JEFFERSON PILOT CORP
Form 10-K
March 14, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark one)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2005

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 1-5955
JEFFERSON-PILOT CORPORATION
(Exact Name of Registrant as Specified in its Charter)

North Carolina	**100 North Greene Street, Greensboro, North Carolina 27401**	**56-0896180**
(State or Other Jurisdiction of Incorporation or Organization)	*(Address of Principal Executive Offices)*	*(I.R.S. Employer Identification No.)*

Registrant s Telephone Number, Including Area Code: 336-691-3000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of each Exchange on Which Registered**
Common Stock (Par Value $1.25)	New York, Midwest and Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act . Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant at June 30, 2005 was approximately $6.8 billion. At March 1, 2006, 134.9 million shares of the registrant s common stock, par value $1.25 per share, were outstanding.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement to be filed for the next Annual Meeting of Shareholders are incorporated by reference into Part III unless the Proxy Statement is not filed by April 30, in which case the registrant will amend this Form 10-K to provide the omitted information in accordance with the requirements of Instruction G to Form 10-K.

List of Exhibits appears on page E-1.

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PART I

Item 1. ***Business***

(a) General Development of Business

Jefferson-Pilot Corporation (JP) was incorporated in North Carolina in 1968. While JP has broad powers to engage in business, it is solely a holding company. Our principal subsidiaries, which are wholly owned, are:

Jefferson-Pilot Life Insurance Company (JP Life),

Jefferson Pilot Financial Insurance Company (JPFIC),

Jefferson Pilot LifeAmerica Insurance Company (JPLA),

Jefferson Pilot Securities Corporation, a non-clearing NASD registered broker/dealer (with its subsidiaries, JPSC), and

Jefferson-Pilot Communications Company (with its subsidiaries, JPCC).

Through these and other subsidiaries, we primarily engage in the business of writing life insurance policies, writing annuity policies and selling other investment products, writing group life, disability income and dental policies, operating radio and television broadcasting facilities, and producing sports programming. Greensboro, North Carolina is the center for most operations, although a major base of operations in Concord, NH serves JPFIC, JPLA and our broker/dealers, and we conduct the group life, disability income and dental insurance operations primarily in JPFIC s offices in Omaha, Nebraska.

We provide further detail in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

Over the past eleven years we have made a number of acquisitions.

In May 1995, JP Life assumed certain life insurance and annuity business of Kentucky Central Life Insurance Company (KCL) in an assumption reinsurance transaction.

In October 1995, JP acquired Alexander Hamilton Life Insurance Company of America (AH Life) and its subsidiary, First Alexander Hamilton Life Insurance Company (FAHL), from a subsidiary of Household International, Inc. With the acquisition, certain blocks of the acquired business were 100% coinsured with affiliates of Household.

Effective May 1, 1997, JP acquired JPFIC, its subsidiary JPLA, and our principal broker/dealer, Jefferson Pilot Securities Corporation, from The Chubb Corporation.

On December 30, 1999, JP acquired Guarantee Life Insurance Company (GLIC) and its non-insurance affiliates.

On August 1, 2000, AH Life and GLIC merged into JPFIC. On December 31, 2000, FAHL merged into JPLA. These mergers reduced costs and improved efficiency in our insurance operations.

In March 2004, JPFIC acquired substantially all of the U.S. group life, disability income and dental insurance business of The Canada Life Assurance Company.

Proposed Merger. On October 10, 2005, Lincoln National Corporation (LNC or Lincoln) and JP announced that they had entered into a definitive merger agreement. At closing, JP s shareholders will receive 1.0906 shares of LNC common stock or $55.96 in cash for each share of JP s common stock, at their election but subject to proration. The aggregate amount of cash to be paid to JP s shareholders will equal $1.8 billion. This transaction, which is subject to the approval of shareholders of both companies, regulatory approvals and customary closing conditions, is expected to close at the beginning of the second quarter of 2006.

More information related to the merger can be found in the registration statement on Form S-4, which includes a joint proxy statement/prospectus, and other materials that have been filed with the Securities and Exchange Commission (SEC). Investors may obtain free copies of these materials at the SEC website (www.sec.gov) or on JP s website (www.jpfinancial.com).

(b) Financial Information About Industry Segments

We present industry segment information in Note 15 (references to Notes relate to the *Notes to Consolidated Financial Statements* section contained in Item 8).

(c) Narrative Description of Business

Revenues derived from the principal products and services of our insurance subsidiaries and revenues from the Communications segment for the past three years are as follows:

Revenues by Segment*

	2005	2004	2003
		(In Millions)	
Individual Products	$ 1,821	$ 1,780	$ 1,774
Annuity and Investment Products	732	718	694
Benefit Partners	1,279	1,202	820
Communications	247	239	214
Corporate and Other	141	163	71
	$ 4,220	$ 4,102	$ 3,573

* Revenues include net investment income earned on assets backing insurance liabilities and line surplus for each reportable segment. Corporate and Other revenues include $11, $41 and ($47) of realized gains (losses) for 2005, 2004 and

2003.

The following briefly describes our principal wholly-owned subsidiaries, including their principal products and services, markets and methods of distribution.

INSURANCE COMPANY SUBSIDIARIES

JP Life is domiciled in North Carolina and began business in 1903. It is authorized to write insurance in 49 states, the District of Columbia, Guam, the Virgin Islands and Puerto Rico. It primarily writes universal life insurance policies on an individual basis, and individual non-variable annuities including equity indexed annuities.

JPFIC has been domiciled in Nebraska since its redomestication from New Hampshire in August 2000. It began business in 1903 through predecessor companies, and is authorized to write insurance in 49 states, the District of Columbia, Guam, the Virgin Islands and Puerto Rico. It principally writes universal life, variable universal life and term insurance policies. JPFIC also writes substantially all our group term life, disability income and dental insurance.

JPLA, domiciled in New Jersey, began business in 1897. It is authorized to write insurance in 50 states, the District of Columbia and several U.S. possessions/territories. JPLA is commercially domiciled in New York due to the large percentage of its business in that state. It primarily writes universal life, variable universal life and term insurance policies, and non-variable annuities.

The former AH Life block of universal life insurance policies and variable and non-variable annuities is now part of JPFIC.

The former FAHL block of non-variable annuities and universal life insurance policies is now part of JPLA.

Individual Products. Our insurance subsidiaries offer individual life insurance policies, primarily universal life and variable universal life policies, as well as traditional life products and level and decreasing term policies. On most policies, accidental death and disability benefits are available in the form of riders, as are other benefits. We accept certain substandard risks at higher premiums.

Our companies market individual life products through independent general agents, independent national marketing organizations, agency building general agents, our district agency network, broker/dealers, banks and strategic alliances.

Annuity and Investment Products. Our insurance subsidiaries offer annuity and investment products. They market through most of the distribution channels discussed above and through investment professionals and annuity marketing organizations. Our broker/dealers market variable life insurance written by our insurance subsidiaries, and also sell other securities and mutual funds.

Benefit Partners. JPFIC offers group term life, disability income and dental insurance, which are sold through regional group offices throughout the U.S., marketing to employee benefit brokers, third-party administrators and employee benefit firms.

Other Information Regarding Insurance Company Subsidiaries

Regulation. Insurance companies are subject to regulation and supervision in all the states where they do business. Generally the state supervisory agencies have broad administrative powers relating to granting and revoking licenses to transact business, licensing agents, approving policy forms used, regulating trade practices and market conduct, the form and content of required financial statements, reserve requirements, permitted investments, approval of dividends and, in general, the conduct of all insurance activities.

Insurance companies also must file detailed annual reports on a statutory accounting basis with the state supervisory agencies where each company does business. See Note 11 regarding statutory accounting principles, including differences from General Accepted Accounting Principles. These agencies may examine the business and accounts at any time. Under the rules of the National

Association of Insurance Commissioners (NAIC) and state laws, the supervisory agencies of one or more states examine a company periodically, usually at three to five year intervals.

Various states, including Nebraska, New Jersey, New York and North Carolina, have enacted insurance holding company legislation. Our insurance subsidiaries have registered as members of an insurance holding company system under applicable laws. Most states require prior approval by state insurance regulators of transactions with affiliates, including dividends by insurance subsidiaries above specified limits, and of acquisitions of insurance companies.

Risk-based capital requirements and state guaranty fund laws are discussed in MD&A.

Competition. Our insurance subsidiaries operate in a highly competitive field that consists of a large number of stock, mutual and other types of insurers. Consolidation among producers and increasingly larger marketing organizations has heightened competition among insurance manufacturers who compete to distribute their products through these channels.

Certain insurance and annuity products also compete with other investment vehicles. Marketing of annuities and other competing products by banks and other financial institutions has increased. Our broker/dealers also operate in a highly competitive environment. Existing tax laws affect the taxation of life insurance and many competing products. Various changes and proposals for changes have been made in income and estate tax laws, some of which could adversely affect the taxation of certain products or their use as retirement or estate planning vehicles, or create new tax favored competing products, and thus impact our marketing and the volume of our policies surrendered.

Employees. As of December 31, 2005, our insurance operations including our broker/dealer employed approximately 3,100 persons and contracted with another approximately 682 agency building general agents (career agents) and home service agents who are statutory employees for FICA purposes. Substantially all of these employees are payrolled with JP Life and costs are allocated to affiliates under various service agreements that have been approved by state insurance regulators.

COMMUNICATIONS

JPCC owns and operates three television stations and operates 18 radio stations as well as Jefferson-Pilot Sports, a sports production and syndication business.

Television Operations

WBTV, Channel 3, Charlotte, NC, is affiliated with CBS under a Network Affiliation Agreement expiring on May 31, 2011. WWBT, Channel 12, Richmond, VA, is affiliated with NBC under a Network Affiliation Agreement expiring December 31, 2011. WCSC, Channel 5, Charleston, SC, is affiliated with CBS under a Network Affiliation Agreement expiring on May 31, 2011. Absent cancellation by either party, each of these Agreements will be renewed for successive five-year periods.

Radio Operations

JPCC owns and operates one AM and one FM station in Atlanta, GA, one AM and two FM stations in Charlotte, NC, two AM and three FM stations in Denver, CO and one AM and two FM stations in Miami, FL. In San Diego, CA, JPCC owns and operates four FM stations and owns one AM station now operated by a third party under a local marketing agreement (LMA). The third party operator of the San Diego AM station has declared its intention to exercise a purchase option on that station during 2006.

JP Sports

JP Sports principal business is to produce and syndicate broadcasts of Atlantic Coast Conference and Southeastern Conference football and basketball events. The contracts with the leagues were renewed in 2001 and extend through the 2010 seasons for the Atlantic Coast Conference and the 2009 seasons for the Southeastern Conference. Raycom Sports is an equal partner in the contract for Atlantic Coast Conference football and basketball.

Other Information Regarding Communications Companies

Competition. Our radio and television stations compete for programming, talent and revenues with other radio and television stations as well as with other advertising and entertainment media, including direct distribution cable and satellite television and direct transmission radio. JP Sports competes with other vendors of similar products and services.

Employees. As of December 31, 2005, JPCC employed approximately 750 persons full time.

Federal Regulation. Television and radio broadcasting operations are subject to the jurisdiction of the Federal Communications Commission (FCC) under the Communications Act of 1934, as amended (the Act). The Act empowers the FCC to issue, renew, revoke or modify broadcasting licenses, assign frequencies, determine the locations of stations, regulate the equipment used by stations, establish areas to be served, adopt necessary regulations, and impose certain penalties for violation of the regulations. The Act and present regulations prohibit the transfer of a license or of control of a licensee without prior approval of the FCC; restrict in various ways the common and multiple ownership of broadcast facilities; restrict alien ownership of licenses; and impose various other strictures on ownership and operation.

Broadcasting licenses are granted for a period of eight years for both television and radio and, in the absence of adverse claims as to the licensee s qualifications or performance, will normally be renewed by the FCC for an additional term.

(d) Financial Information About Geographic Areas

All our operations are conducted within the United States. We occasionally make fixed income investments outside the U.S. for our investment portfolio.

(e) Available Information

JP makes available free of charge on or through our Internet website (http://www.jpfinancial.com) JP s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after JP electronically files this material with, or furnishes it to, the SEC. The public may also read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE. Washington, DC 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site (http:// www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors

JP s management has established policies and procedures designed to identify and address the material risks that are inherent to our business. These fall into two broad categories: internal risks that can be directly controlled by management and external risks that are subject to factors outside the Company. Those controllable by management include, but are not limited to, selection and

monitoring of third parties we deal with in investment, credit and reinsurance related transactions; product and marketing initiatives; investment policies; financial policies affecting liquidity, agency issued ratings and concentration of sales; and utilization of human and technological capital in the financial reporting process as well as the organization as a whole. External risks may arise from macro-economic events in the U.S. and world markets, taxation, legislative matters and factors inherent to the insurance and communications industries.

Our management and board of directors have implemented corporate governance policies and practices to help mitigate risk. Our Corporate Governance Principles, Committee Charters, Code of Ethics for Directors, Code of Ethics for Financial Officers, and Business Conduct Guidebook are accessible on our web site, www.jpfinancial.com, through the Investors, Corporate Governance link.

Although we have devoted significant resources to develop our risk management policies and procedures, we may be exposed to unidentified or unanticipated risks, which could negatively affect our financial position and earnings. Many of our methods for managing risk and exposures are based upon our use of observed historical market behavior or statistics based on historical models. As a result, these methods may not predict future exposures that could be significantly greater than the historical measures indicate. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that are publicly available or otherwise accessible to us, which may not always be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

We are subject to operational risks that could lead to adverse effects on our operations and operating results

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems. We have an operational risk management system with policies and procedures designed to help limit our operational risks. These policies and control processes comply with the Sarbanes-Oxley Act, the Gramm-Leach-Bliley Act, the Health Insurance Portability and Accountability Act (HIPAA) and other regulatory guidance. In addition, we compete to attract and retain quality employees, as well as distributors of our products. We compete with other financial institutions primarily on the basis of our products, compensation, support services and financial position. Product sales and our financial position and earnings could be materially adversely affected if we are unsuccessful in attracting quality employees and distributors.

Managing merger integration risk is a key component of our operational risk. Lincoln and JP entered into the merger agreement expecting that the merger would result in various benefits. Achieving the anticipated benefits of the merger is subject to a number of uncertainties, including whether Lincoln and JP are integrated in an efficient and effective manner, and general competitive factors in the marketplace. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management s time and energy, and could materially impact the resulting company s business, financial condition and operating results.

The resulting company may experience material unanticipated difficulties or expenses in connection with integrating JP and Lincoln, especially given the relatively large size of the merger. Integration will be a complex, time-consuming and expensive process. Before the merger, Lincoln and JP operated independently, each with its own business, products, customers, employees, culture and systems. The resulting company may face substantial difficulties, costs and delays in integration. These factors may include:

perceived adverse changes in product offerings available to clients or client service standards, whether or not these changes do, in fact, occur;

conditions imposed by regulators in connection with decisions whether to approve the merger;

potential charges to earnings resulting from the application of purchase accounting to the transactions;

the retention of existing clients, key portfolio managers, sales representatives and wholesalers of each company; and

retaining and integrating management and other key employees of the resulting company.

After the merger, we may seek to combine certain operations and functions using common information and communication systems, operating procedures, financial controls and human resource practices, including training, professional development and benefit programs. We may be unsuccessful or delayed in implementing the integration of these systems and processes.

Any one or all of these factors may cause increased operating costs, worse than anticipated financial performance or the loss of clients, employees and agents. Many of these factors are outside the control of either company.

The merger is also subject to provisions and approvals that could delay, deter or prevent a change in control. These provisions and approvals include: anti-takeover provisions of Indiana law, the approval of shareholders of both companies, governmental and regulatory approvals, and satisfaction of customary closing conditions.

Changes in economic conditions could adversely affect our results or financial position

The Company s performance is impacted by U.S. economic conditions, which include the level of interest rates, price compression, competition, bankruptcy filings and unemployment rates, as well as political policies, regulatory guidelines and general developments. For example, our investment returns, and thus our profitability, may be adversely affected from time to time by conditions affecting our investments in equity and debt instruments and real estate, and by low interest rates. General economic, market, and political conditions in the U.S. and abroad may also affect our profitability. Our general account investment portfolios include investments, primarily comprised of fixed maturity securities, purchased from issuers in stressed or economically sensitive industries. The financial strength of these issuers may depend on the strength of the economic cycle.

