



# *the* Relationship

2006 ANNUAL REPORT

A relationship is more than a means to an end.

It's the whole point.



## *the Relationship ...*

**In our lives we meet countless people. We have innumerable acquaintances. We make a lot of brief contacts.** But we have only a few real relationships – those personal connections that make a difference. They help us solve problems. They help us get where we need to be. They help us build other relationships. And they support us in difficult times.

At OneAmerica, we know that those kinds of relationships built this enterprise. They've helped us grow. They've helped us provide greater value to our policyholders. They've helped us serve an ever-increasing number of people.

We value those relationships, and we've learned that, behind virtually every one of those relationships, there's a story. In these pages, we're sharing some of those stories with you.

*at OneAmerica*, we know that it's the relationship you have with your trusted financial services professional, that person who sits down with you to talk about your financial needs – that person who sees you at church, the PTA meeting or on the golf course – that connects us to you.





“They really work hard to make connections with people.”

Alan Lewis, President, *Createc Corporation*,  
Indianapolis, IN, with AUL Senior Sales Consultant  
Mike Grimme and Retirement Plan Advisor Job Ward.

ONE OF THE GREATEST PROBLEMS FACING MANY AMERICAN WORKERS IS SAVING ENOUGH FUNDS FOR RETIREMENT. AUL OFFERS EMPLOYERS THE PRODUCTS AND SERVICE NECESSARY TO MEET THEIR EMPLOYEES' RETIREMENT-PLANNING NEEDS.



## *the Relationship ...*

**That helps you solve problems.** With a workforce dominated by production employees, Createc President Alan Lewis knew that, when he wanted his employees to sign up for a new 401(k) program, he couldn't march a bunch of salesmen into his plants with cookie-cutter presentations. And he didn't. He called a longtime business ally. There he found the right American United Life Insurance Company® (AUL) product and a high-touch enrollment process tailored to his firm's culture and the needs of its 350 employees in four locations. "They sent people out to all the sites to educate our workers about retirement planning," Lewis said. "They worked to make our people feel comfortable, to ease their minds." Through this process, the high-tech foam products firm enjoyed a successful enrollment process – and found the solution it had been looking for.

*Pictured above: AUL Senior Sales Consultant Mike Grimme (left) and Retirement Plan Advisor Job Ward.*



“We feel a strong allegiance to the people who depend on us for work every day. We needed to do what’s right for them.”

Mick McGraw, CEO, *Eastbrook Homes*, Grand Rapids, MI, pictured here and on facing page with Ed Thauer (left) AUL agent.

WITH ALL RELATIONSHIPS COME RESPONSIBILITIES – ONE OF THE BIGGEST RESPONSIBILITIES IS PROVIDING FOR THE SECURITY OF OTHERS IN THOSE RELATIONSHIPS. WITH THE COMPANIES OF ONEAMERICA, POLICYHOLDERS HAVE A WIDE RANGE OF LIFE INSURANCE OPTIONS – OPTIONS THAT WILL ALLOW THEM TO FULFILL DREAMS AND HONOR THEIR RESPONSIBILITIES.



## *the Relationship ...*

**That supports your relationships.** Sometimes one person can affect a lot of relationships. Mick McGraw certainly does. As CEO of Michigan residential developer Eastbrook Homes, he feels responsible for the well-being not only of his 60 employees and hundreds of subcontractor workers, but also for those employees' and workers' family members. "They rely on us for their livelihood," McGraw says. "It's critical that we take care of them." To make sure the firm can honor its responsibilities even if something should happen to its CEO, Eastbrook Homes recently bought life insurance coverage for McGraw through a OneAmerica company. Why AUL and OneAmerica? Because the enterprise is secure and steady, McGraw says, and he knows it'll be around to pay on his policy if it's ever necessary ... and because that's what AUL agent and longtime friend Ed Thauer recommended. "Everybody trusts Ed," McGraw says. "If Ed recommends something, we listen."

“I don't have to wonder whether a claim will get paid.  
As soon as I file a claim, AUL is right on the spot.”

Patricia Hinton, Benefits and Human Resources Administrator,  
*Community Home Care & Hospice*, Rocky Mount, NC, pictured here  
with firm President/CEO C. Saunders Roberson, Jr. (Sandy)  
and Vice President of Human Resources, Jack Perry.



