

American Income Life Insurance Company
National Income Life Insurance Company



2005
Report to the
Labor Advisory Board

“Labor is prior to, and independent of, capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed.”

— Abraham Lincoln



Roger Smith
President and CEO

Here we are once again with another year under our belts, and I'm sure we all are the wiser with 365 days of challenges behind us. Though the past

year offered its own unique trials – the Presidential Election, the UFCW strike, and the many hurdles facing working families during economic hardship – we have all weathered the storm, and as always, the American Income and National Income Labor Advisory Board has guided and assisted us in our support of the labor movement. The outstanding members of this board, headed by *Communications Workers of America* President Morton Bahr, are the foundation of our partnership with labor. Therefore, on behalf of Jules Pagano, Hugh Walsh, and myself, we want to thank you for all that you do to help us help labor and we appreciate your valued advice.

As promised last year, this report will serve two purposes. First, we want to let you know what we have done, and are doing, to work with the *AFL-CIO* and your unions to assist the labor movement with issues affecting working families and to advance labor program activities. This report will also serve to inform you of our progress which goes hand in hand with your cooperation and partnership.

Early in 2004, we partnered with our union, *OPEIU*, and *OPEIU* President, Mike Goodwin, to contribute our time and money to the 2004 Election in an effort to raise support and awareness of the platforms and issues important to the labor movement and working families. Although labor's candidate for president was defeated, many labor-endorsed candidates were elected across the country at the federal, state, and local levels. We are proud of our efforts because, according to John Sweeney, *AFL-CIO* President, we took part in the biggest political mobilization in the history of the labor movement.

The beginning of 2004 also kept our brothers and sisters with the *UFCW* on alert with the Southern California grocery store workers' strike. Again, given the situation, we aligned ourselves to help. While our Agents and Public Relations Representatives walked picket lines, opened food banks, and provided other support to strikers, the Company continued to provide financial support to the *UFCW Strike Hardship Fund*.

Continuing in this tradition, in 2005, American Income Life Insurance Company and our New York subsidiary, National Income Life Insurance Company, are planning for a \$50,000 contribution over the next two years to help the *AFL-CIO Union Label & Services Trades Department* improve their Web site to promote buying union-made goods and services. We are also planning on deepening our relationship with the *Alliance for Retired Americans*. Retired union workers are a significant part of our past and our present. They should never be forgotten for what they have done and what they still do for the labor movement and their unions. All of this is in addition to our continued commitment to other labor-sponsored programs like the *EPI, Campaign for America's Future*, and *American Rights at Work*.

At AIL and NILICO, we practice what we preach. We have stood with labor through thick and thin for many years and we promise that tradition will be a rich part of our future. Labor can count on us to do what we say we will do.

American Income and National Income are union employers who support workers' issues, have faith in the products and services we provide, and highly regard our customers, Agents, and employees. Today, we have approximately 2,100 contracted field Agents – affiliated with the *OPEIU* – and our primary goal in 2005 is to exceed 2,500 field Agents which would add about 400 new union jobs. We believe the future is ours to build and by increasing our Agent count we are confident that our business, exposure, and ability to support the labor movement will proliferate.

Once again, I want to thank you for the time and experience you so unselfishly share with our Labor Advisory Board. Your advice and counsel throughout the year is greatly appreciated.

In solidarity,

A handwritten signature in dark ink, appearing to read 'Roger Smith', with a long, sweeping flourish extending to the right.

Roger Smith
President & CEO

2004 Highlights

As is the tradition, this report serves as an overview of our accomplishments for the past year. 2004 offered some challenges, but it also marked many milestones for AIL and NILICO.

***A.M. Best* Rating remained at A+ “Superior,” their second highest rating, for overall company financial strength.** American Income and National Income are 100 percent union companies which operate with an ongoing commitment to integrity, superior capitalization, and the highest levels of service throughout the marketplace. We are proud to say that we believe this is reflected in our rating from *A.M. Best*, a worldwide insurance-rating and information agency with more than 100 years of history.

An increase in union members covered under our blanket group Accidental Death & Dismemberment coverage. The number of members covered under this no cost benefit has risen to over 8.3 million. This means we cover more than 50 percent of all union members and their families. Members from every *AFL-CIO* union are covered under this benefit, with total coverage exceeding \$8 billion.

