	(2.7)	(5.3)
Other income		22.4	37.4	28.8
<b>TOTAL REVENUES</b>		<b>1,109.9</b>	<b>1,103.8</b>	<b>1,126.4</b>
<b>BENEFITS AND EXPENSES</b>				
Policy benefits		369.0	355.3	399.4
Interest expense on annuities and financial products		265.7	238.6	235.6
General operating expenses		194.8	190.9	193.3
Commissions		59.5	66.1	73.1
Amortization		117.6	85.2	84.9
Dividends to policyholders		29.1	27.4	27.0
Interest expense on surplus notes and notes payable		19.8	19.8	19.8
<b>TOTAL BENEFITS AND EXPENSES</b>		<b>1,055.5</b>	<b>983.3</b>	<b>1,033.1</b>
Income before income tax expense		54.4	120.5	93.3
Income tax expense		14.9	32.4	25.6
<b>NET INCOME</b>		<b>\$ 39.5</b>	<b>\$ 88.1</b>	<b>\$ 67.7</b>

To download an electronic version of the OneAmerica annual report, including audited financial statements, please visit [www.oneamerica.com](http://www.oneamerica.com).

## *Enterprise Profile*

OneAmerica Financial Partners, Inc., is headquartered in Indianapolis, Indiana. The companies of OneAmerica® can trace their solid foundations back more than 130 years in the insurance and financial services marketplace.

OneAmerica's nationwide network of companies offers a variety of products to serve the financial needs of their policyholders and other clients. These products include retirement plans, products and services; individual life insurance, annuities, asset based long-term care solutions, stop loss insurance and employee benefits. The goal of OneAmerica is to blend the strengths of each company to achieve greater collective results.

The products of the OneAmerica companies are distributed through a network of employees, agents, brokers, advisors and other distribution sources who are committed to maximizing value to our policyholders by helping them plan to meet their financial goals.

*We deliver on our promises when customers need us most.*

## *The companies of OneAmerica®*

American United Life Insurance Company® (AUL)  
One American Square  
P.O. Box 368  
Indianapolis, IN 46206-0368

AUL Reinsurance Management Services, LLC (AUL RMS)  
One American Square  
P.O. Box 368  
Indianapolis, IN 46206-0368

OneAmerica Securities, Inc.  
P.O. Box 1984  
Indianapolis, IN 46206-1984

Pioneer Mutual Life Insurance Company (PML)  
101 North 10th Street  
Fargo, ND 58102

R.E. Moulton, Inc.  
50 Doaks Lane  
Marblehead, MA 01945

The State Life Insurance Company  
One American Square  
P.O. Box 368  
Indianapolis, IN 46206-0368

*[www.oneamerica.com](http://www.oneamerica.com)*

## OneAmerica Management

**Dayton H. Molendorp, CLU**  
*Chairman, President and CEO*

### EXECUTIVE COUNCIL

**Dayton H. Molendorp, CLU**  
*Chairman, President and CEO*

**J. Scott Davison, CLU, ChFC**  
*Chief Financial Officer*

**Brian J. Lauber, CLU, ChFC**  
*Vice President and  
Chief Marketing Officer*

**Mark C. Roller**  
*Senior Vice President,  
Human Resources*

**Thomas M. Zurek, JD**  
*General Counsel and  
Corporate Secretary*

### SENIOR MANAGEMENT

**David A. Brentlinger, FSA, MAAA**  
*Senior Vice President and Chief Actuary*

**Leonard A. Cavallaro**  
*Vice President, Employee Benefits Division*

**Constance E. Lund, CPA, FLMI**  
*Senior Vice President, Corporate Finance*

**G. David Sapp, CFA, FLMI**  
*Senior Vice President, Investments*

**Emet C. Talley, FLMI**  
*Vice President, Systems, and  
Chief Information Officer*

**Mark A. Wilkerson, CFP**  
*Senior Vice President, Individual Operations  
President, State Life*

**Victoria I. Yamasaki, CPA, FLMI**  
*Vice President, Strategic Planning*

**William F. Yoerger**  
*Senior Vice President,  
Retirement Services*

## American United Mutual Insurance Holding Company Board of Directors

**Dayton H. Molendorp, CLU**  
*Chairman, President and CEO*

**Gerald L. Bepko**  
*Chancellor Emeritus  
Indiana University-Purdue University  
at Indianapolis (IUPUI)  
Indianapolis, Indiana*

**Alpha C. Blackburn**  
*President and CEO  
Blackburn Architects, Inc.  
Indianapolis, Indiana*

**R. Stephen Briggs**  
*Retired Executive Vice President,  
Life and Annuity Division  
Protective Life Insurance Corporation  
Birmingham, Alabama*

**Christel DeHaan**  
*President and Founder  
Christel DeHaan Family Foundation  
Retired Chairwoman and CEO  
Resort Condominiums International  
Indianapolis, Indiana*

**David W. Goodrich**  
*Retired President and CEO  
Central Indiana Corporate Partnership  
Indianapolis, Indiana*

**William P. Johnson**  
*Chairman Emeritus  
Goshen Rubber Companies, Inc.  
Goshen, Indiana*

**Richard L. Merrill, CLU, ChFC**  
*Retired President  
State Life  
Indianapolis, Indiana*

**James T. Morris**  
*President  
Pacers Sports and Entertainment  
Indianapolis, Indiana*

**Thomas E. Reilly, Jr.**  
*Retired Chairman of the Board  
Reilly Industries, Inc.  
Indianapolis, Indiana*

**Jerry D. Semler, CLU**  
*Chairman Emeritus  
American United Mutual Insurance  
Holding Company  
Indianapolis, Indiana*

**Yvonne H. Shaheen**  
*Retired CEO and President  
Long Electric Company  
Indianapolis, Indiana*

*The next annual meeting of members of American United Mutual Insurance Holding Company, the parent of OneAmerica Financial Partners, Inc., and its subsidiaries and affiliates, will be Thursday, February 18, 2010 at 10 a.m. EST in Indianapolis, Indiana.*