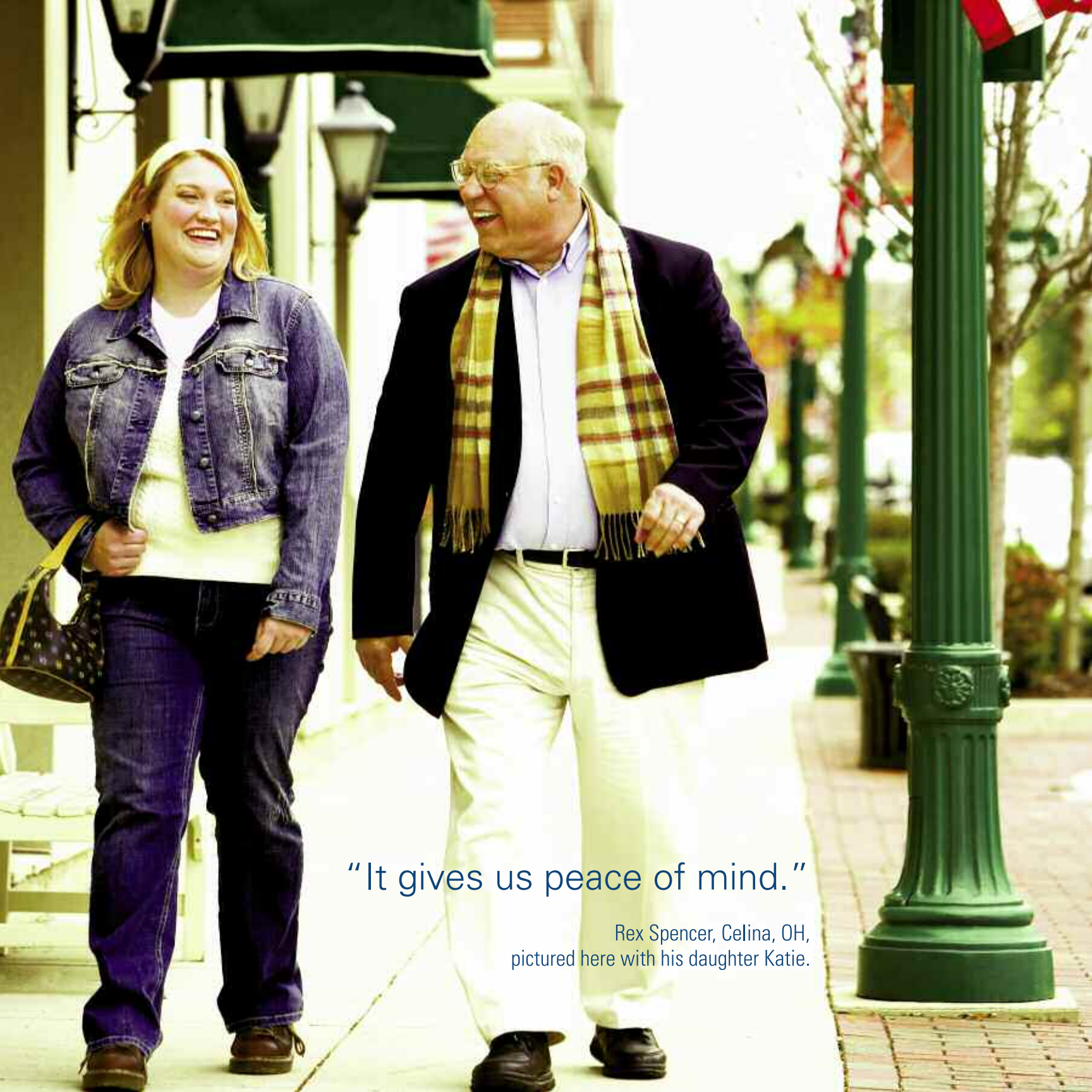
TO COMPETE IN TODAY'S MARKETPLACE, EMPLOYERS MUST HELP EMPLOYEES PREPARE FOR THE WORST. BY PROVIDING POLICIES RANGING FROM BASIC LIFE TO SHORT-TERM DISABILITY, AS WELL AS MEDICAL STOP-LOSS INSURANCE THROUGH R.E. MOULTON, THE COMPANIES OF ONEAMERICA OFFER A RELATIONSHIP THAT HELPS MEET EMPLOYERS' NEEDS.