Approximately 600,000 union households were visited in 2004. All the union households visited by our representatives voluntarily responded to an AIL or NILICO no cost benefit offered through their local union. In addition to receiving the no cost benefit, many union members participated in an *AFL-CIO* political survey and received *OPEIU* literature on the *Get out the Vote* program.

More working families realized their need for supplemental insurance. Sales premiums from working families exceeded \$90 million of net life business. Further, our quality of business through four-month retention showed an increase of four percent over 2003. This trend reflects our ongoing commitment to policyholder satisfaction and service which has resulted in over \$22.7 billion (as of December 2004) of permanent life insurance in force.

More than \$50 million of claims were paid to working families through their benefits with American Income and National Income combined. Under the AD&D no cost benefit, over \$1.5 million were paid to union families. Plus, our Partners[®] program saved users approximately \$1.5 million on prescription medications alone. With working families needing affordable prescription drugs, there is a renewed commitment to improve the benefits and utilization of this discount program, and all of our offered no cost benefits.

Creating more union jobs. Currently, American Income and National Income provide approximately 2,100 union jobs. While most major industries continued to downsize, AIL and NILICO were expanding markets and career opportunities. Through increased commissions, retention bonuses, and lifetime vesting, the field force has seen a phenomenal growth in long term net worth and a secure financial future.

“All labor that uplifts humanity has dignity and importance and should be undertaken with painstaking excellence.”

— *Martin Luther King Jr.*



Fully Engaged in Politics

A perspective on American Income and National Income’s involvement in the political arena from OPEIU International President, Michael Goodwin.



Working on rapid-responses and mailings in Ohio.

“Fully engaged in politics” sums up the key contributions made by the AIL and NILICO members of Local 277, a national OPEIU local union based in Fort Worth, Texas. The field Agencies designed and implemented a phenomenal plan, fully participating in the *AFL-CIO Labor 2004 Campaign*.

The membership of Local 277 designed an effective campaign delivering a strong message from house to house across the country in support of issues important to working families. The strategies included messaging, mobilizing, and of course, plenty of money. Local 277 President Becky Turner said “We are very proud of our members contracted by AIL and NILICO who are the bedrock of our political action fund. They did a great job!”

Messaging

Utilizing their ability to reach hundreds of thousands of union members and working families during this past Presidential Election, Local 277 members voluntarily delivered labor’s message. Three hundred members in six key battleground states delivered over 100,000 issue flyers, completed over 10,000 issue surveys, and registered thousands of new voters.

Mobilizing

They were not just knocking on doors and leaving flyers, but were sitting down with union families, discussing issues affecting them, and asking each individual to vote for their own interest. The nature of the AIL and NILICO representatives as union members gives them more direct contact with union households than any other group within organized labor. Local 277 members have become a key asset in reaching working families nationwide.

Money

Local 277 members voluntarily contributed more than \$300,000 during each Congressional cycle through the *OPEIU J. B. Moss Vote Fund*. Their contributions are the largest per capita contribution throughout all of OPEIU.

I am very proud of the members of Local 277 for their passionate pursuit of social justice and for their generosity of giving in both time and money, and for being members that any AFL-CIO president would be proud to represent.



Bob Olson, Illinois SGA, and PR Rep., Sue Gilbert, (left) with freshman Senator, Barack Obama, and Rona Pileggi Spano, a PR Rep. with the Olson Agency.



NILICO along with the AFL-CIO and the NYC CLC/ UFCW stand together at a Wall Street rally.

“Labor wants also pride and joy in doing good work, a sense of making or doing something. . .useful – to be treated with dignity and respect as brother and sister.”

— Thorstein Veblen

Not just in word, but in deed. Not just in good times, but in bad.

American Income and National Income are there!

We have a long tradition of community involvement. We pride ourselves on being a partner when the labor movement needs a friend. One of the things in which we take great pride is our creation and support of a culture of action. It is our goal to promote the goals and aspirations of the labor movement and union members.