Changes in interest rates or market prices of assets and liabilities could adversely affect our results

Market risk is the risk of loss from adverse changes in market prices of assets and liabilities (including derivative financial instruments) as a result of changes in interest rates, equity markets or other factors. The Company s market risk arises principally from interest rate risk inherent in our interest sensitive life insurance and annuity products and in our investment portfolio. Interest rate risk is the risk of decline in earnings or equity represented by the impact of changes in market interest rates. See the *Market Risk Exposures* section in Item 7 Management s Discussion and Analysis.

Changes in interest rates may reduce both our profitability from spread businesses and our return on invested capital. Our interest sensitive products expose us to the risk that changes in interest rates will reduce our spread, or the difference between the amounts that we are required to pay under the contracts and the amounts we are able to earn on our general account investments

intended to support our obligations under the contracts. Declines in our spread from these products could have a material adverse effect on our businesses or results of operations.

In periods of increasing interest rates, we may not be able to replace the assets in our general account with higher yielding assets needed to fund the higher crediting rates necessary to keep our interest sensitive products competitive. We therefore may have to accept a lower spread and thus lower profitability or face a decline in sales and greater loss of existing contracts and related assets. In periods of declining interest rates, we have to reinvest the cash we receive as interest or return of principal on our investments in lower yielding instruments then available. Moreover, borrowers may prepay fixed-income securities, commercial mortgages and mortgage-backed securities in our general account in order to borrow at lower market rates, which exacerbates this risk. Because we are entitled to reset the interest rates on our fixed rate annuities only at limited, pre-established intervals, and since many of our policies have guaranteed minimum interest or crediting rates, our spreads could decrease and potentially become negative.

Increases in interest rates may cause increased surrenders and withdrawals of insurance products. In periods of increasing interest rates, policy loans and surrenders and withdrawals of life insurance policies and annuity contracts may increase as policyholders seek to buy products with perceived higher returns. This process may lead to a flow of cash out of our businesses. These outflows may require investment assets to be sold at a time when the prices of those assets are lower because of the increase in market interest rates, which may result in realized investment losses. A sudden demand among consumers to change product types or withdraw funds could lead us to sell assets at a loss to meet the demand for funds. In addition, unanticipated withdrawals and terminations also may require us to accelerate the amortization of DAC. This would increase our current expenses.

In our Benefit Partners segment, lower investment yields on investments backing longer-tail liabilities could require us to lower our claims reserves discount rates, which would increase our policy liabilities and adversely affect our earnings.

Defaults or downgrades of others could reduce our profitability or negatively affect the value of our investments

Credit risk is the potential for financial loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligation. Credit risk arises most prominently in our derivative activities, ownership of debt and equity securities, mortgage loans we make, reinsurance agreements and when we act as an intermediary on behalf of our customers and other third parties. Third parties may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, corporate governance issues or other reasons. A downturn in the U.S. economy could result in increased impairments. Our investment portfolio s overall exposure to credit markets makes it sensitive to any general re-pricing of the credit risk associated with particular industries or issuers in financial markets.

Ratings downgrades could adversely affect our life insurance subsidiaries or our borrowing costs

Our claims-paying ratings, which are intended to measure our ability to meet policyholder obligations, are an important factor affecting public confidence in most of our products and, as a result, our competitiveness. The interest rates we pay on our borrowings are largely dependent on our credit ratings. Rating agencies periodically review the financial performance and condition of insurers, including our insurance subsidiaries. A significant downgrade or potential downgrade in any or all of our insurance subsidiaries ratings could harm our financial position and earnings by adversely affecting:

our ability to compete and sell our products;

the return on the products we issue;

the number of policies surrendered and cash value withdrawn; and

relationships with creditors, agents, banks, wholesalers and other distributors of our insurance subsidiaries products and services.

Ratings organizations assign ratings based upon several factors. While most of the factors are related to the rated company, some of the factors relate to general economic conditions and circumstances outside of the rated company s control, or may reflect a change in the rating organization s rating criteria. A rating is not a recommendation to purchase, sell or hold any particular security. Such ratings do not comment as to market price or suitability for a particular investor. In addition, there can be no assurance that a rating will be maintained for any given period of time or that a rating will not be lowered or withdrawn in its entirety.

A downgrade of our debt ratings could increase our costs on floating rate debt and affect our ability to raise additional debt comparable to our current debt, and accordingly, likely increase our cost of capital.

Our parent company and insurance subsidiaries face liquidity risk

JP s business is also subject to liquidity risk. Liquidity risk arises from the difficulty of selling an asset to meet a financial commitment to a customer, creditor or investor when due. Because we are a holding company with no direct operations, we rely on dividends from our insurance and communication subsidiaries to meet our financial commitments. Our life insurance subsidiaries are subject to laws in their states of domicile that limit the amount of dividends that can be paid without the prior approval of the respective state s insurance regulator. The limits are based in part on the prior year s statutory income and capital, which are negatively impacted by bond losses and write-downs and by increases in reserves. Approval of these dividends will depend upon the circumstances at the time.

Our investments in preferred stocks, collateralized debt obligations, commercial mortgage loans, real estate, and certain private placement bonds are relatively illiquid. If we require significant amounts of cash on short notice in excess of our normal cash requirements, we may have difficulty selling these investments at attractive prices, in a timely manner, or both. For further discussion and analysis regarding liquidity, see the *Liquidity* section in Management s Discussion and Analysis.

Our sales may be concentrated in certain products or distribution, increasing our risk from changes that may occur

Approximately 55-60% of sales in our Individual Products segment over the last three years were attributable to products with secondary guarantee benefits. See Capital Resources in Management s Discussion and Analysis for further discussion, including increased statutory reserving requirements.

Approximately three-fourths of sales within our Annuities and Investment Products segment over the last two years were attributable to equity-indexed annuities. The potential for a regulation requiring broker/dealer supervision over sales of equity-indexed annuities, as suggested by the NASD, has begun to impact the marketplace for these products. The SEC may also be examining EIA sales practices.

UL-type products sold to community banks are generally not subject to surrender charges and are owned by several thousand policyholders. They were primarily originated through, and

continue to be serviced by, two marketing organizations. At December 31, 2005, these policies accounted for $2.0 billion in UL policyholder fund balances and have averaged 5% to 8% of earnings for the Individual Products segment in recent years. At December 31, 2005, DAC and VOBA balances, net of unearned revenue reserves, related to these blocks amounted to approximately $90. An increase in the surrender rate for this product may result if returns available to policyholders on competitors products become more attractive than returns on our policies in force. The following factors may influence policyholders to continue these coverages:

- our ability to adjust crediting rates;
- relatively high minimum rate guarantees;
- the difficulty of re-underwriting existing and additional covered lives; and
- unfavorable tax attributes of certain surrenders.

Our assumptions for amortizing DAC, VOBA and unearned revenue for these policies reflect a higher long-term expected lapse rate than other UL blocks of business due to the factors noted above. Lapse experience for this block in a particular period could vary significantly from our long-term lapse assumptions.

In our Benefit Partners segment, continued medical cost inflation may put pressure on non-medical premium rates, because employers may focus more on managing the cost of their non-medical group benefit programs.

Intense competition could negatively affect our ability to maintain or increase our profitability

Competition in our insurance subsidiaries business lines is based on a number of factors, including quality of customer service, product features, price, underwriting guidelines, commission structures, name recognition and claims-paying and credit ratings. JP s insurance subsidiaries compete with a large number of other insurers, as well as non-insurance financial service companies such as banks, broker-dealers, and asset managers. We compete for customers (e.g., individuals and employers), and distributors of insurance and investment products (e.g., agents, banks, broker-dealers and financial advisors). To attract and retain productive sales organizations and producers to sell our products, we compete with other insurers primarily on the basis of our financial strength and ratings, support services, compensation, product features and pricing.

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry resulting in increased competition from large, well-capitalized financial services firms. Many of these firms also have been able to increase their distribution systems through mergers or contractual arrangements. Furthermore, larger competitors may have lower operating costs and an ability to absorb greater risk while maintaining their financial strength ratings, thereby allowing them to price their products more competitively. We expect consolidation to continue and perhaps accelerate in the future, thereby increasing competitive pressure on us.

We face a risk of non-collectibility on reinsurance, which could adversely affect our results of operations

In the course of normal operations, our subsidiaries cede material amounts of insurance, primarily to transfer mortality risk, to third party reinsurers through reinsurance arrangements. We rely on the third party reinsurer to reimburse us for claims incurred on the ceded insurance policies. Although reinsurance does not discharge our subsidiaries from their primary obligation to pay policyholders for losses insured under the policies we issue, reinsurance does make the assuming reinsurer liable to the insurance subsidiaries for the reinsured portion of the risk. We regularly evaluate the financial condition of our reinsurers and monitor concentrations of credit risk related to

reinsurance activities. However, if a reinsurer should fail to meet its obligations to us, we could be adversely affected.

Higher than anticipated mortality or morbidity could adversely affect our results

Our insurance subsidiaries bear mortality and morbidity risk. We reduce our exposure to mortality and morbidity risk by transferring portions of the risk through reinsurance agreements. Within our Individual Products segment, a substantial portion of this risk is reinsured. In this segment, if we were to experience significant adverse mortality experience, much of it would be passed on to our reinsurers. As a result, some or all of the related reinsurers may not renew our reinsurance or may significantly raise reinsurance premiums. If we are unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient, we would either have to be willing to accept an increase in our net exposures or revise our pricing to reflect higher reinsurance premiums. If this were to occur, we may be exposed to reduced profitability and cash flow strain or we may not be able to price new business at competitive rates.

Within our Benefit Partners segment, most of our mortality and morbidity risks are retained (i.e. not reinsured). Our morbidity experience may worsen due to continued growth in our disability blocks and due to a weak economy or weakness in particular occupations that may increase disability claim costs (an industry-wide phenomenon). Mortality risk in this segment could be adversely impacted by acts of terrorism not priced for or reinsured.

Changes in federal tax laws could make some products less attractive to consumers

Under U.S. federal tax law, policyholders are not taxed on the investment return of assets underlying certain life insurance policies and annuity contracts unless the policyholder partially or completely surrenders the contract, or in the case of an annuity contract, a periodic payment is made. In addition, death benefits paid to beneficiaries of life insurance policies are generally free from income tax (unless the contract was previously transferred for valuable consideration). This favorable tax treatment gives certain products a competitive advantage over non-insurance products.

Since 2001, Congress has reduced the federal estate tax rates and the federal income tax rates that apply to certain dividends and capital gains. Although we have not suffered any adverse financial impacts from such legislation to date, this legislation may, in the future, lessen the competitive advantage of life insurance and annuity products when compared to other investments that generate dividend and/or capital gain income. As a result, demand for our life insurance and annuity products that offer income tax deferral may be negatively impacted.

Additionally, Congress has from time to time considered possible legislation that would reduce or eliminate the tax deferral benefits on the accretion of policy/account value within insurance products. Current or pending proposals also include repeal of the federal estate tax, a proposed change to limit tax-free death benefits under corporate and bank-owned life insurance contracts, and the further expansion of tax-favored savings and investment accounts. If such proposals were adopted in the future, they could have a material adverse effect on our financial position, liquidity and future earnings by affecting our ability to sell our products or by triggering the surrender of existing policies and contracts.

Our businesses are heavily regulated and subject to legal and regulatory actions, and changes or outcomes could reduce our profitability

JP is a public company and the insurance industry is heavily regulated. Failure to comply with applicable laws and regulations can result in monetary penalties and/or prohibition from

conducting certain types of activities. Furthermore, our conduct of business may result in litigation associated with contractual disputes or other alleged liability to third parties. These matters may be difficult to assess or quantify; third parties may seek recovery of very large and/or indeterminate amounts, including punitive and treble damages; and the magnitude may remain unknown for substantial periods of time. A substantial legal liability or a significant regulatory action against us could have a material adverse effect on our financial position or earnings. Various litigation, claims and assessments have arisen or may arise in the course of our business, including, but not limited to, activities as an insurer (including market conduct and sales practices), employer, investor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. Because of the considerable uncertainties that exist, we cannot predict the ultimate outcome of all pending investigations, regulatory examinations, and legal proceedings.

Our insurance business is subject to comprehensive state regulation and supervision throughout the U.S. The primary purpose of such regulation is to protect policyholders, not our investors. The laws of the various states establish insurance departments with broad powers with respect to matters such as licensing companies to transact business, licensing agents and regulating the type and disclosure of compensation paid to them, admitting statutory assets, mandating certain insurance benefits, regulating premium rates, approving policy forms, regulating unfair trade and claims practices, establishing statutory reserve requirements and solvency standards, fixing maximum interest rates on life insurance policy loans and minimum rates for accumulation of surrender values, restricting certain transactions between affiliates, regulating the types and utilization of reinsurance, and regulating the types, amounts and statutory valuation of investments.

State insurance regulators and the National Association of Insurance Commissioners continually reexamine existing laws and regulations, and may impose changes in the future that could materially and adversely affect our financial condition and earnings, such as reserving for secondary guarantee benefits.

Although the federal government generally does not directly regulate the insurance business, federal initiatives often have an impact on the business in a variety of ways. From time to time, federal measures are proposed which may significantly affect the insurance business. Several insurance trade associations have proposed federal legislation that would allow a state-chartered and regulated insurer, such as our insurance subsidiaries, to choose instead to be regulated exclusively by a federal insurance regulator.

We may also be subject to similar laws and regulations in the states in which we offer products or conduct other securities-related activities. Our variable annuities and variable universal life products are subject to various levels of regulation under the federal securities laws administered by the SEC. These laws and regulations are primarily intended to protect investors in the securities markets, and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations. As discussed earlier, the potential additional regulation over sales of equity-indexed annuities has begun to impact the marketplace for these products.

We cannot predict the impact of future state or federal laws or regulations on our business. Future laws and regulations, or new interpretations of existing laws and regulations, may materially and adversely affect our financial position and earnings.

Our actual results may differ from estimates and judgments we make in financial reporting

The preparation, integrity and fair presentation of our financial statements reflect management s estimates and judgments concerning future results or other developments including the likelihood, timing or amount of one or more future events, the use of which are inherent in the preparation of financial statements. Actual results may differ from these estimates under different assumptions or conditions. For a detailed discussion of accounting policy and estimates, see the *Critical Accounting Policies and Estimates* section of Management s Discussion and Analysis, and Note 2, *Significant Accounting Policies* in our consolidated financial statements.

Our communications business faces a variety of risks that could adversely affect its results

Our communications business relies on advertising revenues, and therefore is sensitive to cyclical changes in both the general economy and in the economic strength of local markets. Also, our stations derived 21.4%, 21.4%, and 23.5% of their 2005, 2004 and 2003 advertising revenues from the automotive industry. If automobile advertising is severely curtailed, it could have a negative impact on broadcasting revenues.

For 2005, 7.1% of television revenues came from a network agreement with two CBS-affiliated stations that expires in 2011. The trend in the industry is away from the networks compensating affiliates for carrying their programming and there is a possibility those revenues will be eliminated when the contract is renewed.

Technological media changes, such as satellite radio and the Internet, and consolidation in the broadcast and advertising industries, may increase competition for audiences and advertisers.

Our communications business has commitments for purchases of syndicated television programming and commitments for other contracts and future sports programming rights, payable through 2011. These commitments are not reflected as an asset or liability in our balance sheet because the programs are not currently available for use. If sports programming advertising revenue decreases in the future, the commitments may have a material adverse effect on our financial position and earnings.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

JP Life owns its home office consisting of a 20-story building and an adjacent 17-story building in downtown Greensboro, NC. These buildings house insurance operations and provide space for commercial leasing. JP Life also owns a supply and printing facility, a parking deck and a computer center, all located on nearby properties.

JPFIC, JPLA and our broker/dealers conduct operations in Concord, NH in two buildings on approximately 196 acres owned by JPFIC. A portion of one building is available for commercial leasing.

JPFIC conducts operations in Omaha, NE in three buildings on its 11-acre campus. Portions of two buildings are leased to others. It also conducts some group operations in leased space in Atlanta, GA.

Subsidiaries lease insurance sales and broker/dealer office space in various jurisdictions.

JPCC owns its three television studios and office buildings, owns most of its radio studios and offices, and leases the towers (or portions of a tower) supporting its radio and television antennas.

