

Developing New Markets. Expanding Our Legacy.



2007 ANNUAL REPORT

North Carolina Mutual

LIFE INSURANCE COMPANY

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WHO WE ARE

North Carolina Mutual Life Insurance Company.

Despite changes each year, some things remain constant. North Carolina Mutual's inspiring history. The vision of our founders and their dedication to serving the underserved. The enthusiasm of those executives who have guided the company for more than a century. The dedication of employees who view "The Mutual" as a place for professional achievement and service. Some things remain constant. Good stewardship. Solid business practices. Leadership in the community and active participation in professional organizations that effect positive social change.

Consequently, we are viewed as a center of influence in the African-American community, and corporations seek us out and partner with us when there is mutual value in a strategic alliance. We are a preferred minority partner that performs consistently and brings diversity. We are reliable, and we take pride in the good company we keep.

We sell life insurance, but we do not measure our success only in policies sold. We see our product as a way to create wealth in the minority community – an asset that helps families through tough times, provides an education for a child or grandchild, makes home ownership possible, and allows people to exit life with dignity. We sell life insurance, but we also educate and help people achieve greater financial security.

We provide group coverage for employees of some of the nation's largest corporations, but we also serve small business owners and their employees. We craft sound benefit packages they can afford – medical, dental, life and disability. We make coverage possible for seasonal, part-time, and low-wage hourly workers. We constantly reach out.

To religious congregations, we are the company that helps them fund capital projects, expand their places of worship, and achieve their dreams. To Historically Black Colleges and Universities, we are their advocate. We appreciate their unique role and work closely with their senior leadership and board of trustees to make it possible for alumni and friends to give back to their alma maters far more than they ever dreamed they could.

We are the nation's oldest and largest insurance company with roots in the African-American community. One hundred and nine years of rich history. More than 300,000 individual life policyholders. The insurer of more than two million employees and family members through group plans. More than \$7.7 billion of insurance in force in 24 states and the District of Columbia.

Who are we?

North Carolina Mutual Life Insurance Company
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North Carolina Mutual
LIFE INSURANCE COMPANY

FROM THE PRESIDENT



Developing new markets.
Expanding our legacy.

FROM THE PRESIDENT

A year ago when we looked back at 2006, we were astounded at the increase in sales of individual life policies and the trend toward younger policyholders who are buying higher-dollar policies. That was good news, of course, and we passed it on to you. In 2007, that trend is continuing and our marketing personnel and sales force are making us all proud by continuing to be pacesetters in reaching emerging markets.

We have many opportunities.

We are taking advantage of the fact that African-Americans in markets throughout the Southeast are underserved and that in many communities there is goodwill and brand equity for North Carolina Mutual. In addition, organizations, such as the NAACP and the National Baptist Convention, as well as African-American fraternities and sororities, are partnering with us. They empower the African-American community in order to create wealth and promote financial security using life insurance.

At the same time, competition for group coverage contracts has increased with the natural result that profit margins have been reduced. While some insurance companies may be willing to sacrifice profit in order to boost their portfolios, we prefer to engage in mutually beneficial relationships.

This year we continued developing strong ties to national affinity groups. Marc Morial, President and CEO of the National Urban League, who was our 109th Founder's Day speaker, stressed the significant leadership role that North Carolina Mutual plays at both the state and national level – in business and other activities that advance the African-American community. These partnerships serve simultaneously as potential launching pads to discuss

group coverage and to affirm our commitment to the African-American community.

With all of this activity, we still devote time to the basics – assuring that personnel in both our Durham and Chicago headquarters, as well as in the field, match our corporate objectives: that as a company we are lean and efficient, and that we have the technical ability to support our agents and provide stellar service to our policyholders.

It is clear that a major challenge before us will be to attract capital to support our dramatic increase in individual policies, which are costly to generate and do not become profitable immediately. As a mutual company, we will have to be creative in reaching out to investors.

Looking forward, we continue to be guided by the principles upon which this company was founded. We have an amazing history, of which challenges have always been a part, and a bright future before us.

James H. Speed, Jr.

MARKETING



A More Focused Strategy
for Providing Life Insurance and
Group Benefits to Even More People.

MARKETING

When Marc H. Morial, the President and CEO of the National Urban League, stood before hundreds of people at North Carolina Mutual's 109th Founders Day observance last October, his message was powerful and to the point. Morial said African Americans need strong Black companies. America needs strong Black companies. America needs companies like North Carolina Mutual. Morial's statement prompted thunderous applause from the throng of descendants of the men who founded North Carolina Mutual a century and a decade ago. Employees, policyholders, North Carolina Mutual's business partners, as well as civic and religious leaders joined the chorus.

Here was one of the most respected men in the United States – one listened to in corporate boardrooms, one comfortable on the streets anywhere in the country, the former Mayor of New Orleans, a lawyer trained at an Ivy League university and revered law school – saying that North Carolina Mutual had extraordinary relevance. He noted that the Company provided an essential service in 1898 when it began offering life insurance to African Americans, who previously had been underserved. But he said the relevance is as real today as it was then.

