

Financial Profile

Physicians Mutual Insurance Company (PMIC) Physicians Life Insurance Company (PLIC)

Omaha, NE

Physicians Mutual Insurance Company was founded by E.E. Elliott in 1902. Initially, the company was established to provide for the health insurance needs of medical professionals.

In 1961, PMIC opened its doors to the general public and offered health insurance protection to people across the country. Then, in 1970, Physicians Life Insurance Company was formed as a wholly-owned subsidiary of PMIC. PLIC was established to help meet the life insurance needs of its policyholders and the general public.

Recent developments in the insurance industry have prompted many questions from policyowners as to the stability of their insurance company. The following information reflects the strength, stability, safety and performance of Physicians Mutual Insurance Company and Physicians Life Insurance Company.

Strong Surplus

As you can see from the profile below, we offer a very strong guarantee.

	PLIC	PMIC	Industry Average*
Asset Size	\$ 1,244,508,022	\$ 1,149,192,891	
Surplus	75,133,8976	654,992,851	
Surplus/Asset Ratio	6.04%	57.00%	9.30%

Quality Bond Portfolio

PMIC and PLIC bond portfolio is superior to that of the industry on average. The companies have a reputation for prudently managing investments and consistently avoiding problem areas that could put premiums at risk.

	PLIC	PMIC	Industry Average**
NAIC Class 1 AAA-A	78.76%	86.72%	62.80%
NAIC Class 2 BBB	19.24%	11.54%	28.70%
NAIC Class 3 -6 & Not Rated	2.00%	1.74%	8.50%

	PLIC	PMIC	Industry Average***
Bonds	\$ 1,170,716,641	\$ 846,958,409	72.90%
Preferred & Common Stocks	11,181,859	217,383,511	3.50%
Mortgages	0	0	10.10%
Real Estate	0	14,000,159	.90%
Policy Loans	15,568,508	0	4.30%
Cash & Equiv.	26,990,626	17,646,383	1.00%
Other	20,050,388	53,204,429	7.30%
Total	1,244,508,022	1,149,192,891	100.00%



COMPANY RATINGS

	PMIC	PLIC
S&P	AA-	AA-
Weiss	A+	A-
A.M. Best	A	A

Please see rating descriptions on the back of this page.

RATING DESCRIPTIONS

Standard and Poor's Corporation (S&P)

Physicians Mutual Insurance Company: AA- (Very Strong)

Rating Scale:

AAA	Extremely Strong
AA	Very Strong
A	Strong
BBB	Good
BB	Marginal
B	Weak
CCC	Very Weak
CC	Extremely Weak
R	Regulatory Action
NR	Not Rated

Physicians Life Insurance Company: AA- (Very Strong)

The AA (Very Strong) rating is assigned to those companies that are considered by Standard and Poor's to be financially secure. Standard and Poor's considers the PMIC and PLIC to be capable of meeting policyholder obligations under a variety of economic and underwriting conditions. Rating date: September 2004.

Weiss Research

Physicians Mutual Insurance Company: A+ (Excellent)

Rating Scale:

A+, A, and A-	Excellent
B+, B, and B-	Good
C+, C, and C-	Fair
D+, D, and D-	Weak
E+, E, and E-	Very Weak
F	Failed

Physicians Life Insurance Company: A- (Excellent)

Companies with an A- rating or better have excellent financial security and have maintained a conservative stance in investment strategies, business operations, and underwriting commitments. While the financial position of any company is subject to change, A+, A, and A- (Excellent) rated companies have the resources necessary to deal with severe economic conditions. Note: Named As One of the Top Three "Strongest Long-Term Care Insurers" with an A+ rating by Weiss Ratings, Inc. Rating date: September 2004.

A.M. Best's Rating

Physicians Mutual Insurance Company: A (Excellent)

Rating Scale:

A++ and A+	Superior
A and A-	Excellent
B++ and B+	Very Good
Vulnerable Best's Ratings: B and B-	Fair
C++ and C+	Marginal
C and C-	Weak
D	Poor
E	Under Regulatory Supervision
F	In Liquidation
S	Rating Suspended

Best's Rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile. PMIC's investment portfolio is well diversified among corporate bonds, mortgaged backed securities, and common and preferred stock. With an average asset quality rating of 'AA', credit quality is very high.

Physicians Life Insurance Company: A (Excellent)

The rating of Physicians Mutual Insurance Company is based on the operating profile and consolidated financial strength of the company and its subsidiary, Physicians Life Insurance Company.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. Best's Ratings represent the current and independent opinion of a company's financial strength and ability to meet obligations to policyholders. Best's Ratings are not a warranty of an insurer's current or future ability to meet obligations to policyholders, nor are they a recommendation of a specific policy form, contract, rate, or claim practice. Rating date: May 2004.

Ward Financial Group

Ward Financial Group, an investment banking and management consulting firm specializing in the insurance industry, compiled a list of the 50 top performing companies in the life and health industry. Physicians Mutual Insurance Company is among "Ward's top 50" and is considered to have excelled at balancing safety, consistency and performance over the past five years. Note: Physicians Mutual Insurance Company is one of only two companies that has been named to the life-health Ward's 50 Benchmark Group for 14 consecutive years. Rating date: August 2004.