Item 3. Legal Proceedings

JP Life, as successor to Pilot Life Insurance Company, is a defendant in a proposed class action suit, Thorn v. Jefferson-Pilot Life Insurance Company, filed September 11, 2000 in the United States District Court in Columbia, SC. The complaint alleges that Pilot Life and its successors decades ago unfairly discriminated in the sale of certain small face amount life insurance policies and that these policies were unreasonably priced. The suit alleges fraudulent inducement, constructive fraud, and negligence in the marketing of these policies. The plaintiffs seek unspecified compensatory and punitive damages, costs and equitable relief. On December 2, 2004, the court issued an order denying Thorn s motion to certify a class. The Fourth Circuit Court of Appeals granted Plaintiff s interlocutory appeal, and on February 15, 2006 affirmed the decision of the trial court denying the motion to certify as a class.

JP and its subsidiaries are involved in other legal and administrative proceedings and claims of various types, including several proposed class action suits in addition to those noted above. Some suits include claims for punitive damages. Because of the considerable uncertainties that exist, we cannot predict the outcome of pending or future litigation. Based on consultation with our legal advisers, management believes that resolution of pending legal proceedings will not have a material adverse effect on our financial position or liquidity, but could have a material adverse effect on the results of operations for a specific period.

Environmental Proceedings. We have no material administrative proceedings involving environmental matters.

Item 4. Submission of Matters to a Vote of Securities Holders

None.

Executive Officers of the Registrant

Dennis R. Glass, 56, President and Chief Executive Officer since March 1, 2004, and previously President and Chief Operating Officer since November 2001, joined JP in 1993. He was Executive Vice President, Chief Financial Officer and Treasurer from 1993 to November 2001. Previously, he was Executive Vice President and CFO of Protective Life Corporation, and earlier, of the Portman Companies.

Robert D. Bates, 64, became an Executive Vice President and President Benefit Partners of JP effective with the GLIC acquisition on December 30, 1999. He was President of GLIC from 1989 until the August 2000 merger of GLIC into JPFIC, and was Chairman, President and Chief Executive Officer of GLIC and its publicly held parent, The Guarantee Life Companies Inc., until December 30, 1999.

Charles C. Cornelio, 46, has been Executive Vice President Technology and Insurance Services since February 9, 2004, and also became chief legal officer in 2005. Previously he was Senior Vice President. He joined JP in 1997 when we acquired JPFIC from The Chubb Corporation.

Mark E. Konen, 47, has been Executive Vice President Life and Annuity Manufacturing since February 9, 2004, and previously he was Senior Vice President and also served as Corporate Actuary. He joined JP in 1994.

Warren H. May, 51, has been Executive Vice President Marketing and Distribution since he joined JP in October 2002. Mr. May joined Travelers Life & Annuity Company in Hartford, CT in November 1995 as Senior Vice President, leading the independent distribution sales and marketing team for life and annuity products, as well as the advanced sales attorneys, advertising/promotion professionals and technology support staff. Mr. May later assumed expanded responsibility including offshore life and qualified plan marketing. In his last role at Travelers he served as Chief Executive Officer of Travelers Life Distributors and Chairman of Tower Square Securities, Inc., Travelers independent broker dealer.

Donald L. McDonald, 43, has been Executive Vice President and Chief Investment Officer since he joined JP in November 2004. He was Executive Vice President and Chief Investment Officer of Conning Asset Management from 1991 to 2001.

Theresa M. Stone, 61, has been Chief Financial Officer of JP since November 2001, and also has been Executive Vice President of JP and President of JPCC since July 1, 1997. She also served as JP s Treasurer to May 2004 from November 2001. Previously she was President and Chief Executive Officer of JPFIC, and also was Executive Vice President of The Chubb Corporation until May 1997 when we acquired JPFIC.

There are no agreements or understandings between any executive officer and any other person pursuant to which such executive officer was or is to be selected as an officer. Executive officers hold office at the will of the Board, subject for Mr. Glass to his rights under his employment agreement listed as an exhibit to this Form 10-K.

PART II

Item 5. Market for Registrant s Common Equity and Related Stockholder Matters

(a) Market Information. JP common stock principally trades on the New York Stock Exchange. Quarterly composite tape trading ranges have been:

	2005		2004		2003		2002		2001	
	High	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**
First Quarter	$ 52.49	$ 47.17	$ 55.08	$ 48.97	$ 40.93	$ 35.75	$ 53.00	$ 45.23	$ 49.67	$ 41.00
Second Quarter	51.39	47.11	56.39	47.40	43.20	38.34	52.99	45.07	49.25	44.07
Third Quarter	51.25	49.00	50.90	46.66	46.57	41.21	47.50	36.75	49.00	38.00
Fourth Quarter	57.83	50.59	52.73	46.00	50.72	44.55	45.21	36.35	46.90	41.15

(b) Holders. As of March 1, 2006, our stock was owned by 8,006 shareholders of record, and a much larger number of street name holders.

(c) Dividends. See Item 6 for dividend information. Dividends to the Registrant from its insurance subsidiaries are subject to state regulation, as more fully described in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

(d) Issuer Purchases of Equity Securities.

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans**
October 1, 2005 to October 31, 2005	0	$0.00	0	895,500
November 1, 2005 to November 30, 2005	0	$0.00	0	895,500
December 1, 2005 to December 31, 2005	0	$0.00	0	895,500
Total	0	$0.00	0	

We have an ongoing authorization from our Board of Directors to repurchase shares of Jefferson Pilot Corporation (the Company) common stock in the open market or in negotiated transactions. The Board periodically has refreshed this authorization, most recently to 5.0 million shares on May 24, 2004, and we announced the Board s action in a press release.

In addition, two other types of Company common stock transactions periodically take place that the SEC staff has suggested be reported here.

1. A domestic Rabbi Trust buys shares with directors fee deferrals and with dividends received on shares held in the Trust. This arrangement is disclosed in our proxy statement. Trust purchases in the fourth quarter 2005 were: October, 611 shares, average price $52.37; November, 2,732 shares, average price $54.36; and December, 556 shares, average price $55.38.

2. Under our stock option plans, an optionee may exercise options by certifying to the Company that the optionee owns sufficient common shares of the Company to pay the exercise price for the option shares being exercised. We then issue to the optionee common shares equal to the spread (profit) on the exercise, less required withholding taxes if the optionee so designates. There were no shares used to pay option exercise prices in fourth quarter 2005.

Item 6. Selected Financial Data

JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES
REVENUE BY SOURCES

	Years Ended December 31,				
	2005	2004	2003	2002	2001
			(In Millions)		
Individual Products	$ 1,821	$ 1,780	$ 1,774	$ 1,737	$ 1,682
Annuity and Investment Products	732	718	694	686	647
Benefit Partners	1,279	1,202	820	698	602
Communications	247	239	214	208	195
Corporate and Other	130	122	118	99	130
Revenues before investment gains (losses) and cumulative effect of change in accounting principle	4,209	4,061	3,620	3,428	3,256
Realized investment gains (losses)	11	41	(47)	(22)	66
Cumulative effect of change in accounting for derivative instruments (1)					2
Total revenues	$ 4,220	$ 4,102	$ 3,573	$ 3,406	$ 3,324

NET INCOME BY SOURCES

	Years Ended December 31,				
	2005	2004	2003	2002	2001
			(In Millions)		
Individual Products	$ 316	$ 302	$ 309	$ 293	$ 295
Annuity and Investment Products	83	76	85	80	75
Benefit Partners	87	71	51	48	44
Communications	58	54	46	40	34
Corporate and Other	28	33	32	4	20
Total reportable segment results (3)	572	536	523	465	468
Realized investment gains (losses), net of taxes	7	27	(31)	(15)	44
Income before cumulative effects of changes in accounting principles	579	563	492	450	512
Cumulative effect of change in accounting for derivative instruments, net of taxes (1)					1
Cumulative effect of change in accounting for long-duration contracts, net of taxes (2)		(17)			
Net income	$ 579	$ 546	$ 492	$ 450	$ 513

(1) Effective January 1, 2001, the Company adopted SFAS Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended.

(2) Effective January 1, 2004, the Company adopted SOP 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts.*

(3) Reportable segment results is a non-GAAP measure. See discussion in the MD&A under the section heading, Results by Business Segment. Effective January 1, 2002, the Company ceased amortization of goodwill as a result of the adoption of a new accounting standard (See Note 2).

SUMMARY OF SELECTED FINANCIAL DATA
(In Millions, Except Share Information)

	Years Ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
Income before cumulative effects of changes in accounting principles	$ 579	$ 563	$ 492	$ 450	$ 512
Cumulative effect of change in accounting for derivative instruments, net of taxes					1
Cumulative effect of change in accounting for long-duration contracts, net of taxes		(17)			
Net income	$ 579	$ 546	$ 492	$ 450	$ 513
Per Share Information Basic					
Income before cumulative effects of changes in accounting principles	$ 4.28	$ 4.08	$ 3.47	$ 3.07	$ 3.37
Cumulative effect of change in accounting for derivative instruments, net of taxes					0.01
Cumulative effect of change in accounting for long-duration contracts, net of taxes		(0.12)			
Net income	$ 4.28	$ 3.96	$ 3.47	$ 3.07	$ 3.38
Per Share Information Assuming Dilution					
Income before cumulative effects of changes in accounting principles	$ 4.25	$ 4.04	$ 3.44	$ 3.04	$ 3.33
Cumulative effect of change in accounting for derivative instruments, net of taxes					0.01
Cumulative effect of change in accounting for long-duration contracts, net of taxes		(0.12)			
Net income	$ 4.25	$ 3.92	$ 3.44	$ 3.04	$ 3.34
Cash dividends declared on common stock	$ 225	$ 208	$ 187	$ 175	$ 166
	$ 1.67	$ 1.52	$ 1.32	$ 1.20	$ 1.12

Cash dividends declared per common share										
Cash dividends paid per common share										
First quarter	$	0.38	$	0.33	$	0.30	$	0.28	$	0.25
Second quarter		0.42		0.38		0.33		0.30		0.28
Third quarter		0.42		0.38		0.33		0.30		0.28
Fourth quarter		0.42		0.38		0.33		0.30		0.28
Total	$	1.64	$	1.47	$	1.29	$	1.18	$	1.09
Average common shares outstanding (in thousands)		135,067		137,999		141,795		146,847		151,915
Total assets	$	36,078	$	35,105	$	32,696	$	30,619	$	29,005
Debt and junior subordinated debentures	$	1,169	$	1,097	$	963	$	762	$	756
Stockholders equity	$	3,917	$	3,934	$	3,806	$	3,540	$	3,391
Stockholders equity per share of common stock	$	29.15	$	28.75	$	27.07	$	24.79	$	22.61

JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION

	Years Ended December 31,				
	2005	2004	2003	2002	2001
			(In Millions)		
Life Insurance In Force (Excludes Annuities)					
Traditional	$ 37,424	$ 37,649	$ 40,583	$ 41,570	$ 41,185
Universal Life	102,703	98,751	96,369	91,675	89,054
Variable Universal Life	28,538	29,331	29,547	30,327	28,650
Benefit Partners	155,772	152,180	100,432	90,627	53,763
Total Life Insurance In Force	$ 324,437	$ 317,911	$ 266,931	$ 254,199	$ 212,652
Life Premiums on a SFAS 60 Basis					
First Year Life (Note)	$ 795	$ 757	$ 834	$ 821	$ 918
Renewal and Other Life	1,252	1,228	1,106	1,059	1,061
Life Insurance	2,047	1,985	1,940	1,880	1,979
Accident and Health (including premium equivalents)	807	742	533	445	382
Total Life Insurance Premiums	$ 2,854	$ 2,727	$ 2,473	$ 2,325	$ 2,361
Annuity Premiums on a SFAS 60 Basis					
Fixed Annuity	$ 1,100	$ 1,265	$ 815	$ 1,051	$ 1,497
Variable Annuity (including separate accounts)	5	7	11	26	59
Total Annuity Premiums	$ 1,105	$ 1,272	$ 826	$ 1,077	$ 1,556
Investment Product Sales	$ 5,329	$ 4,780	$ 3,258	$ 2,904	$ 2,803
Communications Broadcast Cash Flow	$ 111	$ 108	$ 92	$ 85	$ 74

Note: First year life premiums include single premiums.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Management s Discussion and Analysis of Financial Condition and Results of Operations analyzes the consolidated financial condition as of December 31, 2005 compared to December 31, 2004, and changes in financial position and results of operations for the three years ended December 31, 2005, of Jefferson-Pilot Corporation and consolidated subsidiaries (JP or the company which may also be referred to as we or us or our). The discussion should be read in conjunction with the Consolidated Financial Statements and Notes. All dollar amounts are in millions except share and per share amounts. All references to Notes are to Notes to the Consolidated Financial Statements.

Company Profile

Proposed Merger

See Item 1 Business for discussion of our proposed merger with an affiliate of Lincoln National Corporation (LNC or Lincoln).

In October 2005, a proposed shareholder class action suit was filed in state court in North Carolina naming the Company, most of the individual members of its Board of Directors and LNC as defendants, relating to the merger. The suit alleged a breach of fiduciary duty in entering into the proposed merger and has subsequently been dismissed without prejudice subject to the restriction that the plaintiffs receive the court s permission before filing any other action asserting the same claims in North Carolina or any other jurisdiction. This voluntary dismissal of the action did not involve a settlement or any compensation being paid or promised to the plaintiffs.

Overview

JP is a holding company whose financial services and broadcasting subsidiaries provide products and services in four major businesses: 1) life insurance; 2) annuities and investment products; 3) group life, disability and dental insurance; and 4) broadcasting and sports programming production.

Our principal life insurance subsidiaries are Jefferson-Pilot Life Insurance Company (JP Life), Jefferson Pilot Financial Insurance Company (JPFIC) and its wholly owned subsidiary, Jefferson Pilot LifeAmerica Insurance Company (JPLA). Jefferson-Pilot Communications Company (JPCC) and its wholly owned subsidiaries conduct our broadcasting operations. Jefferson Pilot Securities Corporation (with related entities, JPSC) is a registered non-clearing broker/dealer that sells mutual funds, affiliated and non-affiliated variable life and annuity products and other investment products.

In our three financial services segments, effective investment management and asset/liability management are important to our financial position and results of operations. Interest spread, which represents the difference between interest earned on our investments and interest credited to policyholder funds, is a key component of our results for individual life insurance and annuities products. The earned rate on our investment portfolio has declined steadily in recent years as a result of the decline in the general interest rate environment. We believe that the historically low interest rate levels that we have experienced will continue to challenge our earnings progression. Our operating results also depend on the level of mortality (death) and morbidity (disability and health) costs we incur. We attempt to address these factors through underwriting risk selection and classification, by adjusting policyholder crediting rates to achieve desired spread performance for our individual life insurance and annuity products, by monitoring claim and industry health care trend reports for our group insurance products, and through a focus on conservative product designs. Also, we record substantial intangible asset balances because we defer commissions and expenses incurred in selling new policies (deferred

policy acquisition costs), and because of acquisitions of in-force blocks of insurance (value of business acquired and goodwill). The assumptions that we use in accounting for these intangible assets are important to our reported results.

For some of the risks which we consider to be most significant to the company, please see the Critical Accounting Policies and Estimates, Investments and Market Risk Exposures sections of this report and Item 1A Risk Factors.

Our **Individual Products** segment sells life insurance on individuals, through which we underwrite the economic risks of mortality and provide vehicles for the accumulation of individual savings. We select and classify mortality risks within a competitive marketplace and a highly regulated industry. Because we earn revenues for accepting mortality risks, the growth in face amount of insurance in force is a key measure for a portion of our revenue growth. We further analyze this segment by its two unique product types: UL-type products and traditional products. UL-type products offered by this segment include universal life (UL) and variable universal life (VUL) products. UL-type product premiums may vary over the life of the policy at the discretion of the policyholder, so we do not recognize them as revenues when received, although UL-type premiums do increase assets and liabilities. We earn spreads between interest earned and credited to policyholders from aggregation and investment of policyholder funds. In managing these spreads, we develop and maintain systems and skills that are necessary to understand and mitigate credit and interest rate risks. We also recognize revenues on UL-type products from mortality, expense and surrender charges earned (policy charges). Trends in policyholder fund balances and segment assets are important measures when analyzing the development of segment earnings.

Traditional products require the policyholder to pay scheduled premiums over the life of the coverage. We recognize traditional premium receipts as revenues and profits are expected to emerge in relation thereto. Because of market preferences, we do not currently offer new traditional products except for term life insurance.