## *the Relationship ...*

**That meets your needs.** When Community Home Care & Hospice decided to offer its 800 employees voluntary short-term disability coverage, it ran into a problem: Its carrier didn't offer that kind of policy. So the North Carolina firm turned to a trusted financial services professional, producer Dawn Etheridge – and Dawn turned to a OneAmerica company, which not only offered the product Community Home Care & Hospice was looking for, but also provided a level of attention and service that resulted in more than 80 percent of Community's employees enrolling in the plan. As a result of that good experience, Community is expanding its relationship with AUL, relying on the company for more of its insurance needs. "With AUL, the employees feel secure that we're doing the right thing for them," says Community Benefits and Human Resources Administrator Patricia Hinton.

*Pictured above: Producer Dawn Etheridge (left) and AUL Field Vice President Michael Chase.*



“It gives us peace of mind.”

Rex Spencer, Celina, OH,  
pictured here with his daughter Katie.

BY CHOOSING ASSET-BASED LONG-TERM CARE COVERAGE, POLICYHOLDERS ARE DOING MORE THAN SIMPLY ENSURING THAT THEIR LONG-TERM CARE NEEDS WILL BE MET – THEY'RE ALSO PRESERVING WEALTH FOR THEIR FAMILIES.



## *the Relationship ...*

**That's there when you need it.** Rex Spencer found something nice in his mailbox one day: a check he had written for his mother's long-term care coverage. When he called family friend and State Life producer Tom Leininger to ask why he got his check back, Rex learned that a lifetime rider on his mother's long-term care coverage had gone into effect. As a result, the family will never need to pay another dime for that coverage. As pleasing as that check was, though, it's only a small portion of the wealth the policy has helped preserve. "If we hadn't had that coverage, for as long as mom's been in the nursing home, she wouldn't have anything left," Spencer says. Thanks to her long-term care policy, Mildred Spencer has been able to share with her family the wealth her late husband built up as a successful banker. And, more specifically, she's able to help pay for her granddaughters' education.

*Pictured above: State Life Vice President of Sales Attila Toth (left) and Producer Tom Leininger.*



*honoring our commitments* requires that we operate carefully, acting as good stewards of the resources entrusted to us and building on them. We do this by focusing on three things: **excellence** through exceptional people and operations; **strength** through financial security; and **growth** through the value we bring to relationships.

*letter from the*  
President and Chief Executive Officer

**Dayton H. Molendorp**



As a young salesman starting out in this business 33 years ago, I quickly learned that, while my success was measured by my sales numbers, the way to succeed was not to focus on sales. No, I had to focus on relationships – real relationships with the people I served.

So I got to know those people. I met their families. I learned about their jobs. I heard about their worries and dreams. In short, I became their friend, and they became mine. Through that process, a funny thing happened: My sales numbers took care of themselves – leaving me free to take care of my relationships.

That's how I adopted the approach that has guided me throughout my career: Focus on building and maintaining good relationships, and success will follow.

Of course, this approach isn't unique to me. OneAmerica and its companies were built on people who think that way. People who know that a relationship is more than a means to an end. It's the whole point.

Certainly, each of us with the companies of OneAmerica can't have personal relationships with each of our thousands of policyholders. That's why we value so greatly the series of relationships that connects each of us to each of you. We know that it's the personal relationship you have with that trusted financial services professional who sits down with you to talk about financial aspirations – that person who sees you at church, the PTA meeting or on the golf course – that connects us to you.

"IN THE COMING YEAR, WE'LL AGGRESSIVELY  
MARKET AND PROMOTE OUR PRODUCTS AND  
PEOPLE, AND WE'LL CONTINUE TO HONE OUR  
OPERATIONS. WE'LL ALSO REMAIN OPEN TO  
ALL OUTSIDE GROWTH OPPORTUNITIES THAT  
COULD ADD VALUE FOR OUR POLICYHOLDERS."

We appreciate those relationships, and we do all we can to support them, making sure the people meeting with you have the best information, products and answers each time you discuss life insurance, long-term care needs, retirement planning or employee benefits. We invest in education and training for our people and the producers who work with us, and encourage their growth and development as professionals focused on helping people like you build and preserve wealth.

Nothing reflects this attitude more tangibly than our corporate structure. Like any other business, we operate to succeed; however, as a mutual company, we define success by what we deliver to our policyholders.