Kimberly Williams Moore, Manager of North Carolina Mutual's Affinity Group Marketing Program, said "North Carolina Mutual plays an integral role in partnering with a wide array of organizations that have a unique affinity to the African-American community – the NAACP and its state and local chapters, sororities and fraternities, Historically Black Colleges and Universities, as well as professional groups such as cosmetologists, lawyers, physicians, and small business owners. In addition, at the beginning in 1898, the faith community benefited from the North Carolina Mutual philosophy on philanthropy which was 'Merciful to all.' This commitment is demonstrated today in many ways, including alliances with the National Baptist Convention and the Dallas-based EK Bailey Conference."



Marc H. Morial
President and CEO of
the National Urban League

Arthell D. Davis, Vice President of Group Marketing Operations, who is based in our Chicago headquarters, continues to meet the challenges posed by a highly competitive and shifting marketplace while pursuing new opportunities that present themselves to North Carolina Mutual. We have enthusiastic partners in corporations such as Progress Energy, Marsh McClellan and NASCAR, who understand the importance of inclusion.

*African Americans need strong Black companies.
America needs strong Black companies.
America needs companies like North Carolina Mutual.*

MARKETING

It should not be surprising that North Carolina Mutual Life Insurance Company is placing emphasis on its individual life line. Under the leadership of Ronald R. Corlew, Vice President of Individual Marketing Operations, the sales agency force continues to hit the mark and exceed sales targets. Energetic, well-trained and highly-motivated sales professionals are building new markets in the Southeast and, at the same time, recapturing previous markets. Re-opening the Memphis office in 2006 proved to be a wise decision, as President's club winner and district sales manager Melverdia Young consistently tops the sales chart. In turn, North Carolina Mutual agents have significantly increased their incomes, and recruiting successful, ambitious agents has become easier.

One of the keys to our growth in recent years has been the wealth-building program, and with these policyholders, all premiums are paid through bank drafts. That is beneficial for two reasons: persistency is much higher than for premiums that have direct billing, and bank drafts are much more efficient.

We believe that markets in the South, historically a strong region for us, will provide even greater opportunities, and we are looking for locations for new offices and for exceptional sales professionals to staff them.

We are excited about the opportunity presented with pre-need insurance that will be marketed through morticians and funeral directors. The Southern region will serve as the home of the pilot program and from all indications it is being well received.

As we tell our story and remain a "center of influence" in the African-American community, we realize more than ever that there are unparalleled opportunities to serve more people with better service and more products, and to do so more efficiently and profitably.



James Speed, Jr. and Melverdia Young, District Sales Manager in Memphis

BOARD OF DIRECTORS

Bert Collins

*Chairman of the Board
Former President and Chief Executive Officer
North Carolina Mutual*

Erskine Bowles

*President, University of North Carolina
Former White House Chief of Staff
Administrator, Small Business Administration*

Carol Moseley Braun

*Consultant, CMBraun
Former Ambassador to New Zealand
Former member United States Senate*

Julius L. Chambers

*Attorney, Charlotte law firm of Ferguson Stein Chambers
Former Chancellor, North Carolina Central University
Former Director-Counsel, NAACP Legal Defense and Educational Fund*

Willie T. Closs, Jr.

*Executive Vice President, Chief Marketing Officer
North Carolina Mutual*

Joe L. Dudley, Sr.

*President and Chief Executive Officer
Dudley Products, Inc.*

Nathan T. Garrett, Sr.

*Certified Public Accountant and Attorney
Retired*

Elliott S. Hall

*Attorney, Detroit law firm of Dykema Gossett
Former Senior Vice President, Ford Motor Company*

Theodore W. Long

*Certified Public Accountant
Partner, Ernst & Young
Retired*

James H. Speed, Jr.

*President and Chief Executive Officer
North Carolina Mutual*

Phail Wynn

*Vice-President for Durham and Regional Affairs
Duke University*

OFFICERS

James H. Speed, Jr.

President and Chief Executive Officer

Richard L. Hall

Senior Vice President-Chief Financial Officer

Gracie Johnson-Lopez

*Senior Vice President of Administration
and Human Resources*

David A. Baylock

Vice President-Accounting Services

Ronald R. Corlew

Vice President of Individual Marketing Operations

Arthell D. Davis

Vice President of Group Marketing Operations

Stafford L. Thompson, Jr.

Vice President-Corporate Actuary

NORTH CAROLINA MUTUAL STATEMENT OF INCLUSIVENESS

North Carolina Mutual Life Insurance Company has its roots in the African-American community and has existed for more than 109 years as the result of the extraordinary entrepreneurial spirit of its founders and their successors.

North Carolina Mutual views inclusiveness, equality, and equal opportunity as bedrock principles of this democratic nation and of its own corporate culture. Its management is committed to diversity in the workplace and to creating a work environment where interaction between persons of different racial and cultural backgrounds promotes creativity and enhances productivity, ultimately redounding to the benefit of North Carolina Mutual, its employees, its business partners and its policyholders.

Conversely, it expressly rejects any policies or actions which discriminate on the basis of race, ethnicity, gender, age, socioeconomic status, or in any other way, and, by doing so, deny the basic humanity and equality of people and serve as impediments to social and economic advancement and self-fulfillment.



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