Product development is important to growth in sales. We operate within a competitive marketplace by offering products that respond to demographic changes, the evolving financial needs of our customers, and regulatory requirements. We currently sell individual life insurance products designed to provide our customers vehicles for wealth accumulation, mortality protection, and a balance between those two objectives. Because this segment issues long-duration contracts, sales results may not materially impact current period profitability, but longer-term sales trends are an important indicator of future growth in earnings.

Our **Annuity and Investment Product (AIP)** segment primarily offers our proprietary fixed annuity products. We also sell mutual funds and other investment products through our broker/dealer. We earn interest spreads and policy charges on our annuity products, and recognize revenues from concession income earned on investment product sales by our broker/dealer. The principal source of segment results is investment spreads on policyholder fund balances. Investment selection and matching of interest rate risk profiles of investments to those of policyholder fund balances are critical to achieving successful results within this segment. In recent years, historically low interest rates have reduced the margin between rates we credit to policyholder accounts and those that are guaranteed under contractual provisions, which limits our ability to reduce crediting rates. We have responded to that exposure through innovative product designs that reduce spreads required to achieve desired returns. Because we derive a majority of our earnings from spread management activities, trends in policyholder fund balances and effective investment spreads earned are both important drivers of segment results.

Product development activities are important to providing appropriate products to a highly competitive marketplace. We have introduced new products with fixed-interest and equity-index components over the last three years. With careful hedging of the economic risk of equity-index components, the emergence of profits on these products is similar to other fixed-interest products. Sales of traditional fixed-interest and multi-year guarantee products declined in recent years because of competition from other financial services products within a declining interest rate environment. New fixed annuity premium sales and surrenders of existing policies are both key indicators of trends in policyholder fund balances.

Our **Benefit Partners** segment insures individuals for mortality, morbidity and dental costs under master group insurance contracts with employers. This segment offers various forms of contributory and noncontributory plans, as well as supplemental contracts. Most of our group contracts are sold to employers with fewer than 500 employees. We select and classify risks within a competitive marketplace based on group characteristics, applying actuarial science and group underwriting practices. We may adjust premiums charged for insuring group risks, usually on an annual basis, in relation to evolving group characteristics and subject to policyholder acceptance.

Insurance products offered by this segment to the employer marketplace include group non-medical products, principally term life, disability and dental insurance. As these are traditional products, we recognize premium receipts from this segment as revenues and profits are expected to emerge in proportion to the revenue recognized. Because group underwriting risks may change over time, management focuses on trends in loss ratios to compare actual experience with pricing expectations. Also, expense ratios are an important factor in profitability since group insurance contracts are offered within an environment that competes on the basis of price and service. Reported sales relate to long-duration contracts sold to new policyholders. The trend in sales is an important indicator of development of business in force over time.

Effective March 1, 2004, we acquired substantially all of the U.S.-based group life, disability and dental business of The Canada Life Assurance Company, an indirect subsidiary of Great-West Lifeco Inc., via a reinsurance transaction. As a result of this acquisition, we are positioned with approximately $1 billion of annual group life, disability and dental premiums. See Note 14 for further discussion of the details of this transaction.

Our **Communications** segment consists of radio and television broadcasting operations located in selected markets in the Southeastern and Western United States, and sports program production. We generate revenues for this segment through advertising, sales of programming rights and other programming compensation.

Management evaluates the performance of our broadcast stations using a number of metrics including audience levels (ratings), growth in audiences, revenue growth, relative share of market revenues, and operating efficiencies, with the ultimate goal of achieving growth in broadcast cash flow. We focus our efforts at the local level, combining sound business practices with service to the community. We monitor each station s product through market research and tailor the product to our target audience s tastes and listening/viewing habits. We attempt to maximize revenues and increase revenue share by focusing on management of commercial inventory and pricing. We achieve operating efficiencies by exercising tight expense control at both the local and corporate levels. FCC licenses, which are required for operations, are subject to periodic renewal. Intangible assets related to FCC licenses that are recognized in our financial statements are included within other assets in our consolidated balance sheets.

Our **Corporate and Other** segment contains the activities of the parent company and passive investment affiliates, surplus of the life insurance subsidiaries not allocated to other segments, financing

expenses on corporate debt, strategic initiatives intended to benefit the entire company, and federal and state income taxes not otherwise allocated to business segments. We include all realized gains and losses on investments in the Corporate and Other segment, and hold all defaulted securities in this segment. Realized investment gains are gains and losses on sales and write downs of investments, and although these are included in revenues and income, we exclude them in assessing the performance of our business segments.

The Company s business segments, operating results, risks and opportunities are discussed in further detail in the sections that follow.

Segment Revenues

Our segments revenues as a percentage of total revenues, excluding realized gains and losses, were as follows:

	Year Ended		
	2005	2004	2003
Individual Products	43%	44%	50%
AIP	18%	18%	19%
Benefit Partners	30%	29%	22%
Communications	6%	6%	6%
Corporate and Other	3%	3%	3%

Critical Accounting Policies and Estimates

General

We have identified the accounting policies below as critical to the understanding of our results of operations and our financial position. In applying these critical accounting policies in preparing our financial statements, management must use significant judgments and estimates concerning future results or other developments including the likelihood, timing or amount of one or more future events. Actual results may differ from these estimates under different assumptions or conditions. On an on-going basis, we evaluate our estimates, assumptions and judgments based upon historical experience and various other information that we believe to be reasonable under the circumstances. For a detailed discussion of other significant accounting policies, see Note 2.

DAC, VOBA and Unearned Revenue Reserves

The Individual Products, AIP and Benefit Partners segments defer the costs of acquiring new business. These costs include first-year commissions and incentive compensation and certain costs of underwriting and issuing policies plus agency office expenses. These deferred expenses are referred to as deferred policy acquisition costs (DAC). When we acquire new blocks of business through an acquisition, we allocate a portion of the purchase price based on relative fair values to a separately identifiable intangible asset, referred to as value of business acquired (VOBA). We initially establish VOBA as the actuarially determined present value of future gross profits of each business acquired. Both DAC and VOBA are amortized through expenses, as discussed further below.

We defer significant portions of expense charge revenues on certain UL products as unearned revenue reserves, included within other policy liabilities in our consolidated balance sheets, and amortize them into income over time using the same assumptions we use for DAC and VOBA. Unearned revenue reserves on UL products were $478.0 at December 31, 2005, including $58.7 for

VUL products. We report both the deferral and amortization of unearned revenue reserves as revenues within universal life and investment product charges.

DAC and VOBA on UL-type products were $2,246.7 or 76.8% of the gross balances (before adjustments for unrealized gains and losses) at December 31, 2005, including $523.9 related to VUL products. We amortize DAC and VOBA on UL-type products and annuity products relative to the future estimated gross profits (EGP) over the life of these products. In calculating the future EGP for these products, management must make long-term assumptions regarding the following components: 1) estimates of fees charged to policyholders to cover mortality, surrenders and maintenance costs; 2) estimated mortality in excess of fund balances accumulated; 3) expected interest rate spreads between income earned, including default charges paid to the Corporate and Other segment, and amounts credited to policyholder accounts; and 4) estimated costs of policy administration (maintenance).

We consider the following assumptions to be most significant to UL-type products: 1) estimated mortality; 2) estimated interest spreads; and 3) estimated future policy lapses. In addition to these three assumptions, VUL and VA products require an additional critical assumption that affects DAC and VOBA amortization, the rate of growth of the separate account mutual funds that generate additional policy fees we use in the EGP on VUL and VA products. We assume a long-term total net return on separate account assets, including dividends and market value increases, of 8.00% and a five-year reversion period. The reversion period is a period over which a short-term return assumption is used to maintain the model s overall long-term rate of return. We cap the reversion rate of return at 8.25% for one year and 10% for years two through five. This limitation reduces the cumulative effective long-term rate.

We regularly review the models, and the assumptions we used in them, so that the modeled EGPs reflect management s current view of future events. At least annually, we compare these assumptions to emerging experience on each of our insurance blocks. Short-term deviations in experience, which are reflected as assumption true-up adjustments, do not necessarily indicate that a change to our long-term assumptions of future experience is warranted. If we determine that it is appropriate to change our long-term assumptions of future experience, we recognize unlocking adjustments for the block of business being evaluated. Certain assumptions, such as interest spreads and lapse rates, may be interrelated. As such, unlocking adjustments often reflect revisions to multiple assumptions. The balances of DAC, VOBA, unearned revenue reserves and secondary guarantee benefit reserves (discussed in Note 6) are immediately impacted by any assumption changes with the change reflected through the income statement. These adjustments can be positive or negative.

The following table reflects the possible pretax income statement impacts that could occur in a given year if we change our assumptions as illustrated related to UL-type products in the Individual Products segment:

Quantitative Change in Significant Assumptions	One-time Effect on DAC, VOBA, Unearned Revenue Reserves and Secondary Guarantee Benefit Reserves Favorable Change	Unfavorable Change
Estimated mortality improving (degrading) 0.5% per year for 10 years from the current estimate	$ 44.4	$ (46.4)
Estimated interest spread increasing (decreasing) 2.5 basis points per year for 10 years from the current assumed spread	41.5	(45.6)
Estimated policy lapse rates decreasing (increasing) 25% immediately and then increasing (decreasing) 2.5% per year for 10 years	36.0	(36.1)
Estimated long-term rate of return from VUL assets increasing (decreasing) 1.25% using mean reversion techniques	10.9	(11.2)

Our traditional individual and group insurance products are long-duration contracts. We amortize DAC and VOBA related to these products in proportion to premium revenue recognized. The DAC and VOBA balances on these products were $304.8 or 10.4% of the gross balances (before adjustments for unrealized gains and losses) at December 31, 2005, and are subject to little volatility.

We consider estimated interest spreads and estimated future policy lapses to be the most significant assumptions related to our annuity products. DAC and VOBA on these products were $373.4 or 12.8% of the gross balances (before adjustments for unrealized gains and losses) at December 31, 2005, including $11.2 related to VA products.

The following table reflects the possible pretax income statement impacts for our AIP segment that could occur in a given year if we change our assumptions as illustrated related to annuity products:

Quantitative Change in Significant Assumptions	One-time Effect on DAC and VOBA Amortization Favorable Change	Unfavorable Change
Estimated interest spread increasing (decreasing) 2.5 basis points per year for 10 years from the current assumed spread	$ 9.6	$ (11.2)
Estimated policy lapse rates decreasing (increasing) 50% immediately and then increasing (decreasing) 5.0% per year for 10 years	29.9	(31.2)

See Results of Operations for discussion of unlocking adjustments we recorded for the three years ended 2005.

We also adjust the carrying value of DAC and VOBA to reflect changes in the unrealized gains and losses in available-for-sale securities backing UL-type and annuity products, since this impacts the timing of and possible realization of EGP s. Note 6 contains rollforwards of DAC and VOBA including the amounts capitalized, amounts amortized and the effect of the unrealized gains.

Investments

We regularly monitor our investment portfolio to ensure that investments that may be other-than-temporarily impaired are identified in a timely fashion and properly valued, and that any impairments are charged against earnings in the proper period. Our methodology to identify potential other-than-temporary impairments requires professional judgment and is further described in the Investments section and in Note 4. For further information on the other-than-temporary impairments we recognized, refer to the discussion of our realized losses within the Investments section.

Valuing our investment portfolio involves a variety of assumptions and estimates, particularly for investments that are not actively traded. We rely on external pricing sources for highly liquid publicly traded securities and use an internal pricing matrix for privately placed securities. This matrix relies on our judgment concerning: 1) the discount rate we use in calculating expected future cash flows; 2) credit quality; 3) industry sector performance; and 4) expected maturity. Under certain circumstances, we make adjustments as we apply professional judgment based upon specific detailed information concerning the issuer. Investments valued using independent third party sources comprised 81% of our investment portfolio at December 31, 2005 with the remainder being valued based upon internal analysis using the assumptions described above.

Mortgage loans on commercial real estate represented 14.2% of investments at December 31, 2005 and are stated at unpaid balances, net of estimated unrecoverable amounts. In addition to a general estimated allowance, we provide an allowance for unrecoverable amounts when a mortgage loan becomes impaired. We consider a mortgage loan to be impaired when it becomes probable, based upon management s judgment, that the Company will be unable to collect the total amounts due, including principal and interest, according to contractual terms. We measure the impairment based upon the present value of expected cash flows discounted at the effective interest rate on both a loan-by-loan basis and by measuring aggregated loans with similar risk characteristics. We base the general estimated allowance on historical experience, industry experience and other qualitative factors.

As the discussion above indicates, many judgments are involved in timely identifying and valuing investments, including other-than-temporary impairments on securities. Inherently, there are risks and uncertainties involved in making these judgments. See the discussion of Investments and Note 4 for further details. Critical assumptions and changes in circumstances such as a weak economy, an economic downturn or unforeseen events which affect one or more companies, industry sectors or countries could result in additional write downs in future periods for impairments, including those that are deemed to be other-than-temporary.

Policy Liabilities

The liability for Future policy benefits pertains to our traditional individual and group insurance products and represents 9.8% of total liabilities at December 31, 2005. Changes in this liability are reflected in the Insurance and annuity benefits caption in our consolidated statements of income. Assumptions we use in determining future policy benefits include: future investment yields, mortality, morbidity and persistency. We base estimates about future circumstances principally on historical experience and provide for possible adverse deviation. Though not anticipated, significant changes in experience or assumptions may require us to provide for expected future losses on a product by establishing premium deficiency reserves. See Note 7 for further discussion of the assumptions we use in estimating these liabilities.

The accounting for secondary guarantee benefit reserves (related to no-lapse guarantees) impacts, and is impacted by, certain elements of estimated future gross profits used to calculate

amortization of DAC, VOBA and unearned revenue reserves. If experience or an assumption changes, we unlock secondary guarantee benefit reserves to reflect the changes in a manner similar to DAC, VOBA and unearned revenue reserves. Secondary guarantee benefit reserves are reported within Other policy liabilities in our consolidated balance sheets.

Pension Plans

The measurement of our pension obligations, costs and liabilities depends on a variety of assumptions. These assumptions include estimates of the present value of projected future pension payments to all plan participants, taking into consideration the likelihood of potential future events such as compensation increases and return on plan assets. These assumptions may affect the amount and timing of future contributions. Our key assumptions include: discount rate, long-term rate of return on plan assets and expected compensation rate increase. See Note 13 for further details regarding our pension plans.

At December 31, 2005 and 2004, the fair values of the assets related to the defined benefit pension plans were $396 and $397. The stability in the value of assets reflects the fact that the sum of investment returns and employer contributions nearly equaled benefits paid. The projected benefit obligations at December 31, 2005 and 2004 were $442 and $405 with the majority of the growth due to the impact of using a lower discount rate in the liability calculations for 2005 due to the lower interest rate environment. Net periodic benefit cost, which includes service cost, interest cost, return on plan assets and net amortization and deferrals of actuarial and investment gains and losses, was $11, $7 and $1 for 2005, 2004 and 2003. The increase in net periodic benefit cost in 2005 was due to increased interest cost on the projected benefit obligation and amortization of plan asset investment losses.

Goodwill

Goodwill was $312 at December 31, 2005 and 2004 representing 8.0% and 7.9% of stockholders equity at these dates. Under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets,* which primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition, we regularly review the carrying amounts of goodwill for indications of value impairment. This assessment considers financial performance and other relevant factors such as a significant adverse change in the business or legal climate, an adverse action or assessment by a regulator, or unanticipated competition. If considered impaired, the carrying amounts would be written down to a value determined by using a combination of fair value and discounted cash flows. Absent an indication of impairment, we test goodwill for impairment annually in the month of June. We concluded that there have been no impairments in the three years ending December 31, 2005. Also, we have identified no adverse trends or uncertainties that would suggest that an impairment is imminent.

Litigation

Establishing accruals for specific litigation inherently involves a variety of estimates of future potential outcomes. Accordingly, management, based on the advice of internal counsel, reviews significant litigation matters and makes judgments about whether it is probable we have incurred a loss. Once we determine that a loss is probable, we use professional judgment in determining whether we can reasonably estimate the loss. In general, we accrue the estimated costs of defense until we can reasonably estimate the loss or any potential range of possible loss. At that time, we accrue these additional costs. Based on consultation with our legal advisors, we believe that resolution of pending legal proceedings will not have a material adverse effect on our financial position or liquidity but could have a material adverse effect on the results of operations for a specific period. See further discussion in Note 18.

