

The Benchmark™

The FDLIC Standard for Excellence



Kris Seale
President and CEO
Funeral Directors Life Insurance Company

OUR FINANCIAL STRENGTH

In Troubling Financial Times

To say that our national economic landscape has been troubling recently is to glaringly state the obvious. While a number of financial institutions, such as AIG, Lehman Brothers, Bear Stearns, and Merrill Lynch have been reeling from questionable financial practices, FDLIC continues to perform admirably. That's because we have remained committed to sound investment practices and rock solid principles. We have consistently applied disciplined financial practices with a long-term perspective. Our conservative investment philosophy allows us to withstand uncertain economic times and the emotional ups and downs of Wall Street. Consequently, we are able to keep our financial commitments to you.

Our asset-liability matching investment strategy, coupled with stringent credit quality management of our fixed income investments (bond portfolio), is the foundation for our financial strength.

What do we mean by asset-liability matching? Periodically, we have our actuary determine the dollar amount of annual death claims FDLIC is likely to payout thirty years into the future. Due to the large number of policies that FDLIC has in force, our actuary is capable of predicting our future death claims with a high degree of accuracy. Once he has calculated and projected our total death claims for each of the future thirty years, our investment professionals purchase fixed income investments (bonds) which mature in dollar amounts equal to or greater than the total actuarially calculated death claim amounts for each of those thirty years. Our bond portfolio is solid with 30% of our total portfolio having an average bond rating of "AAA", as measured by Standard & Poor's, and the remaining 70% of our portfolio having an average bond rating of "A."

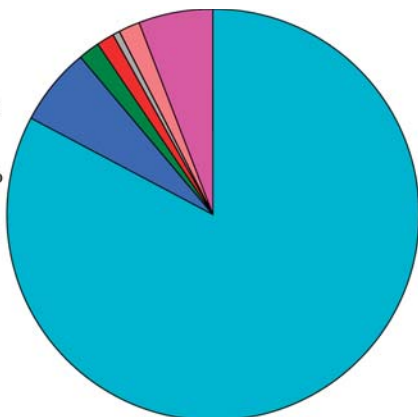
Our fixed income investment strategy also includes diversification among industries, within the scope of our high quality bond portfolio, in order to keep us well protected if any industry experiences difficulties.

Asset Mix

August 31, 2008

INVESTED ASSETS	DOLLARS INVESTED	% OF PORTFOLIO
Bonds	\$422,637,029	82.86%
Real Estate	\$30,534,050	5.99%
Preferred Stock	\$30,338,326	5.95%
Cash, CDs, Money Funds	\$8,065,616	1.58%
Mortgage Loans	\$7,922,465	1.55%
Subsidiaries	\$7,537,757	1.48%
Common Stock	\$3,002,357	0.59%
TOTALS	\$510,037,601	100.00%

- Bonds 82%
- Real Estate 6%
- Preferred Stock 6%
- Cash, CDs, Money Funds 2%
- Mortgage Loans 2%
- Subsidiaries 1%
- Common Stock 1%