Many of our PR Representatives and Agent Field Force are involved in organizing ongoing community service projects within the central labor councils where they work and live. From food banks, picket lines, organizing drives, community service, and even a little bit of jail time, we are there with our brothers and sisters in labor.

Two AIL PR Representatives exemplify this culture of commitment (see the box below). We are proud to honor them as they both received honors from their respective peers. We thank them for being the embodiment of AIL and NILICO’s commitment to the labor movement.



Representative of other Agencies, Ottawa reps prepare to deliver food to 15 local families.



It takes many volunteers to organize a food drive and just like our Ottawa crew, many Agencies have no problem rounding up folks to help.



Organizing a major drive takes a lot of preparation and planning. Ottawa plans, prepares, and delivers baskets.



Mark Gagliardi posing with his Labor Activist of the Year award at the AFL-CIO Labor-2-Labor Dinner.



Larry Lozano (far right) is pictured with Mark Gagliardi, Becky Turner, Margo Peel, and Chuck Hill.

OPEIU Local 277 members and AIL Representatives, Mark Gagliardi and Larry Lozano have made their love of labor into a “labor of love.” Mark and Larry have proven they not only talk the talk of commitment to labor, but they walk the walk.

Mark Gagliardi was honored on Sept. 17, 2004, as *Labor Activist of the Year* for Contra Costa County (California) at the *AFL-CIO’s Labor-2-Labor Annual Dinner*. Larry Lozano was recognized in October 2004 as *Unionist of the Year* by the Monterey Bay Central Labor Council (California).

Both Mark and Larry work as PR Representatives for the Jatoft-Foti Agency in Northern California.

Their contributions are numerous and broad, exhibiting an extraordinary depth of commitment. They are active through their central labor councils, directly with unions in distress. Their participation is reflected in delivering food to laid-off members, spearheading picket lines, knocking on members’ doors during precinct walks, phone-banking for local and state issues, and creating and sponsoring the very successful *Clay Shoot* benefiting the UFCW Leukemia/Lymphoma Fund. More recently, Mark spearheaded an organizing drive with a first ever 100 percent union coffee company.

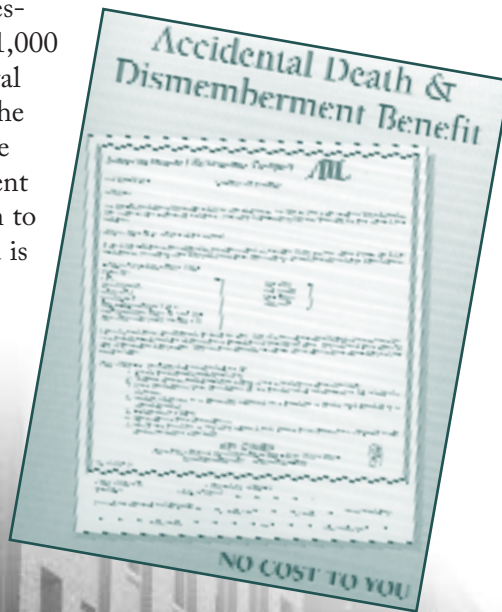
These men are activists of the highest caliber, as well as mentors and trainers for other PR Representatives who are Local 277 members. Local 277 is proud to call Mark Gagliardi and Larry Lozano members, and we honor them for their ongoing dedication to our great labor movement.

Contributed by Becky Turner, President & Business Manager OPEIU Local 277

“A man is not idle because he is absorbed in thought. There is a invisibl

Many foundations are built in a square shape, and at the corners of this foundation is where you can find the Income, we are most proud of our no cost benefits, and we consider these benefits to be the cornerstones of cannot be disputed. The cornerstones of our no cost benefits were designed to provide solutions for basic sup assist working families in building a secure future. We are committed to offering these benefits to every union and encourage them to take advantage of these programs and services. Union heads can utilize the promised considerably more money, and we offer them all at no cost. Who wouldn't be interested in learning more ab

The first cornerstone of our no cost benefit program is our family *Accidental Death and Dismemberment* benefit. Under this plan, each dues-paying member receives at least \$1,000 of coverage in the case of accidental death. This plan also extends to the member's family, with \$500 for the spouse and \$250 for each dependent child. This coverage is in addition to any benefits currently in place and is at no cost to the local union or their members.