Results of Operations

The following tables illustrate our results before and after the cumulative effect of change in accounting principle:

				Favorable/(Unfavorable)	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Consolidated Summary of Income					
Income before realized gains (losses) and cumulative effect of change in accounting principle	$ 571.4	$ 536.2	$ 522.5	6.6%	2.6%
Realized investment gains (losses), net of taxes	7.2	26.5	(30.9)	(72.8)	185.8
Income before cumulative effect of change in accounting principle	578.6	562.7	491.6	2.8	14.5
Cumulative effect of change in accounting principle		(16.6)		100.0	(100.0)
Net income	$ 578.6	$ 546.1	$ 491.6	6.0%	11.1%
Consolidated Earnings Per Share					
Assuming dilution:					
Income before realized gains (losses) and cumulative effect of change in accounting principle	$ 4.20	$ 3.85	$ 3.66	9.1%	5.2%
Realized investment gains (losses), net of taxes	0.05	0.19	(0.22)	(73.7)	186.4
Income before cumulative effect of change in accounting principle	4.25	4.04	3.44	5.2	17.4
Cumulative effect of change in accounting principle		(0.12)		100.0	(100.0)
Net income	$ 4.25	$ 3.92	$ 3.44	8.4%	14.0%

	2005	2004	2003
Average number of shares outstanding assuming dilution	136,167,843	139,213,034	142,867,215

The increase in income before cumulative effect of change in accounting principle for 2005 reflected earnings growth in all segments except Corporate and Other, partially offset by lower realized investment gains. Individual Products benefited from an increase in interest margin and higher product charge revenue. Results for 2005 also included the effect of management actions taken during the first quarter to reduce non-guaranteed bonuses on certain older universal life products. AIP s results increased for 2005 due to higher investment spreads, including a favorable change in the fair value of option liabilities related to equity-indexed annuities, partially offset by higher DAC amortization and lower incremental investment income above base (which includes mortgage loan prepayment fees,

accelerated accretion of discount on mortgage-backed securities, and income on purchased beneficial interests). Benefit Partners results continued to be driven by organic growth in our core business, partially offset by adverse claim experience in the core long-term disability and life business, and favorable claim experience and reserve development in the acquired Canada Life block. Communications achieved earnings growth on higher sports production revenue and expense controls.

Corporate and Other results were lower in 2005 primarily due to the impact of higher short-term interest rates and lower realized investment gains as discussed below.

The increase in income before cumulative effect of change in accounting principle for 2004 reflected higher realized gains and earnings growth in the Benefit Partners and Communications segments. The Individual Products and AIP segments declined over the same period. Earnings from business added via the Canada Life transaction favorably impacted the results of Benefit Partners in 2004. Communications achieved market share advances and benefited from increased political advertising revenues in 2004 resulting in earnings growth. The Individual Products and AIP segments were adversely impacted by spread compression due to lower portfolio yields, partially resulting from lower prepayments of investments.

Realized investment gains, net of taxes, were $7.2 and $26.5 in 2005 and 2004 versus realized investment losses, net of taxes, of ($30.9) in 2003. The decline in realized investment gains in 2005 relative to 2004 was primarily due to significantly lower stock gains, partially offset by lower bond impairments, the latter largely attributable to continued improvement in the corporate credit environment. The net investment losses in 2003 were primarily the result of other-than-temporary bond impairments.

Effective January 1, 2004, the Company adopted a new accounting standard related to secondary guarantees and other benefit features. The implementation of this new standard created both a cumulative effect upon adoption as well as a reduction to ongoing net income, as discussed later and in Note 2.

Earnings per share amounts were more favorable than the growth in absolute earnings due to repurchases of 3,175,500 shares in 2005, 5,368,200 shares in 2004, and 3,578,600 shares in 2003.

Results by Business Segment

Throughout this Form 10-K, reportable segment results is defined as net income before realized investment gains and losses (and cumulative effect of change in accounting principle, if applicable). Reportable segment results is a non-GAAP measure. We believe reportable segment results provides relevant and useful information to investors, as it represents the basis on which we assess the performance of our business segments. We deem reportable segment results to be a meaningful measure for this purpose because, except for losses from other-than-temporary impairments, realized investment gains and losses occur primarily at our sole discretion. Note that reportable segment results as described above may not be comparable to similarly titled measures reported by other companies .

We assess profitability by business segment and measure other operating statistics as detailed in the separate segment discussions that follow. We determine reportable segments in a manner consistent with the way we make operating decisions and assess performance. Sales are one of the statistics we use to track performance. Our sales, which are primarily of long-duration contracts in the Individual Products and AIP segments, have little immediate impact on revenues for these two segments as described in the segment discussions below.

The following table illustrates our results before and after realized investment gains and losses, and reconciles reportable segment results to net income, the most directly comparable GAAP financial measure:

Results by Reportable Segment

				Favorable/(Unfavorable)	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Individual Products	$ 316.5	$ 302.0	$ 309.4	4.8%	(2.4)%
AIP	82.9	76.4	85.0	8.5	(10.1)
Benefit Partners	86.7	70.7	50.6	22.6	39.7
Communications	57.6	54.4	45.4	5.9	19.8
Corporate and Other	27.7	32.7	32.1	(15.3)	1.9
Total reportable segment results	571.4	536.2	522.5	6.6	2.6
Realized investment gains (losses), net of taxes	7.2	26.5	(30.9)	(72.8)	185.8
Income before cumulative effect of change in accounting principle	578.6	562.7	491.6	2.8	14.5
Cumulative effect of change in accounting principle		(16.6)		100.0	(100.0)
Net income	$ 578.6	$ 546.1	$ 491.6	6.0%	11.1%

Segment Assets

We assign invested assets backing insurance liabilities to our segments in relation to policyholder funds and reserves. We assign net DAC and VOBA, reinsurance receivables and communications assets to the respective segments where those assets originate. We also assign invested assets to back capital allocated to each segment in relation to our philosophy for managing business risks, reflecting appropriate conservatism. We assign the remainder of invested and other assets, including all defaulted securities, to the Corporate and Other segment. Segment assets as of December 31 were as follows:

	2005	2004
Individual Products	$ 19,672	$ 18,776
AIP	10,794	10,504
Benefit Partners	1,937	1,839
Communications	224	223
Corporate and Other	3,451	3,763
Total assets	$ 36,078	$ 35,105

Individual Products

The Individual Products segment markets individual life insurance policies primarily through independent general agents, independent national account marketing firms, and agency building general agents. We also sell products through home service agents, broker/dealers, banks and other strategic alliances.

Reportable segment results [1] for Individual Products were as follows:

				Favorable/(Unfavorable)	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
UL-Type Products:					
Net investment income	$ 751.6	$ 746.6	$ 749.2	0.7%	(0.3)%
Interest credited to policyholders	(509.0)	(507.1)	(515.4)	(0.4)	1.6
Interest margin	242.6	239.5	233.8	1.3	2.4
Product charge revenue:					
Cost of insurance charges	583.4	539.1	511.9	8.2	5.3
Expense charges	162.2	148.8	141.6	9.0	5.1
Surrender charges	33.0	40.7	34.9	(18.9)	16.6
Total product charge revenue	778.6	728.6	688.4	6.9	5.8
Death benefits and other insurance benefits	(350.4)	(312.8)	(272.4)	(12.0)	(14.8)
Expenses excluding amortization of DAC and VOBA	(83.6)	(97.0)	(96.4)	13.8	(0.6)
Amortization of DAC and VOBA	(193.8)	(190.3)	(179.0)	(1.8)	(6.3)
Miscellaneous income (expense)	(0.7)	(0.8)	(2.1)	12.5	61.9
UL-type product income before taxes	392.7	367.2	372.3	6.9	(1.4)
Traditional Products:					
Premiums and other considerations	145.6	152.3	173.0	(4.4)	(12.0)
Net investment income	145.7	153.7	165.2	(5.2)	(7.0)
Benefits	(164.0)	(172.8)	(197.8)	5.1	12.6
Expenses excluding amortization of DAC and VOBA	(28.3)	(25.3)	(24.1)	(11.9)	(5.0)
Amortization of DAC and VOBA	(15.6)	(16.7)	(16.3)	6.6	(2.5)
Traditional product income before taxes	83.4	91.2	100.0	(8.6)	(8.8)
Reportable segment results before income taxes [1]	476.1	458.4	472.3	3.9	(2.9)
Income taxes	(159.6)	(156.4)	(162.9)	(2.0)	4.0
Reportable segment results [1]	$ 316.5	$ 302.0	$ 309.4	4.8%	(2.4)%

(1) Reportable segment results is a non-GAAP measure. See Note 15 for further discussion.

The following table summarizes key data for Individual Products that we believe are our important drivers and indicators of future profitability:

				Favorable/(Unfavorable)	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Annualized life insurance premium sales:					
Individual Markets excluding Community Banks and BOLI	$ 269	$ 211	$ 216	27.5%	(2.3)%
Community Banks and BOLI	$ 3	$ 9	$ 9	(66.7)%	%
Average UL policyholder fund balances	$ 11,592	$ 11,131	$ 10,585	4.1%	5.2%
Average VUL separate account assets	1,715	1,535	1,233	11.7%	24.5%
	$ 13,307	$ 12,666	$ 11,818	5.1%	7.2%
Average face amount of insurance in force:					
Total	$ 166,861	$ 165,762	$ 164,963	0.7%	0.5%
UL-type contracts	$ 129,466	$ 126,876	$ 123,848	2.0%	2.4%
Average assets	$ 19,197	$ 18,292	$ 17,128	4.9%	6.8%

Sales from our Individual Markets excluding Community Banks and bank-owned life insurance (BOLI) increased in 2005 over 2004 due to product, distribution and service initiatives. Sales in the third quarter of 2005 also included several large cases totaling approximately $15 that we do not view as recurring in nature. Sales from our Individual Markets excluding Community Banks and bank-owned life insurance (BOLI) decreased slightly in 2004 from 2003, due to record sales levels in the first quarter of 2003. In recent years, increased competition among providers of UL-type insurance contracts has resulted in a shortening of the product life cycle. Sales to Community Banks and BOLI business were significantly less in 2005 after essentially remaining unchanged in 2004. Community Bank and BOLI business will vary widely between periods as we respond to sales opportunities for these single premium products only when the market accommodates our required returns.

Approximately 60%, 56% and 58% of life insurance sales were attributable to products with secondary guarantee benefits for 2005, 2004 and 2003. These products were priced considering interest, mortality, withdrawal and termination (lapse) assumptions that are specific to the nature, marketing focus and funding pattern for each product. The lapse assumptions that we use for pricing are based on multi-scenario modeling techniques and are lower than the assumptions we use for non-guaranteed products, particularly when the secondary guarantee option is in the money . Since secondary guarantee UL policies are relatively new to the marketplace, credible experience has yet to emerge regarding policy and premium persistency; however, our assumptions represent our best estimate of future experience. See the Capital Resources section for discussion of statutory-basis reserving methodologies for these types of products.

Interest margin on UL-type products increased 1.3% in 2005 on fund balance growth of 4.1%. In 2005 and 2004, interest income of $7.0 and $3.7 was reflected within income taxes for certain tax-favored investments, favorably impacting the effective tax rate rather than interest margin. As discussed further below, the lower investment yield in both 2005 and 2004 was primarily due to the general interest rate environment. We actively manage interest spreads on our fixed UL-type products in

response to changes in investment yields by adjusting the rates credited to policyholder fund balances (up or down), while considering product pricing targets, policyholder value, and competitive conditions. The investment spread statistics that follow include the tax impact of benefits from certain securities discussed above that is reflected in income tax expense. The average investment spread on fixed UL products decreased 2 basis points to 1.91% in 2005 after having decreased 10 basis points in 2004 to 1.93%. Reductions in our crediting rates partially offset the reduction in investment yields compared to 2004. During 2003, prepayments of mortgage-backed securities significantly increased as a result of continued declines in long-term mortgage rates, but then declined rapidly in both 2004 and 2005 as mortgage rates stabilized. This decline was partially offset by an increase in commercial mortgage loan prepayments in 2004 and to a lesser extent in 2005. Our mortgage-backed securities portfolio is primarily a discount portfolio. We estimate that prepayments on mortgage-backed securities in excess of expected levels and prepayments of commercial mortgage loans increased effective investment yields by 5, 12 and 20 basis points in 2005, 2004 and 2003. The decrease in excess accretion of discount on mortgage-backed securities contributed to the decline in effective investment spreads on fixed UL products in both 2005 and 2004. Our ability to manage interest-crediting rates on fixed UL-type products is limited by minimum guaranteed rates provided in policyholder contracts. Therefore, continued low general market interest rates likely will impact future profitability, as the investment of cash flows at current interest rates reduces our average portfolio yield. At the end of 2005 and 2004, our average crediting rates were approximately 31 and 37 basis points in excess of our average minimum guaranteed rates (spread-to-guarantee), including 58% and 55% of our UL policyholder fund balances that were already at their minimum guaranteed rates. Additionally, the spread-to-guarantee presented above was revised, effective January 1, 2005, to include the effect of non-guaranteed interest bonuses that management has the discretion to reduce. A large portion of the remaining spread-to-guarantee relates to products that are currently being marketed, sales of which could be negatively impacted if we reduced crediting rates further.

The increase in product charge revenue in 2005 was due to higher sales, continued growth and aging of our insurance blocks, and a management action in the first quarter of 2005 to reduce non-guaranteed cost of insurance bonuses (partial refunds) on certain older UL-type life products. Cost of insurance charges (COIs) grew 8.2% in 2005 and 5.3% in 2004. The 2005 increase was favorably impacted by $12.7 in the first quarter associated with the reduction in certain non-guaranteed COI bonus rates. These COI bonuses are paid to certain policyholders at specified policy anniversaries for continuing persistency. This reduction in bonus rates favorably impacts quarterly COI charges by approximately $1.5, through lower refunds of COIs, on a comparative basis. Excluding the impact of lower COI bonuses, COIs grew 7.4% in 2005 from an increase in the average age of our insureds (this contributes to increased death benefits as well), timing of reinsurance premiums which vary with the proportion of new business issued exceeding retention limits, and growth in face amount of UL-type policies. The 2004 increases in product charge revenue were due to growth and aging of our insurance blocks, dynamic adjustments to unearned expense charges, as noted below, and higher surrender rates offsetting the reinsurance recapture that increased COIs by $8.4 in 2003. Products issued in recent years are designed to generate a higher proportion of their revenues from expense charges. We defer expense charges received in excess of ultimate annual expense charges and amortize them into income relative to future estimated gross profits. The effect of reflecting updated longer-term assumptions in estimated gross profits on our insurance blocks increased the amortization of unearned expense charges by $3.3 in 2005 and decreased it by $1.1 in 2004. Additionally, the adoption of new accounting guidance for secondary guarantee insurance products and other benefits in 2004 impacted estimated gross profits and reduced the amortization of unearned expense charges by $4.0. Excluding the impact of these amortization adjustments, expense charges increased over 2004 due to the impact of higher sales and changes in product mix. Surrenders of policies subject to a surrender charge decreased in 2005 resulting in lower surrender charge income. Surrender activity increased in 2004 due to higher lapses in our BOLI block of business.

UL-type death benefits increased $14.8 in 2005 due to the growth and aging of our block. UL-type death benefits, net of reinsurance, per thousand dollars of average net face amount at risk (average face amount of insurance in force net of reinsurance and reduced by average policyholder fund balances) were $2.59 in 2005 compared to $2.51 in 2004 and $2.33 in 2003. Business growth and aging of our blocks will continue to contribute to increasing levels of UL-type death benefits. While over the long term death benefits should emerge within actuarial expectations, the level of death benefits will fluctuate from period to period. Other UL-type insurance benefits were $45.2, $22.4 and $7.9 for 2005, 2004 and 2003 with the increase primarily due to the 2004 adoption of a new accounting standard for secondary guarantees and other benefits features and the associated growth in these reserves. The growth in reserves related to secondary guarantees in 2005 compared with 2004 was due to higher sales of policies with these features and an increase in the amount of projected benefits that are attributable to the secondary guarantee benefit feature. The accounting for these benefit features incorporates estimated future gross profits used to calculate amortization of DAC, VOBA and unearned expense charges. A change in estimated future gross profits will impact other insurance benefits and the amortization of DAC, VOBA and unearned expense charges. The effect of updating longer-term assumptions in estimated gross profits for our insurance blocks increased other insurance benefits by $2.0 in 2005 and decreased it by $4.7 in 2004. See the Critical Accounting Policies and Estimates section and Note 6 for further discussion.