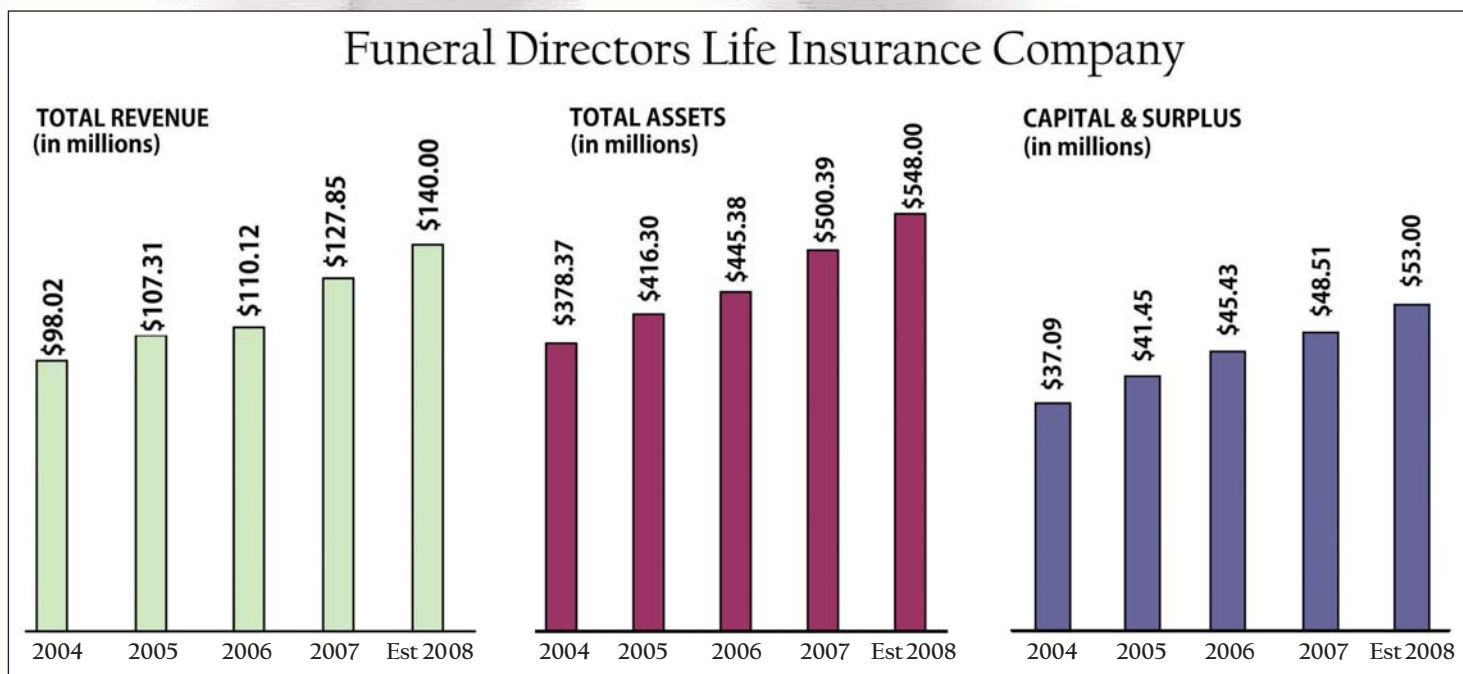


And to ensure that we not only review a bond's credit quality when we buy it, our investment professionals, as their standard operating procedure, monitor each company's performance that has issued the bonds we own, every minute of every day.

We want you to be assured that FDLIC has NO direct exposure to credit default swaps (CDSs) or "sub-prime" loans that have been the subject of most concern for the troubled financial services companies and have been making so much news lately. In addition, FDLIC has extremely immaterial and very limited exposure to collateralized loan obligations (CLOs) and collateralized debt obligations (CDOs); fortunately, the CLOs and CDOs owned by FDLIC have NO exposure to sub-prime loans and are performing as expected.

The profile of our mortgage loan portfolio is entirely different from the residential mortgages that have been the subject of so much concern. We offer small commercial mortgage loans to qualified funeral home owners who want a fixed interest rate over time, and we rigorously underwrite every mortgage loan that we make. The quality of our mortgage loans is excellent; in fact, we have no loans that are delinquent in their payments. In our 27 year history, we have never suffered a loss on our loan portfolio.

The A.M. Best Company is a credit rating organization that focuses on the financial services industry. Their ratings and analysis help people assess the financial strengths of organizations and products primarily in banking and insurance sectors. The company, founded in 1906, has a unique historical perspective. Since being upgraded in 2006, FDLIC has maintained an A.M. Best rating of "A-". Given the rapidly evolving markets and challenging economic times, isn't it comforting to know that FDLIC has been given an "excellent" financial stability rating by a source as competent as the A.M. Best Company?



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