And what we deliver is peace of mind – the knowledge that your needs will be met at times when your needs are greatest. Your future will be secure, your assets will be protected, your commitments will be honored. And we back that peace of mind with tangible action, paying out more than \$1 billion a year in policyholder benefits.

Honoring such commitments requires that we operate this company carefully, acting as good stewards of the resources entrusted to us and building on them. We do this by focusing on three things: **excellence** through exceptional people and operations; **strength** through financial security; and **growth** through the value we bring to relationships.

In the past year, this focus allowed us to continue our solid growth. Statutory premiums increased to \$2.21 billion from \$2.06 billion last year. Our GAAP assets climbed to \$18 billion, a 50 percent increase over 2001. We once again placed among the market leaders in each of our business categories. And our performance drew high marks from rating firms. Standard & Poor's affirmed our AA- rating, citing as its criteria factors such as our strong diversified profile, extremely strong capital position, very strong investment performance and effective business plan execution.

In the coming year, we will build on this success by seeking additional growth. We will aggressively market and promote our products and people, and we will continue to hone our operations to be as efficient and productive as possible. We will also remain open to all outside growth opportunities that could add value for our policyholders.

But, most important, we will seek to develop new relationships and strengthen existing ones. Because, after all, that's the approach that's worked for me for 33 years, and the one that's worked for the companies of OneAmerica for more than 125 years: Focus on building and maintaining good relationships, and success will follow.

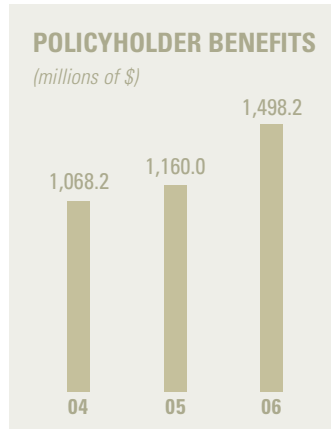


*in 2006, our* policyholders benefited from the enterprise's highest level of financial strength in its history. Not only did strong earnings, record capitalization and a high-quality investment portfolio deliver security for our policyholders, but we achieved these results while increasing benefits paid to policyholders by 29 percent.\*

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

## *delivering on our commitments*

The OneAmerica companies' commitment to policyholders is reflected in one simple truth: We are defined by what we pay out. We deliver real financial benefits to our policyholders through life insurance, annuities, retirement benefits and long-term care coverage.

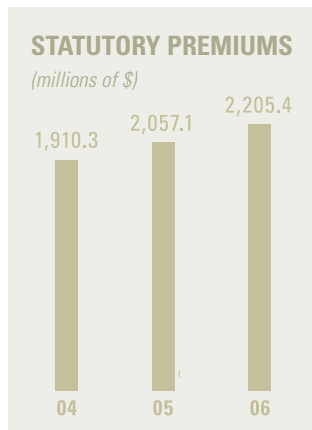


*For the third year in a row, OneAmerica paid out more than \$1 billion in policyholder benefits.\**

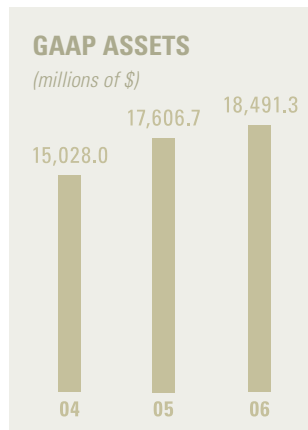
*\*Based on statutory benefits paid, adjusted for certain plan terminations.*

## *growing steadily*

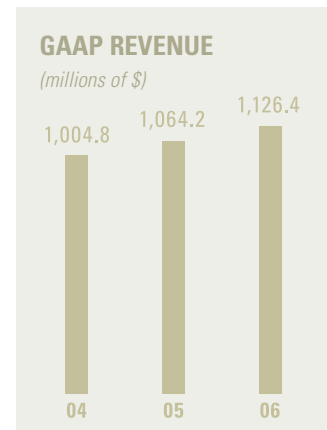
Our growth is a direct reflection of our customers' faith in us. OneAmerica's more than \$2 billion in statutory premiums and 5 percent asset growth are proof that we prosper when we meet the needs of our policyholders and distribution partners.