In 2005, the traditional block was impacted by the issuance of a supplementary contract that increased premiums and other considerations and benefits by $1.8. This resulted in a significantly smaller decline in premiums and other considerations for the traditional block relative to 2004. Consistent with recent trends and customer preferences for UL-type products, traditional premiums and other considerations declined in 2005, 2004 and 2003. Net investment income from our traditional blocks declined due to a decline in investment yields and the decreasing size of the block.

Policy benefits on traditional business include death benefits, dividends, surrenders and changes in reserves, with the most significant being death benefits. Policy benefits as a percentage of premiums and other considerations were 112.6% in 2005, 113.5% in 2004 and 114.3% in 2003.

Individual expenses (including the net deferral and amortization of DAC and VOBA) are as follows:

				Favorable/(Unfavorable)	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Commissions	$ 341.3	$ 276.7	$ 295.5	(23.3)%	6.4%
General and administrative acquisition related	91.1	79.0	80.9	(15.3)	2.3
General and administrative maintenance related	42.9	43.8	42.3	2.1	(3.5)
Taxes, licenses and fees	45.5	44.3	50.3	(2.7)	11.9
Total commissions and expenses incurred	520.8	443.8	469.0	(17.4)	5.4
Less commissions and expenses capitalized	(408.9)	(321.5)	(348.5)	27.2	(7.7)
Expenses excluding amortization of DAC and VOBA	111.9	122.3	120.5	8.5	(1.5)
Amortization of DAC and VOBA	209.4	207.0	195.3	(1.2)	(6.0)
Total expense	$ 321.3	$ 329.3	$ 315.8	2.4%	(4.3)%

Expenses excluding amortization of DAC and VOBA decreased in 2005 due to higher capitalization of commissions and general and administrative expenses. Expenses excluding amortization of DAC and VOBA were approximately flat versus 2003, consistent with sales. The expense amounts we capitalize as DAC include first-year commissions and deferrable acquisition expenses. Higher sales in 2005 contributed to the increases in gross commissions and acquisition-related expenses and also resulted in a higher proportion of these expenses being capitalized. Taxes, licenses and fees increased in 2005 due to higher premium volumes in 2005. Taxes, licenses and fees were favorably impacted in both 2005 and 2004 from reductions in our effective tax rate and state income tax accrual releases following the filing of the tax returns. Growth in our insurance blocks for UL-type products was the primary contributor to the increases in the amortization of DAC and VOBA in the three years presented. Unlocking of assumptions for interest spreads, mortality and lapsation on our blocks of business resulted in reductions in DAC and VOBA amortization on UL-type products of $26.7, $26.4 and $17.8 in 2005, 2004 and 2003. The unlocking adjustments in 2005 include the effect of the COI bonus accrual release in the first quarter, which reduced amortization of DAC and VOBA for UL-type products by $16.5. These adjustments to DAC amortization are partially offset by corresponding adjustments to unearned expense charges discussed above. Excluding unlocking adjustments, amortization of DAC and VOBA increased in 2005 compared to 2004 due to growth in our UL-type insurance blocks, partially offset by the effect of favorable persistency and accounting for secondary guarantee benefit features, which extends the term of estimated gross profits and thereby reduces the rate of amortization. See further discussion of DAC and VOBA under the Critical Accounting Policies and Estimates section.

The growth in average Individual Products assets in 2005, 2004 and 2003 was primarily due to growth in UL policyholder fund balances and market values of separate account assets, partially offset by declines in assets supporting our traditional block of business.

For a discussion of some of the risks that we consider to be most significant to the Company and in certain cases this segment please see Item 1A Risk Factors.

Annuity and Investment Products

Annuity and Investment Products (AIP) are marketed through most of the distribution channels discussed in Individual Products above as well as through financial institutions, investment professionals and annuity marketing organizations. JPSC markets primarily variable life insurance written by our insurance subsidiaries and other carriers, and also sells other securities and mutual funds.

Reportable segment results [(1)] for AIP were as follows:

	2005	2004	2003	Favorable/(Unfavorable) 2005 vs. 2004	2004 vs. 2003
Investment product charges and premiums	$ 12.5	$ 12.2	$ 8.8	2.5%	38.6%
Net investment income	594.9	592.9	586.6	0.3	1.1
Broker-dealer concessions and other	124.8	112.6	98.3	10.8	14.5
Total revenue	732.2	717.7	693.7	2.0	3.5
Policy benefits (including interest credited)	403.7	426.1	416.6	5.3	(2.3)
Insurance expenses	83.4	68.0	55.8	(22.6)	(21.9)
Broker-dealer expenses	119.2	107.2	90.7	(11.2)	(18.2)
Total benefits and expenses	606.3	601.3	563.1	(0.8)	(6.8)
Reportable segment results before income taxes [(1)]	125.9	116.4	130.6	8.2	(10.9)
Income taxes	43.0	40.0	45.6	(7.5)	12.3
Reportable segment results [(1)]	$ 82.9	$ 76.4	$ 85.0	8.5%	(10.1)%

(1) Reportable segment results is a non-GAAP measure. See Note 15 for further discussion.

The following table summarizes key information for AIP that we believe to be important drivers and indicators of our future profitability:

	2005	2004	2003	Favorable/(Unfavorable) 2005 vs. 2004	2004 vs. 2003
Fixed annuity premium sales	$ 1,028	$ 1,217	$ 756	(15.5)%	61.0%
Variable annuity premium sales		1	2	(100.0)	(50.0)
	$ 1,028	$ 1,218	$ 758	(15.6)%	60.7%
Funding agreement issuance	$ 300	$	$	100.0%	
Investment product sales	$ 5,329	$ 4,780	$ 3,258	11.5%	46.7%

Average fixed policyholder fund balances	$ 9,467	$ 9,169	$ 8,400	3.3%	9.2%
Average separate account policyholder fund balances	290	332	340	(12.7)	(2.4)
Average funding agreement balances	188			100.0	
	$ 9,945	$ 9,501	$ 8,740	4.7%	8.7%
Average assets	$ 10,683	$ 10,360	$ 9,537	3.1%	8.6%
Effective investment spreads for fixed annuities and funding agreements	1.96%	1.76%	1.90%		
Effective investment spreads for fixed annuities and funding agreements excluding gross SFAS 133 impact	1.90%	1.73%	1.88%		
Fixed annuity surrenders as a percentage of beginning fund balances	16.2%	12.3%	8.4%		

Fixed annuity premium sales declined in 2005 versus 2004 as a result of the effects of a flattening interest rate yield curve, competition from other products, the expectation for a rising interest rate environment, and distraction, particularly in the agency channel, from a notice issued by the NASD suggesting broker/dealer supervisory responsibility for sales of equity-indexed annuity products. The 2004 increase in fixed annuity premium sales resulted from the increased acceptance in the marketplace of equity-indexed annuities (EIAs) introduced in the latter part of 2003. Equity-indexed annuities (EIAs) comprised over three-fourths of our AIP sales during 2005 and 2004. We continue to develop differentiated annuity products designed to create new distribution opportunities and strengthen existing marketing relationships.

In June 2005, JP Life issued $300 of funding agreements backing medium-term notes. The funding agreements are investment contracts that do not subject us to mortality or morbidity risk. The subsidiary issued the funding agreements to a special purpose entity, Jefferson-Pilot Life Funding Trust I (the Trust) that sold medium-term notes through investment banks to investors seeking high-quality fixed-income investments. As spread products, funding agreements generate profit to the extent that the rate of return on the investments we make with the proceeds exceeds the interest credited and other expenses. We regard funding agreements as a business that can provide additional spread income on an opportunistic basis. Consequently, issuances of funding agreements can vary widely from one reporting period to another. Refer to Note 7 and the Capital Resources section for further discussion.

Profitability of EIAs is influenced by the management of derivatives to hedge the index performance of the policies. These contracts permit the holder to elect an interest rate return or an equity market component, where interest credited to the contracts is linked to the performance of the S&P 500 Index®. Policyholders may elect to rebalance index options at renewal dates, either annually or biannually. At each renewal date, we have the opportunity to re-price the equity-indexed component by establishing participation rates, subject to minimum guarantees. We purchase options that are highly correlated to the portfolio allocation decisions of our policyholders, such that we are economically hedged with respect to equity returns for the current reset period. The mark-to-market of the options we hold impacts investment income and interest credited in approximately equal and offsetting amounts. This adjustment increased net investment income and interest credited by approximately $18, $20 and $7 in 2005, 2004 and 2003 with no net impact on reportable segment results. Additionally, Statement of Financial Accounting Standard No. 133 *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) requires that we calculate the fair values of index options we will purchase in the future to hedge policyholder index allocations applicable to future reset periods. These fair values represent an estimate of the cost of the options we will purchase in the future less expected charges to policyholders, discounted back to the date of the balance sheet, using current market indicators of volatility and interest rates. Changes in the fair values of these liabilities result in volatility that is reported in interest credited. Interest credited was decreased by $6.1 in 2005, $2.9 in 2004 and $1.2 in 2003 for these changes. The notional amounts of policyholder fund balances allocated to the index options were $1,742 at December 31, 2005 and $998 at December 31, 2004. Since adoption of SFAS 133, the total cumulative net reduction to interest credited for this fair value adjustment is approximately $9.9.

Excluding the impact of the options market value adjustment described above, net investment income decreased slightly even as average policyholder fund balances in 2005 grew compared to 2004. In 2005, incremental investment income partially offset the lower base investment yields, caused by the general interest rate environment. The effect of this incremental income in the AIP segment increased effective yields by 17, 13 and 24 basis points in 2005, 2004 and 2003.

We actively manage spreads on fixed annuity products in response to changes in our investment portfolio yields by adjusting the interest rates we credit on annuity policyholder fund balances while considering our competitive strategies. Our newer product designs in AIP require lower

spreads to achieve targeted returns and require lower levels of capital to support new sales. These factors, combined with the current interest rate environment, will likely result in earnings that lag behind growth in average fund balances for a period of time. However, the effective investment spreads on fixed annuities, excluding the effects of SFAS 133, increased in 2005 after having decreased in 2004 primarily due to lower crediting rates (including the effect of multi-year guaranteed rates (MYG) lapses discussed below) and incremental investment income items mitigating the decline in investment yields. The favorable effect of SFAS 133 further enhanced reported spreads.

Our ability to manage interest crediting rates on fixed annuity products in response to continued low general market interest rates is limited by minimum guaranteed rates provided in policyholder contracts. We have approximately $4.2 billion of average fixed annuity policyholder fund balances with crediting rates that are reset on an annual basis, for which our crediting rates on average were approximately 17 basis points in excess of minimum guaranteed rates at December 31, 2005, including 57% that were already at their minimum guaranteed rates. Approximately $2.7 billion of fixed annuity policyholder fund balances had MYG at December 31, 2005, of which approximately $1.1 billion will reset in 2006 with an additional $1.6 billion resetting in 2007 and thereafter. As multi-year guarantees expire, policyholders have the opportunity to renew their annuities at rates in effect at that time. Our ability to retain these annuities will be subject to then-current competitive conditions. The current average spread to the minimum guarantee on these products is approximately 204 basis points. In 2005, $782 of fixed annuity policyholder fund balances reset, of which approximately $554 lapsed where the holder did not select another product that we offer. These lapses reduced policyholder fund balances and increased DAC amortization but also increased investment spreads for the business retained. Surrenders are affected by factors such as crediting rates on MYG annuities compared to current crediting rates at reset dates and the absence of surrender charges at reset dates.

Fixed annuity surrenders as a percentage of beginning fund balances continued to increase in 2005, reflecting primarily the surrender of annuities with expiring MYGs. The increase in fixed annuity surrenders, other than resetting MYG annuities, favorably impacted surrender charge revenues. The surrender rate in the AIP segment is influenced by many other factors such as: 1) the portion of the business that has low or no remaining surrender charges; 2) competition from annuity products including those which pay up-front interest rate bonuses or higher market rates; and 3) rising interest rates that may make returns available on new annuities or investment products more attractive than our older annuities. In addition to surrender charge protection against early surrender, we have added a market value adjustment (MVA) to many of our new annuity products. The MVA provides some degree of protection from disintermediation in a rising interest rate environment. Fixed annuity fund balances subject to surrender charges of at least 5% or an MVA increased to 53% at year-end 2005 from 47% at year-end 2004, driven by strong sales of EIAs.

Policy benefits decreased 5.3% in 2005 primarily as a result of a decline in crediting rates, partially offset by growth in average fund balances and the increase in market value adjustment of index options. Beginning with the first quarter of 2004 when a new accounting standard was adopted, net deferral and amortization of bonus interest is presented in policy benefits. Previously, it had been included as a component of DAC and was included in insurance expenses. Accordingly, in 2004, policy benefits increased 2.3% as growth in average fund balances and the market value adjustment of options were partially offset by the net deferral and amortization of bonus interest and crediting rate reductions.

AIP expenses (including the net deferral and amortization of DAC and VOBA) were as follows:

				Favorable/(Unfavorable)	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Insurance companies:					
Commissions	$ 65.2	$ 76.2	$ 36.7	14.4%	(107.6)%
General and administrative acquisition related	17.5	14.8	12.6	(18.2)	(17.5)
General and administrative maintenance related	8.6	6.5	5.6	(32.3)	(16.1)
Taxes, licenses and fees	2.8	2.8	1.9		(47.4)
Gross commissions and expenses incurred	94.1	100.3	56.8	6.2	(76.6)
Less commissions and expenses capitalized	(76.1)	(85.4)	(47.2)	(10.9)	80.9
Amortization of DAC and VOBA	65.4	53.1	46.2	(23.2)	(14.9)
Net expense-insurance companies	83.4	68.0	55.8	(22.6)	(21.9)
Broker/Dealer:					
Commissions	106.5	95.4	80.5	(11.6)	(18.5)
Other	12.7	11.8	10.2	(7.6)	(15.7)
Net expense broker/dealer	119.2	107.2	90.7	(11.2)	(18.2)
Net expense	$ 202.6	$ 175.2	$ 146.5	(15.6)%	(19.6)%

Commissions and capitalized expenses decreased compared to 2004, due to the decline in fixed annuity premium sales. Higher investment product sales contributed to the increase in acquisition-related expenses. In 2005, general administrative acquisition expenses increased compared to 2004 due to costs incurred in the development and rollout of new products and transaction costs related to the issuance of the funding agreements during the second quarter of 2005. In 2005, general and administrative maintenance expense increased $2.0 compared to 2004 due to accruals for litigation costs. Amortization of DAC and VOBA increased compared to 2004, due to a $7.5 increase in unlockings, primarily from higher lapsation assumptions for MYG annuities, and a $2.9 increase in true-ups, primarily the effect of higher incremental investment income and the favorable change in the fair value of EIA option liabilities. Additionally, broker/dealer expenses increased at a slightly higher rate than revenues, primarily due to a $1.3 accrual for litigation costs in 2005. In 2004, commissions, acquisition-related general and administrative expenses and DAC capitalization all increased with the strong sales increase over 2003. DAC amortization increased partly due to true-ups of $3.2, reflecting actual lapse experience of MYG annuities and the impact of the favorable change in the fair value of EIA option liabilities. Insurance companies net expenses also increased in 2004 as a result of the reclassification of the net deferral of bonus interest to policy benefits as discussed above. Broker/dealer revenues and expenses increased commensurately due to the improved condition of equity markets and higher sales volumes.

For a discussion of some of the risks that we consider to be most significant to the Company and in certain cases this segment please see Item 1A Risk Factors.

Benefit Partners

The Benefit Partners segment markets products primarily through a national distribution system of regional group offices. These offices develop business through employee benefit brokers, third-party administrators and other employee benefit firms.