The second cornerstone is providing accessible discounted health services to families. Access and affordability limit from receiving services needed on a r The *American Income Partners® Plan Benefits Plan* in New York provide tremendous savings for services not covered under welfare programs. The programs' value exponentially for the underinsured and providing fantastic support for those

The simplicity of this program has resulted in savings of approximately \$1.5 million on prescription drugs, with an average savings of 60 percent per prescription. Additional savings up to a 60 percent discount on vision, chiropractic, hearing aids, and dental services. Point of sale discounts compound into rewards for union families. These pre-discounts on health-related services are provided to the member at no cost. Services are used at any participating provider seven days a week, 24-hours a day.

American Income and National Income's No Cost Programs – The Cornerstones of Our Business

the labor and there is an invisible labor.”

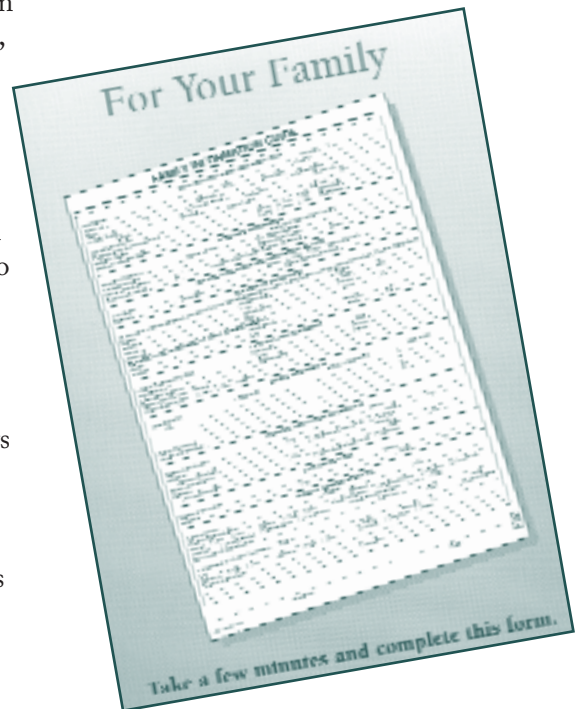
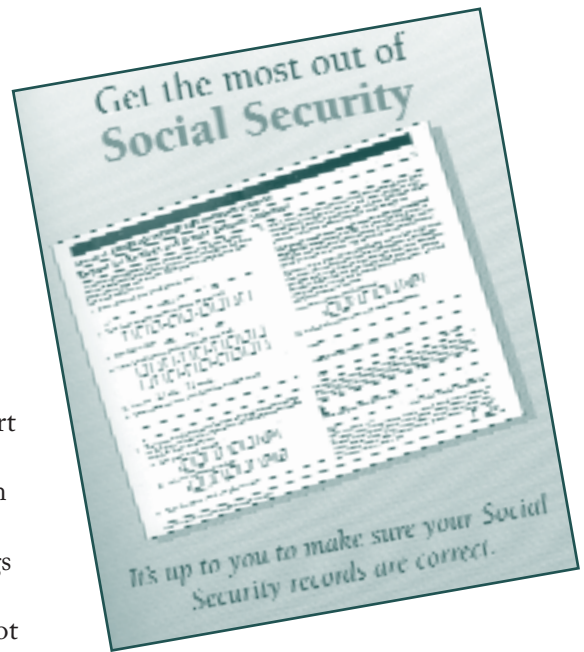
— Victor Hugo

cornerstones. Cornerstones are the fundamental basis of any foundation. At American Income and National our business. These products and services are a great asset to any member group, and their incredible value supplemental health care while providing a solid foundation of services and access to information, both of which a family and expanding the broad range of services available. Our ultimate goal is to reach out to every union l value of these benefits when organizing new member drives. Many similar products can cost the members out that?

Another vital cornerstone to our no cost program is in providing a *Social Security Request for Benefits and Earnings Statement* form and our *Family Information Guide*. When we visit homes, we make it a point to bring these helpful items as a courtesy to union members and their families.