*Statutory premiums of more than \$2 billion provide a rock-solid foundation for meeting policyholders' needs.*



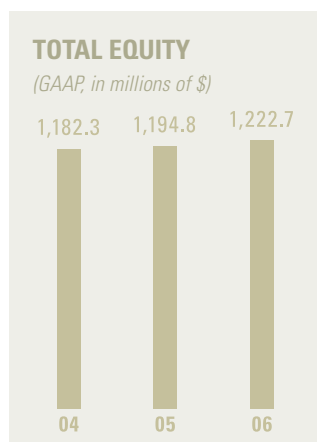
*GAAP assets grew 5 percent*



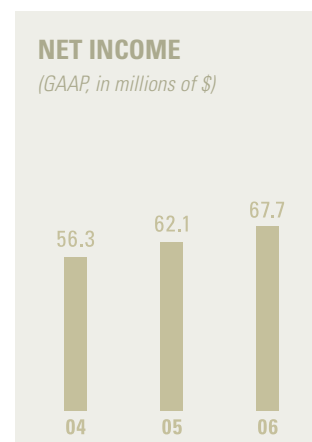
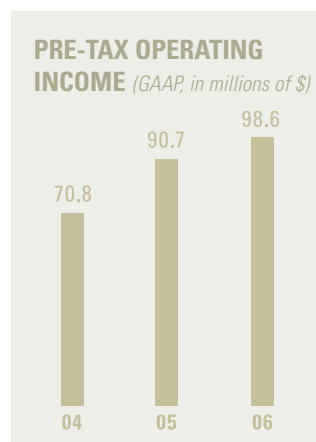
*... while GAAP revenues increased 6 percent in 2006.*

## *building security*

Thanks to consistent, conservative investment management, a capital position described as “extremely strong” by Standard & Poor’s and rock-solid earnings, policyholders can be assured that the companies of OneAmerica will be there when they need us.



*OneAmerica's strong balance sheet represents financial security.*



*Our solid earnings demonstrate the power of a disciplined, focused business plan.*

### **GENERAL ACCOUNT INVESTED ASSETS**

	Amount	% of Invested Assets
Fixed Maturities	6,801.5	79.1%
Mortgages	1,351.3	15.7%
Policy Loans	179.0	2.1%
Cash and Other	271.8	3.1%
<b>Total General Account Invested Assets</b>	<b>8,603.6</b>	<b>100.0%</b>
Other Assets	3,002.9	
Separate Accounts	6,884.8	
<b>Total</b>	<b>18,491.3</b>	

*The companies of OneAmerica's attractive and secure product offerings are backed by a portfolio that generates steady, reliable growth.*

## investing in quality

By focusing on high-quality investments, the companies of OneAmerica put their assets to work without exposing them to undue risk.

### PORTFOLIO YIELD VS. THE INDUSTRY

December 31	OneAmerica	Industry Average*	OneAmerica vs. Industry
1997	7.93%	7.66%	0.27%
1998	7.82	7.40	0.42%
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	n/a	n/a

*For more than 10 years, OneAmerica has beaten the annual industry average for yield on invested assets.*

\* Source: A.M. Best, 12/31/06 not available at time of printing

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

### 60-DAY MORTGAGE DELINQUENCIES AND FORECLOSURES

December 31	OneAmerica	Industry Average*
1997	1.02%	1.74%
1998	0.21	0.92
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

\* Source: ACLI

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

December 31	OneAmerica	Industry Average*
1997	2.4%	6.1%
1998	1.8	7.0
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	5.6**

\* Source: ACLI    \*\* As of 9/30/06

*Our investment managers achieve strong yields by emphasizing high-quality investments. Historically, the enterprise's level of mortgage delinquencies and junk bonds has been significantly below industry averages.*