Reportable segment results [(1)] for Benefit Partners were as follows:

				Favorable/(Unfavorable)	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Premiums and other considerations	$ 1,182.0	$ 1,113.2	$ 756.0	6.2%	47.2%
Net investment income	96.8	88.9	63.8	8.9	39.3
Total revenue	1,278.8	1,202.1	819.8	6.4	46.6
Policy benefits	861.3	840.7	576.3	(2.5)	(45.9)
Expenses	284.1	252.6	165.6	(12.5)	(52.5)
Total benefits and expenses	1,145.4	1,093.3	741.9	(4.8)	(47.4)
Reportable segment results before income taxes [(1)]	133.4	108.8	77.9	22.6	39.7
Income taxes	46.7	38.1	27.3	(22.6)	(39.6)
Reportable segment results [(1)]	$ 86.7	$ 70.7	$ 50.6	22.6	39.7

(1) Reportable segment results is a non-GAAP measure. See Note 15 for further discussion.

The following table summarizes key information for Benefit Partners that we believe to be important drivers and indicators of our future profitability:

				Favorable/(Unfavorable)	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Life, Disability and Dental annualized sales	$ 261	$ 203	$ 200	28.6%	1.5%
Premiums and other considerations:					
Life	$ 426.9	$ 423.0	$ 264.1	0.9%	60.2%
Disability	487.4	428.6	276.5	13.7	55.0
Dental	130.6	133.8	103.8	(2.4)	28.9
Other	137.1	127.8	111.6	7.3	14.5
Total	$ 1,182.0	$ 1,113.2	$ 756.0	6.2%	47.2%
Reportable segment results:					
Life	$ 38.8	$ 30.4	$ 17.7	27.6%	71.8%
Disability	38.6	35.6	28.2	8.4	26.2
Dental	6.1	4.0	5.2	52.5	(23.1)
Other	3.2	0.7	(0.5)	357.1	240.0
Total	$ 86.7	$ 70.7	$ 50.6	22.6%	39.7%
Loss ratios:					
Life	69.7%	73.5%	77.5%		
Disability	71.7	72.9	69.2		
Dental	73.5	76.8	75.6		
Combined	71.1%	73.7%	73.7%		
Gross general and administrative expenses as a % of premium income	10.1%	10.1%	10.0%		
Total expenses as a % of premium income	24.1%	22.7%	21.9%		
Average assets	$ 1,867	$ 1,683	$ 988	10.9%	70.3%

Reportable segment results for Benefit Partners increased in 2005 reflecting primarily strong earnings emergence from favorable claim experience and reserve development on the acquired Canada Life business, partially offset by elevated DAC amortization. The 2004 increase in reportable segment results is primarily due to the acquisition of substantially all of the U.S.-based group life, disability and dental business of Canada Life in March and to organic growth from sales during 2004.

Premiums and other considerations increased 6.2% in 2005, as growth in our core businesses of life and disability offset significant declines in the Canada Life block caused by shock lapsation of groups at their renewal dates, discussed further below. Annualized sales increased 28.6% in 2005 due to strong growth in the number of our field representatives and their maturation in our system, and from good sales execution.

Policy benefits increased 2.5% in 2005 as a result of core business growth and adverse experience in the core non-Canada Life block, substantially offset by favorable claim experience and reserve development in the Canada Life block. The improved combined loss ratio for 2005 of 71.1% was primarily due to favorable experience in our life business. In particular, our life business experienced favorable waiver claims terminations in the Canada Life block in the first half of the year stemming from effective claims management. In long-term disability, we experienced favorable claims

incidence and terminations in the Canada Life block, partially offset by unfavorable claims incidence and claim termination rates in our core long-term disability business. Additionally, during the second quarter of 2005, we reduced the discount rate used to calculate long-term disability and life waiver reserves by 0.25% (to 4.75%) on 2005 and future incurrals. The increase in policy benefits in 2004 reflected growth from the acquired Canada Life business as well as strong organic growth in our existing business. The combined loss ratio for 2004 of 73.7% was in line with 2003 as adverse experience in our long-term disability business (from unfavorable experience in incidence rates and unfavorable claims termination experience) offset favorable experience in our life business. Additionally in 2004, we made pricing increases to address an isolated segment of our life business that was under-performing, and we implemented greater management scrutiny of larger cases, especially renewals of groups with adverse experience. These changes contributed to the improved loss ratio in our life business in 2004.

Expenses were as follows:

				Favorable/(Unfavorable)	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Commissions	$ 135.0	$ 125.1	$ 85.3	(7.9)%	(46.7)%
General and administrative	118.8	112.2	75.6	(5.9)	(48.4)
Taxes, licenses and fees	30.7	26.0	19.2	(18.1)	(35.4)
Total commissions and expenses incurred	284.5	263.3	180.1	(8.1)	(46.2)
Less commissions and expenses capitalized	(43.6)	(38.1)	(114.4)	14.4	(66.7)
Amortization of DAC	43.2	27.4	99.9	(57.7)	72.6
Total expense	$ 284.1	$ 252.6	$ 165.6	(12.5)%	(52.5)%

Total expense growth in 2005 reflects the overall growth in the business and accelerated amortization primarily due to DAC persistency adjustments. The Canada Life block represented $6.9 of the accelerated amortization. Although we had anticipated that a certain amount of shock lapse would occur on the Canada Life business as it is renewed with the Company, the actual lapsation during 2005 was higher than forecasted. Additionally, the increase in the expense ratio for 2005 relative to the 2004 period was driven by a higher average commission rate during 2005 and higher unit expenses for taxes, licenses and fees due to unfavorable municipal tax true-ups without the benefit of favorable state tax adjustments experienced in 2004. The expense growth in 2004 reflects expenses from Canada Life integration activities and overall growth in the business. The 2004 increase in the total unit expense ratios relative to the 2003 period is driven by the impact of these integration expenses as well as the decline in DAC capitalization and growth in DAC amortization expense on a unit expense basis as the overall block continues to grow. In the first quarter 2004, we also changed our presentation of commissions, which are paid and expensed on a monthly basis. Previously, we reflected such commissions as capitalized and fully amortized each month. We no longer flow these commissions through DAC. This change has no impact on total expenses or reportable segment results.

One of our non-core products, Exec-U-Care®, which provides an insured medical expense reimbursement vehicle to executives for non-covered health plan costs, produced revenues for this segment of approximately $140 and reportable segment results of approximately $2 in 2005. A discontinuation of Exec-U-Care® would have a significant impact on segment revenues, but only a limited effect on reportable segment results.

For a discussion of some of the risks that we consider to be most significant to the Company and in certain cases this segment please see Item 1A Risk Factors.

Communications

JPCC operates radio and television broadcast properties and produces syndicated sports programming. Reportable segment results[1] for Communications were as follows:

				Favorable/(Unfavorable)	
	2005	2004	2003	2005 vs. 2004	2004 vs. 2003
Communications revenues (net)	$ 246.6	$ 241.1	$ 216.7	2.3%	11.3%
Cost of sales	50.3	47.8	45.8	(5.2)	(4.4)
Operating expenses	85.5	85.2	79.3	(0.4)	(7.4)
Broadcast cash flow	110.8	108.1	91.6	2.5	18.0
Depreciation and amortization	8.3	8.8	8.4	5.7	(4.8)
Corporate general and administrative expenses	5.8	7.3	6.4	20.5	(14.1)
Net interest expense	2.0	2.1	2.2	4.8	4.5
Reportable segment results before income taxes[1]	94.7	89.9	74.6	5.3	20.5
Income taxes	37.1	35.5	29.2	(4.5)	(21.6)
Reportable segment results[1]	$ 57.6	$ 54.4	$ 45.4	5.9%	19.8%

(1) Reportable segment results is a non-GAAP measure. See Note 15 for further discussion.

Communications revenues and earnings increased in 2005 due to strong growth in sports and modest growth in radio. Revenues from sports operations increased $5.0 in 2005 and $4.5 in 2004 due to increased demand for both our football and basketball products. In 2005, combined revenues for radio and television increased 0.2% due to improved revenue shares in several radio markets and modest growth in two of our radio and one of our television markets. Typically, political advertising favorably impacts revenues in even-numbered years and consequently, television revenues declined in 2005. Excluding the impact of political revenues, revenues from television increased 5.3% in 2005 and 4.3% in 2004.

Broadcast cash flow, a non-GAAP measure that is commonly used in the broadcast industry, is calculated as communications revenues less operating costs and expenses before depreciation and amortization. Broadcast cash flow increased in 2005 and 2004 due to increases in revenues discussed above combined with effective operating expense control in all of the businesses.

Cost of sales includes direct and variable costs, consisting primarily of sales commissions, rights fees and sports production costs. Operating expenses represent other costs to operate the broadcast properties, including salaries, marketing, research, purchased programming and station overhead costs. Total expenses, excluding interest expense, increased 0.5% in 2005 and increased 6.6% in 2004. As a percent of communication revenues, these expenses were

60.8%, 61.9% and 64.6% for 2005, 2004 and 2003. The 2005 and 2004 improvements reflect growing revenues and continued expense discipline, partially offset in 2004 by increased sales commissions and bonuses.

On April 1, 2004, JPCC acquired the assets and an FCC license to broadcast an FM radio station in San Diego, CA for $18.

For a discussion of some of the risks that we consider to be most significant to the Company and in certain cases this segment please see Item 1A Risk Factors.

Corporate and Other

The Corporate and Other segment includes the excess capital of the insurance subsidiaries, other corporate investments including defaulted securities, benefit plan net assets, goodwill related to insurance acquisitions, and corporate debt. The reportable segment results primarily contain the earnings on the invested excess capital, interest expense related to the corporate debt, and operating expenses that are corporate in nature (such as advertising and charitable and civic contributions). All net realized capital gains and losses, which include other-than-temporary impairments of securities, are reported in this segment.

Reportable segment results[(1)] for Corporate and Other were as follows:

	2005	2004	2003
Earnings on investments and other income	$ 103.0	$ 94.9	$ 93.9
Interest expense on debt	(60.1)	(48.1)	(33.8)
Operating expenses	(17.5)	(20.7)	(31.2)
Income taxes	2.3	6.6	3.2
Reportable segment results[(1)]	27.7	32.7	32.1
Realized investment gains (losses), net of taxes	7.2	26.5	(30.9)
Reportable segment results, including realized gains (losses) [(1)]	$ 34.9	$ 59.2	$ 1.2

(1) Reportable segment results is a non-GAAP measure. See Note 15 for further discussion.

Earnings on investments and other income increased $8.1 in 2005, including an increase in real estate and mortgage loan income, income recovery on defaulted bonds, and default charges. This increase would have been larger but for $4.0 received from a Bank of America merger class action suit that settled in the first quarter of 2004. Default charges are received from the operating segments for this segment s assumption of all credit-related losses on the invested assets of those segments. These charges are calculated in part as a percentage of invested assets. Default charge income for 2005, 2004 and 2003 was $39.5, $38.5 and $31.3. The 2005 and 2004 increases resulted from an increase in investment assets, including Canada Life in 2004, and a change in fixed income securities asset mix. Earnings on investments in this segment can fluctuate based upon opportunistic repurchases of our own common stock, the amount of excess capital generated by the operating segments and lost investment income on bonds defaulted or sold at a loss.

Interest expense on debt increased $12.0 and $14.3 in 2005 and 2004 after remaining flat in 2003. The 2005 increase is primarily due to higher short-term interest rates, partially offset by a decrease in average debt volume. The 2004 increase reflects a change in the mix of outstanding indebtedness between floating and fixed rate instruments and an increase in the overall level of outstanding indebtedness. Specifically, our fixed rate indebtedness increased with the issuance of $300 of ten-year notes on January 27, 2004 at an effective interest rate of 4.77%, a portion of which was used to support the Canada Life acquisition (See Note 14). See Note 8 for details of our debt structure and interest costs. Operating expenses vary from period to period based upon the level of corporate activities and strategies and decreased in 2005 and in the two previous years. The 2005 decline was driven by a $7.1 reduction in litigation-related reserves.

Realized investment gains and losses were as follows:

	2005	2004	2003
Stock gains	$ 19.3	$ 95.6	$ 13.8
Stock losses	(0.1)	(3.6)	
Stock losses from writedowns	(1.1)	(1.1)	
Bond gains	35.4	36.8	58.0
Bond losses from sales and calls	(19.7)	(36.4)	(34.0)
Bond losses from writedowns	(35.0)	(58.5)	(94.8)
Other gains and losses (net)	14.0	6.2	(4.1)
Total pretax gains (losses)	12.8	39.0	(61.1)
DAC amortization	(1.7)	1.8	14.4
Income taxes	(3.9)	(14.3)	15.8
Realized investment gains (losses), net of taxes	$ 7.2	$ 26.5	$ (30.9)

The realized investment gains in 2005 and 2004 sharply contrasted with the realized investment losses experienced in 2003. The decline in realized investment gains in 2005 versus 2004 was primarily due to significantly lower stock gains, and the improvements in both years over 2003 reflected lower bond impairments, largely attributable to continued improvement in the corporate credit environment.

We reflect provisions for credit-related losses in our estimated gross profits when calculating DAC and VOBA amortization for UL-type products. As reflected in the preceding table, we record DAC amortization on realized gains and losses on investments that back UL-type products. We further discuss modeling of expected gross profits related to DAC and VOBA in the Critical Accounting Policies and Estimates section.

The following table summarizes assets assigned to this segment:

	2005	2004	2005 vs. 2004
Parent company, passive investment companies and Corporate line assets of insurance subsidiaries	$ 1,267	$ 1,195	6.0%
Unrealized gain on fixed interest investments	274	629	(56.4)%
Coinsurance receivables on acquired blocks	875	929	(5.8)%
Employee benefit plan assets	396	397	(0.3)%
Goodwill arising from insurance acquisitions	270	270	
Other	369	343	7.6%
Total	$ 3,451	$ 3,763	(8.3)%

Total assets for the Corporate and Other segment decreased primarily due to increases in long-term interest rates, which resulted in a decrease in unrealized gains on fixed interest investments.

For a discussion of some of the risks that we consider to be most significant to the Company and in certain cases this segment please see Item 1A Risk Factors.

Capital Resources

Our capital structure consists of 10-year term notes, floating rate EXtendible Liquidity Securities® (EXLs), short-term commercial paper, securities sold under repurchase agreements, junior subordinated debentures, and stockholders equity. We also have a bank credit agreement, under which

we have the option to borrow at various interest rates. The agreement, as amended on May 7, 2004, aggregates $348, which is available until May 2007. The credit agreement principally supports our issuance of commercial paper.

Outstanding commercial paper has various maturities that can be up to 270 days. If we cannot remarket commercial paper at maturity, we have sufficient liquidity, consisting of the bank credit agreements, liquid assets, such as equity securities, and other resources to retire these obligations. The weighted-average interest rates for commercial paper borrowings outstanding of $261 and $188 at December 31, 2005 and 2004 were 4.31% and 2.30%. The maximum amount outstanding in 2005 was $306 compared to $298 after the January issuance of the term debt and EXLs during 2004.

Our commercial paper is currently rated by two rating agencies.

Agency	Rating
Fitch	F1+
Standard & Poor s	A1+

These are both the highest ratings that the agencies issue and were reaffirmed in 2005. A significant drop in these ratings could cause us to pay higher rates on commercial paper borrowings or lose access to the commercial paper market. Concurrent with the proposed Lincoln merger announcement discussed earlier, our ratings were placed under review with negative implications, reflecting the rating agencies assessments of the merged entity that will exist following the closing of the transaction.

Our insurance subsidiaries have sold collateralized mortgage obligations and agency debentures under repurchase agreements involving various counterparties, accounted for as financing arrangements, with maturities less than six months. We may use proceeds to purchase securities with longer durations as an asset/liability management strategy. At December 31, 2005 and 2004, repurchase agreements, including accrued interest, were $452 and $468. The securities involved had a fair value and amortized cost of $469 and $457 at December 31, 2005 versus $489 and $459 at December 31, 2004. The maximum principal amounts outstanding were $598 and $528 during 2005 and 2004.

In June 2005, a subsidiary issued $300 of funding agreements that are reported as a component of policy liabilities within our consolidated balance sheets. The funding agreements were issued to a trust and back medium-term notes sold to investors by the trust. Our insurance subsidiary s general account assets back these funding agreements. Concurrent with the issuance of the funding agreements, the subsidiary executed an interest rate swap that converts the variable rate of the funding agreements issued to a fixed rate of 4.28%. This program represents a cost effective alternative for earning spread income to replace some portion of the lapses in our MYG annuity liabilities. Refer to Note 7 of our financial statements and the AIP segment results section for further discussion.