When the *Social Security Request for Benefits and Earnings Statement* is filled out and sent to the Social Security Administration, a report is sent back to the union member who requested the information. This request form is important for everyone to send in at least once every three years to ensure their earnings have been credited properly. Once the three-year period has passed, if adjustments have not been made, the Social Security Administration will not go back and correct them. Therefore, the value of this statement is incomparable.

Along with the *Social Security Request for Benefits and Earnings Statement* we provide a *Family Information Guide*. We have found that many times, a person's spouse or children do not know what benefits they are entitled to if something should happen to the insured, and in some cases, important information needed in case of an emergency is not organized into one file. The *Family Information Guide* we provide, however, allows the insured to fill in vital data and store it in one place. We encourage the members to complete the form in the privacy of their home and inform other family members of its existence.



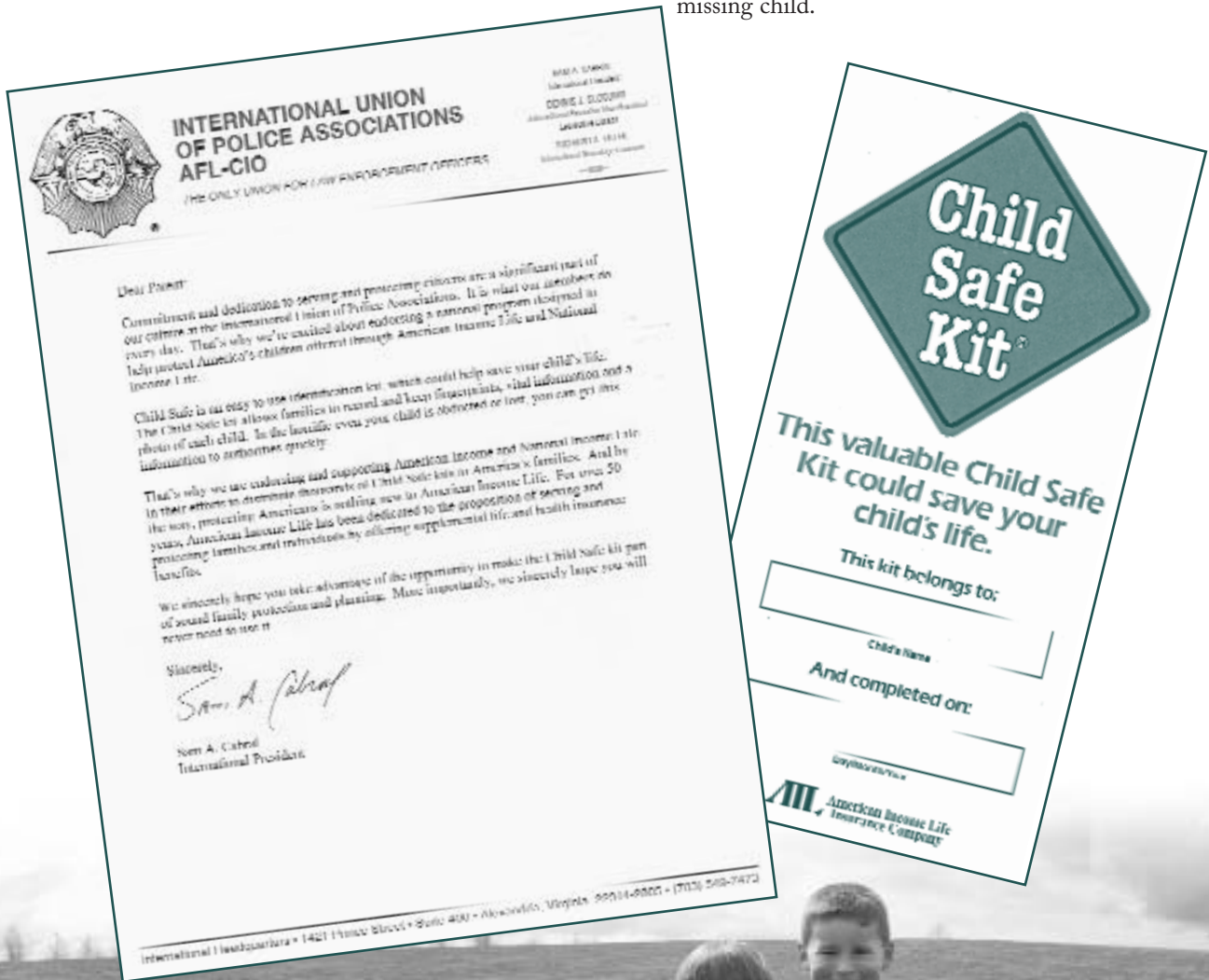
affordable, to working it many families outline basis. and the *Best* emendous e health and ies increase d uninsured, most in need. sulted in net in 2004 on vings of 29 offerings include care, options. These o dramatic ograms provide A discount card . The card can in the U.S.,