ONEAMERICA FINANCIAL PARTNERS, INC.  
**Consolidated Balance Sheets**

December 31	2006	(in millions)	2005
<b>ASSETS</b>			
Investments:			
Fixed maturities - available for sale, at fair value: (amortized cost: 2006 - \$6,779.9; 2005 - \$6,827.4)	\$	6,801.5	\$ 6,960.4
Equity securities at fair value: (cost: 2006 - \$37.0; 2005 - \$32.6)		49.3	42.1
Mortgage loans		1,351.3	1,338.0
Real estate, net		34.9	36.2
Policy loans		179.0	176.7
Short-term and other invested assets		22.1	22.8
Cash and cash equivalents		165.5	195.2
<b>TOTAL INVESTMENTS</b>		<b>8,603.6</b>	<b>8,771.4</b>
Accrued investment income		96.6	96.9
Reinsurance receivables		1,991.0	1,846.4
Deferred acquisition costs		600.6	583.6
Value of business acquired		114.6	118.5
Property and equipment, net		67.1	67.8
Insurance premiums in course of collection		26.5	31.2
Other assets		106.5	91.9
Assets held in separate accounts		6,884.8	5,999.0
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>18,491.3</b>	<b>\$ 17,606.7</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
<b>LIABILITIES</b>			
Policy reserves	\$	9,298.5	\$ 9,228.0
Other policyholder funds		212.4	223.0
Pending policyholder claims		264.1	283.0
Surplus notes and notes payable		275.0	275.0
Other liabilities and accrued expenses		253.1	318.4
Deferred gain on indemnity reinsurance		80.7	85.5
Liabilities related to separate accounts		6,884.8	5,999.0
<b>TOTAL LIABILITIES</b>		<b>17,268.6</b>	<b>16,411.9</b>
<b>SHAREHOLDER'S EQUITY</b>			
Common stock, no par value - authorized 1,000 shares; issued and outstanding 100 shares		—	—
Retained earnings		1,201.8	1,127.0
Accumulated other comprehensive income:			
Unrealized appreciation of securities, net of tax		20.9	68.2
Minimum pension liability, net of tax		—	(0.4)
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>1,222.7</b>	<b>1,194.8</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$</b>	<b>18,491.3</b>	<b>\$ 17,606.7</b>

ONEAMERICA FINANCIAL PARTNERS, INC.

## Consolidated Statements of Operations

Year ended December 31	2006	(in millions)	2005
<b>REVENUES</b>			
Insurance premiums and other considerations	\$	406.4	\$ 445.6
Policy and contract charges		173.9	142.0
Net investment income		522.6	451.9
Realized investment losses, net		(5.3)	(3.5)
Other income		28.8	28.2
<b>TOTAL REVENUES</b>		<b>1,126.4</b>	<b>1,064.2</b>
<b>BENEFITS AND EXPENSES</b>			
Policy benefits		399.4	406.3
Interest expense on annuities and financial products		235.6	188.6
General operating expenses		193.3	189.2
Commissions		73.1	66.1
Amortization		84.9	79.9
Dividends to policyholders		27.0	27.1
Interest expense on surplus notes and notes payable		19.8	19.8
<b>TOTAL BENEFITS AND EXPENSES</b>		<b>1,033.1</b>	<b>977.0</b>
Income before income tax expense		93.3	87.2
Income tax expense		25.6	25.1
<b>NET INCOME</b>	<b>\$</b>	<b>67.7</b>	<b>\$ 62.1</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, Ind. The companies of OneAmerica® can trace their solid foundations back more than 125 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, long-term care solutions 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, 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* Senior Management

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

**J. Scott Davison**  
*Chief Financial Officer*

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

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

**James M. Kellett, FSA, MAAA**  
*Vice President, Individual Operations*

**Brian J. Lauber**  
*Vice President and  
Chief Marketing Officer*

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

**Richard L. Merrill, CLU, ChFC, MBA**  
*President, State Life*

**Bill J. Mounsey, CLU**  
*Vice President, Group Operations*

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

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

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

**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

**Jerry D. Semler, CLU**  
*Chairman of the Board*

**Dayton H. Molendorp, CLU**  
*President and CEO*  
*Elected Chairman of the Board at the  
February 2007 annual meeting*

**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

**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

**James T. Morris**  
*Executive Director*  
The United Nations World Food  
Programme  
Rome, Italy

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

**William R. Riggs**  
*Retired Partner*  
Ice Miller  
Indianapolis, Indiana

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

**James M. Swedback, CLU, FLMI**  
*Chairman of the Board and  
Retired President and CEO*  
Pioneer Mutual Life Insurance Company  
Fargo, North Dakota

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, Feb. 21, 2008, at 10 a.m. EST in Indianapolis, Ind.

LIFE INSURANCE | RETIREMENT | EMPLOYEE BENEFITS



*OneAmerica Financial Partners, Inc.  
One American Square, P.O. Box 368  
Indianapolis, IN 46206-0368  
(317) 285-1111  
[www.oneamerica.com](http://www.oneamerica.com)*