“Parents hold their children’s hands for a while. . .their hearts forever.”

— Unknown

The fourth cornerstone of our no cost benefit program is our Child Safe Kits. This program is just another way for us to show that we care not only for the union members, but for their families as well. Child safety is a huge concern for many, and we want to make sure that working families are prepared in the event the unthinkable happens.

In many cases, parents do not have photos or fingerprint records of their children. American Income and National Income’s Child Safe Kit, which is endorsed by the International Union of Police Associations (see the letter below), provides parents with the tools they need to gather vital information for use by authorities, if needed, to search for a missing child.



Helping working families protect their most valued asset –

Their children!



“Provision for others is a fundamental responsibility of human life.”

— Woodrow T. Wilson

Strike & Lay-Off Waiver and Other Donations and Support— Peace of mind in times of need

American Income and National Income have a commitment, a dedication if you will, to helping working families in their times of need. The Company and our representatives rally to union members' aid by walking picket lines, setting up food banks, and offering other support as needed.

We contribute generously every year to causes that promote and benefit the labor movement.

One of the most financially challenging situations for a union family is the time during a strike or lay-off. Through a unique American Income and National Income policy benefit, one thing members do not have to worry about is their insurance premiums.

In the last two years combined, AIL and NILICO have waived over \$1.1 million in premiums for policyholders on strike or lay-off. At over \$560,000 per year, this represents an increase of more than 135 percent over what was waived in the year 2000.

The Strike and Lay-off Waiver of Premium benefits do exactly what the name implies — waive premium payments. For policyholders involved in an authorized strike, monthly premiums are waived from the very first day the member walks out and continue to be waived for up to a year. Member benefits remain in force during the strike, when the family needs their insurance protection most.

Policyholders who are part of a qualified lay-off have premiums waived for up to three months, allowing them time to begin working again. In either case, once the member is back to work waived premiums never have to be re-paid.

We understand that this little bit goes a long way during these trying times for working families. This is just one of the many ways we show our support and dedication to the labor movement – in word and deed!



Highlights of Other Financial Support Offered in 2004

Economic Policy Institute.....	\$55,000
Labor Council for Latin American Advancement.....	\$34,500
Coalition to Defend America's Dream..	\$25,000
Washington Ethical Society	
Cassie Stern Endowment Fund.....	\$25,000
Alliance for Retired Americans.....	\$25,000
Campaign for America's Future.....	\$25,000
UFCW Strike Hardship Fund.....	\$20,000
A. Phillip Randolph Institute.....	\$20,000
Project Vote 2004.....	\$18,000
Coalition of Labor Union Women.....	\$5,000

*Total 2004 Contributions to
Labor and Related Causes
\$444,675.83*

The Labor Advisory Board

LAB Leadership Team



Morton Bahr
President, Communications
Workers of America
Chairman, Labor Advisory Board



Roger Smith
President & CEO,
AIL & NILICO
Vice President,
Labor Advisory Board



Jules Pagano
Vice President, AIL & NILICO
Executive Director,
Labor Advisory Board



Bernard Rapoport
Founder & Chairman Emeritus,
American Income Life



Hugh Walsh
Asst. Vice President,
AIL & NILICO
Asst. Executive Director,
Labor Advisory Board

The Labor Advisory Board wishes to welcome its newest members for 2004. In joining, these ladies and gentlemen bring their own fresh insight to the board and its operations. Their new perspectives are a great contribution to the company. Welcome aboard!

John Connolly
American Federation of
Television and Radio Artists

Michael O'Brien
Transport Workers
Union of America

Thomas C. Short
Int'l Alliance of Theatrical Stage
Employees, Moving Picture Technicians,
Artists and Allied Crafts

Joe Hansen
United Food and
Commercial Workers

Susan Phillips
The Coalition of
Labor Union Women

Arturo Rodriguez
United Farm Workers
of America

Freddie Simpson
Brotherhood of Maintenance
of Way Employes

The Labor Advisory Board is made up of international union presidents and department heads of the *AFL-CIO*. Board members recognize that AIL and NILICO are 100 percent union companies that offer union members products they truly need: quality, affordable, supplemental insurance plans that carry the union label. We are best able to serve our labor union market because we have the benefit of advice from outstanding labor leaders.

Paul E. Almeida President, Dept. for Professional Employees, AFL-CIO	James Grogan Jr. General President, International Association of Heat and Frost Insulators and Asbestos Workers	Leon Lynch Vice President, United Steelworkers of America	Ed Sullivan President, Building & Construction Trades Department, AFL-CIO
Stuart Appelbaum President, Retail, Wholesale & Department Store Union/UFCW	Don Hahs International President, Brotherhood of Locomotive Engineers	Hon. Ray Marshall Former US Secretary of Labor	Michael Sullivan General President, Sheet Metal Workers Int'l Assoc.
Baxter Atkinson National President, American Federation of School Administrators	Sonny Hall President, Transport Workers Union of America	Warren Mart General Secretary-Treasurer, International Association of Machinists & Aerospace Workers	John J. Sweeney President, AFL-CIO
Ronald Ault President, Metal Trades Dept., AFL-CIO	James Hoffa General President, International Brotherhood of Teamsters	Terence O'Sullivan President, Laborers' International Union of North America	George Tedeschi President, Graphic Communications International Union
Dave Barrett Former Premier of Province of British Columbia Honorary Member, Labor Advisory Board	Joseph Hunt General President, International Association of Bridge, Structural, Ornamental & Reinforcing Iron Workers	Oscar Owens Secretary-Treasurer, Amalgamated Transit Union	Richard Trumka Secretary-Treasurer, AFL-CIO
Theodore Bikel President, Associated Actors & Artistes of America	Newton B. Jones International President, International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers	W.D. "Dan" Pickett President, Brotherhood of Railroad Signalmen	Gene Upshaw President, Federation of Professional Athletes
William Burrus President, American Postal Workers Union	Greg Junemann President, International Federation of Professional & Technical Engineers	Clyde Rivers Association President, California School Employees Association	Donald E. Wightman National President, Utility Workers of America
Samuel Cabral President, International Union of Police Associations	George Kourpias President, Alliance for Retired Americans, AFL-CIO	Cecil Roberts President, United Mine Workers of America	James Williams General President, International Union of Painters & Allied Trades
John J. Dougherty President, Operative Plasterers and Cement Masons Int'l Association	Thomas Lee President, American Federation of Musicians of U.S. & Canada	Milton Rosado President, Labor Council for Latin American Advancement	Jim Wright Former Speaker of the House Honorary Member, Labor Advisory Board
Gerald Feder Attorney, Feder & Assoc. Secretary, Labor Advisory Board	William Lucy International Secretary- Treasurer, American Federation of State, County & Municipal Employees	Michael Sacco President, Maritime Trades Department President, Seafarers' International Union	Boyd D. Young President, PACE International Union
Patricia A. Friend International President, Association of Flight Attendants/CWA		Robert A. Scardelletti International President, Transportation- Communications International Union	
Larry Gregoire President, International Chemical Workers/UFCW		Harold Schaitberger President, International Association of Fire Fighters	



Samuel Gompers
1850-1924
*First President of
the American
Federation of Labor*

“What does labor want? It wants the earth and fullness thereof. There is nothing too precious; there is nothing too beautiful, too lofty, too ennobling, unless it is within the scope and comprehension of labor’s aspirations and wants. We want more schoolhouses and less jails, more books and less arsenals, more learning and less vice, more constant work and less crime, more leisure and less greed, more justice and less revenge. In fact, more opportunities to cultivate our better natures, to make manhood more noble, womanhood more beautiful, and childhood more happy and bright.”

– Samuel Gompers



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