The junior subordinated debentures were issued in 1997 and consist of $206 at an interest rate of 8.14% and $103 at an interest rate of 8.285%. Interest is paid semi-annually. These debentures mature in 2046, but are redeemable prior to maturity at the option of the Company beginning January 15, 2007, with two-thirds subject to a call premium of 4.07% and the remainder subject to a call premium of 4.14%, each grading to zero as of January 15, 2017.

In January 2004, we issued $300 of 4.75% 10-year term notes and $300 of floating rate EXtendible Liquidity Securities® (EXLs) that currently have a maturity of December 2006, as of December 31, 2005, subject to periodic extension through 2011. Each quarter, the holders must make an election to extend the maturity of the EXLs for 13 months, otherwise they become due and payable on the next maturity date to which they had previously been extended. The EXLs bear interest at

LIBOR plus a spread, which increases annually to a maximum of 10 basis points. The proceeds from the debt issuances were used to support the Canada Life acquisition and to pay down commercial paper while rebalancing the mix of fixed and floating rate debt and short and long term maturities in our capital structure.

Stockholders equity decreased $17 in 2005 compared to an increase of $128 in 2004. Unrealized gains on available-for-sale securities, which are included as a component of stockholders equity, decreased $237 and increased $12 in those years. The remaining change in stockholders equity reflects net income, dividends to stockholders, changes in the fair values of derivatives, changes in the minimum pension liability, and common share activity due to issuance of shares under our stock option plans and share repurchases. Our ratio of stockholders equity to assets excluding separate accounts was 11.7%, 12.0% and 12.5% at December 31, 2005, 2004 and 2003.

In 2005 we repurchased 3,175,500 of our common shares at an average cost of $49.12 per share compared to 5,368,200 shares at an average cost of $51.05 in 2004. At year-end 2005, we had authorization from our board to repurchase 0.9 million additional shares, but no repurchases are presently contemplated.

Our insurance subsidiaries have statutory surplus and risk based capital levels well above current regulatory required levels. As mentioned earlier, approximately half of our life sales consist of products containing no-lapse guarantees (secondary guarantees). Regulators recently approved statutory reserving practices under Actuarial Guideline 38 (referred to as AXXX or the Guideline) that will require us, and other companies, to record higher AXXX reserves on new sales during a 21-month period beginning July 1, 2005, followed by a long-term change to reserving methods for these products. Under these reserving practices, we established approximately $77 of additional statutory reserves ($45 after-tax reduction in surplus) over the second half of 2005. Absent changes to product pricing or product design, we estimate that new sales during 2006 will require $180 of additional statutory reserves ($110 after-tax reduction in surplus) in addition to the December 31, 2005 amount. As a result of the new requirements, we are in the process of re-pricing our principal secondary-guarantee products. We expect that other insurers may also increase pricing or may limit the availability of guaranteed no-lapse features and other benefits included in future designs of life insurance products. In December 2004, we formed an insurance subsidiary chartered in Bermuda for the purpose of providing intracompany reinsurance. In conjunction with the establishment of this subsidiary, we obtained a $500 letter of credit facility, which will provide credit enhancement for our subsidiary s reinsurance obligations. JP is a guarantor under the letter of credit facility. At December 31, 2005, we had not reinsured any reserves subject to AXXX. We and other insurers may seek other capital market solutions to mitigate the impact on statutory capital. We cannot estimate the cost of potential alternative solutions.

As mentioned earlier, our insurance subsidiaries have statutory surplus and risk based capital levels well above regulatory required levels. These capital levels together with the rating agencies assessments of our business strategies have enabled our major life insurance affiliates to attain the following financial strength ratings:

	JP Life	JPFIC	JPLA
A.M. Best	A++	A++	A++
Standard & Poor s	AAA	AAA	AAA
Fitch Ratings	AA+	AA+	AA+

The ratings by A.M. Best and Standard & Poor s are currently the highest available by those rating agencies, while the ratings by Fitch Ratings is that agency s second highest rating. All of these ratings were reaffirmed in 2005. A significant drop in our ratings, could potentially impact future sales

and/or accelerate surrenders on our business in force. Concurrent with the proposed merger announcement discussed earlier in the Overview section, our ratings were placed under review with negative implications, reflecting the rating agencies assessments of the merged entity that will exist following the closing of the transaction.

Liquidity

Liquidity management is designed to ensure that adequate funds are available to meet all current and future financial obligations. The Company meets its liquidity requirements primarily by positive cash flows from the operations of subsidiaries, and to a lesser extent, cash flows provided by debt securities and borrowings. Primary sources of cash from the Communications operations are revenues from broadcast advertising, and primary uses include payments for commissions, compensation and related costs, sports rights, interest, income taxes and purchases of fixed assets.

Proper liquidity management is crucial to preserve stable, reliable, and cost-effective sources of cash to meet future benefit payments under our various insurance and deposit contracts, pay operating expenses (including interest and income taxes), provide funds for debt service and dividends, pay costs related to acquiring new business, and maintain reserve requirements. In this process, we focus on our assets and liabilities, the manner in which they combine, and the impact of changes in both short-term and long-term interest rates, market liquidity and other factors. We believe we have the ability to generate adequate cash flows for operations on a short-term basis and a long-term basis. Additionally, the Company has access to unused borrowing capacity including unused short-term lines of credit.

Net cash provided by operations in 2005, 2004 and 2003 was $476, $991 and $537. The changes reflect higher federal income tax payments in 2005 and lower payments in 2004, and the proceeds received in the Canada Life reinsurance transaction.

Net cash used in investing activities was $979, $1,786 and $1,420 in 2005, 2004 and 2003. The decline from 2004 is primarily due to higher investment purchases last year from cash received in the Canada Life transaction and to lower sales of EIAs in 2005. In 2004, investment purchases increased substantially due to cash received in the Canada Life transaction and from higher sales of EIAs.

Net cash provided by financing activities was $566, $810 and $888 in 2005, 2004 and 2003, including cash inflows from policyholder contract deposits net of withdrawals of $556, $1,022 and $1,081. The fluctuations in net policyholder contract deposits reflect lower sales of EIAs and higher surrenders of annuities in 2005 compared to 2004. Net borrowings increased in 2004 over 2003 largely due to borrowings to support the Canada Life acquisition.

In order to meet the parent company s dividend payments, debt servicing obligations and other expenses, we rely on dividends from our insurance subsidiaries. Cash dividends received from our insurance and non-insurance subsidiaries by the parent company were $308, $289 and $273 in 2005, 2004 and 2003. Our life insurance subsidiaries are subject to laws in their states of domicile that limit the amount of dividends that can be paid without the prior approval of the respective state s insurance regulator. The limits are based in part on the prior year s statutory income and capital, which are negatively impacted by bond losses and write-downs and by increases in reserves. Approval of these dividends will depend upon the circumstances at the time, but we have not experienced problems with state approvals in the past.

Cash and cash equivalents were $150, $87 and $72 at December 31, 2005, 2004 and 2003. The parent company and non-regulated subsidiaries held equity and fixed income securities of $611, $678 and $753 at these dates, the decline reflecting the effect of equity markets and some equity sales. We consider the majority of these securities to be a source of liquidity to support our strategies.

Total assets increased $973 in 2005, primarily due to net policyholder contract deposits and growth in DAC, which more than offset dividends, stock repurchases and lower unrealized gains on investments.

Total debt and equity securities available-for-sale at December 31, 2005 and 2004 were $20,826 and $20,375. Related gross unrealized gains and losses at December 31, 2005 were $1,039 and $(233) compared to gross unrealized gains and losses at December 31, 2004 of $1,415 and $(57).

At December 31, 2005 and 2004, we had reinsurance receivables of $784 and $828 and policy loans of $58 and $61 which are related to the businesses of JP Financial that are coinsured with Household International (HI) affiliates. HI has provided payment, performance and capital maintenance guarantees with respect to the balances receivable. We regularly evaluate the financial condition of our reinsurers and monitor concentrations of credit risk related to reinsurance activities. We have not suffered any significant credit losses from reinsurance activities in the last three years.

Contractual Obligations

The following table details our contractual obligations, including principal and interest where applicable, at December 31, 2005. The amounts in the table are different than those reported in our consolidated balance sheet at December 31, 2005 due to the consideration of interest in debt obligations and discounted estimates of future payments for policy liabilities excluding the impact of future premium revenues. Some of the figures we include in this table are based on management s estimates and assumptions about these obligations, including their duration, the possibility of renewal, anticipated actions by third parties, and other factors. Because these estimates and assumptions are necessarily subjective, the enforceable and legally binding obligations we will actually pay in future periods are likely to vary from those reflected in the table.

	Estimated Payments Due by Period				
	2006	2007-2008	2009-2010	2011 and After	Total
Commercial paper borrowings	$ 261	$	$	$	$ 261
Reverse repurchase agreements	453				453
EXLs	15	29	30	303	377
10-year term notes	14	29	29	344	416
Junior subordinated debentures	25	335			360
Purchase obligations	67	122	88	49	326
Total, excluding policy liabilities	835	515	147	696	2,193
Policy liabilities, discounted	3,440	5,506	4,323	18,614	31,883
Total contractual obligations	$ 4,275	$6,021	$4,470	$19,310	$34,076

External commercial paper and reverse repurchase agreements represent short-term debts that are due in less than one year.

As discussed earlier, a life insurance subsidiary of the Company established a program in 2005 for an unconsolidated special purpose entity, Jefferson-Pilot Life Funding Trust I (the Trust), to sell medium-term notes through investment banks to commercial investors, and $300 were sold in June 2005. The funding agreements issued to the Trust are classified as a component of policy liabilities within the consolidated balance sheets.

As discussed earlier, the floating-rate EXLs currently were renewed in November 2005, subject to periodic extension through 2011. For purposes of this table, we have assumed these securities will be extended until 2011 and have calculated interest payments by applying the spreads defined in the agreement to 1-year LIBOR forward rates.

The payments for the 10-year term notes are based on the amortization schedule included in the debt agreement.

As discussed under Capital Resources , the junior subordinated debentures mature in 2046, or earlier at our option beginning in 2007. For purposes of this table, we have assumed the debentures will be paid off in 2007. We expect the funds needed to pay off these debentures would come from new, lower cost borrowings.

Purchase obligations consist of JPCC commitments for purchases of syndicated television programming and commitments on other contracts and future sports programming rights. We have estimated the amount of the future obligations that will be required under the present terms of these arrangements to be $326 as of December 31, 2005, payable through the year 2011. We have commitments to sell a portion of the sports programming rights to other entities and advertising contracts with customers for the airing of commercials totaling $229 over the same period. These commitments are not reflected as an asset or liability in our balance sheets because the programs are not currently available for use. We expect advertising revenues that are sold on an annual basis to fund the purchase commitments. In the second quarter of 2005, JPCC executed an agreement that gives JP Sports and its broadcasting partner 50/50 television syndication rights to Atlantic Coast Conference football and basketball games through the 2010 seasons . Through 2005, JPCC held the football rights individually.

Our total policy liabilities also represent contractual obligations, where the timing of payments is uncertain because it depends on insurable events or policyholder surrenders. Our asset-liability management process, discussed further in Market Risk Exposures, is designed to appropriately match our invested assets with the actuarially estimated timing of amounts payable to our policyholders. We have included an estimate as to the timing of the payment of these obligations in the table above, assuming a level interest rate scenario. The amounts presented were discounted over a 50-year period using an interest rate of 6%.

Off Balance Sheet Arrangements and Commitments

We have no material off balance sheet arrangements of a financing nature. We routinely enter into commitments to extend credit in the form of mortgage loans and to purchase certain debt instruments in private placement transactions for our investment portfolio. The fair value of such outstanding commitments as of December 31, 2005 approximates $29. These commitments will be funded through cash flows from operations and investment maturities during 2005 and are not included in contractual obligations listed above.

Investments

Portfolio Description

Our strategy for managing the investment portfolio of our insurance subsidiaries is to consistently meet pricing assumptions while appropriately managing credit risk. We invest for the long term, and most of our investments are held until they mature. Our investment portfolio includes primarily fixed income securities and commercial mortgage loans. The nature and quality of investments that our insurance subsidiaries hold must comply with state regulatory requirements. We have

established a formal investment policy, which describes our overall quality and diversification objectives and limits.

Approximately 91% of our securities portfolio has been designated as available-for-sale (AFS) and is carried on the balance sheet at fair value. We determine fair values of our securities, including securities not actively traded, using the methodology described in the Critical Accounting Policies and Estimates section above. Changes in fair values of AFS securities (net of related deferred policy acquisition cost, value of business acquired, and income taxes) are reflected in other comprehensive income. The remainder of our securities portfolio has been designated as held-to-maturity (HTM). As prescribed by GAAP, HTM securities are carried at amortized cost, and accordingly there is a difference between fair value and carrying value for HTM securities.

The following table shows the carrying values of our invested assets.

	December 31, 2005		December 31, 2004	
Publicly-issued bonds	$ 16,997	60.4%	$ 16,871	61.0%
Privately-placed bonds	5,172	18.4	5,210	18.8
Total bonds	22,169	78.8	22,081	79.8
Redeemable preferred stock	11		13	0.1
Total debt securities	22,180	78.8	22,094	79.9
Mortgage loans on real property	3,982	14.2	3,667	13.3
Common stock	618	2.2	647	2.3
Non-redeemable preferred stock	2		3	
Policy loans	833	3.0	839	3.0
Real estate	124	0.4	125	0.5
Other	252	0.9	193	0.7
Cash and equivalents	150	0.5	87	0.3
Total	$ 28,141	100.0%	$ 27,655	100.0%

Unrealized Gains and Losses

The following table summarizes by category the unrealized gains and losses in our entire securities portfolios, including common stock and redeemable preferred stock, as of December 31, 2005:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
AFS, carried at fair value					
US Treasury obligations and direct obligations of US Government agencies	$ 241	$ 7	$ (1)	$ 247	$ 247
Federal agency mortgage-backed securities (including collateralized mortgage obligations)	1,225	33	(10)	1,248	1,248
Obligations of states and political subdivisions	62	5		67	67
Corporate obligations	16,994	542	(204)	17,332	17,332
Corporate private-labeled mortgage-backed securities (including collateralized mortgage obligations)	1,297	21	(17)	1,301	1,301
Redeemable preferred stock	9	2		11	11
Subtotal, debt securities	19,828	610	(232)	20,206	20,206
Non-redeemable preferred stock	1	1		2	2
Common stock	191	428	(1)	618	618
Securities available-for-sale	20,020	1,039	(233)	20,826	20,826
HTM, carried at amortized cost					
Obligations of state and political subdivisions	5	1		6	5
Corporate obligations	1,969	103	(13)	2,059	1,969
Debt securities held-to-maturity	1,974	104	(13)	2,065	1,974
Total AFS and HTM securities	$ 21,994	$ 1,143	$ (246)	$ 22,891	$ 22,800

The majority of our unrealized gains and losses can be attributed to changes in interest rates and market changes in credit spreads. These unrealized gains and losses do not necessarily represent future gains or losses that will be realized. Changing conditions related to specific bonds, overall market interest rates, credit spreads or equity securities markets as well as general portfolio management decisions are likely to impact values we ultimately realize. Gross unrealized gains and losses at December 31, 2004 were $1,569 and $(66).

The following table shows the diversification of unrealized gains and losses for our debt securities portfolio across industry sectors as of December 31, 2005:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Industrials					
Basic Materials	$ 1,027	$ 25	$ (13)	$ 1,039	$ 1,035
Capital Goods	1,371	48	(13)	1,406	1,395
Communications	1,358	37	(26)	1,369	1,360
Consumer Cyclical	1,128	33	(29)	1,132	1,122
Consumer Non-Cyclical	2,283	83	(21)	2,345	2,337
Energy	1,347	48	(8)	1,387	1,384
Technology	400	4	(16)	388	387
Transportation	855	43	(9)	889	887
Other Industrials	717	21	(5)	733	731
Utilities	4,006	179	(30)	4,155	4,128
Financials					
Banks	2,578	78	(27)	2,629	2,621
Insurance	782	19	(7)	794	791
Other Financials	1,428	42	(14)	1,456	1,453
Mortgage-backed Securities (including Commercial Mortgage-backed Securities)	2,522	54	(27)	2,549	2,549
Total	$ 21,802	$ 714	$ (245)	$ 22,271	$ 22,180

Credit Risk Management

Our internal guidelines require an average quality of an S&P or equivalent rating of A or higher for the entire bond portfolio. At December 31, 2005, the average quality rating of our bond portfolio was A , which equates to a rating of 1 from the National Association of Insurance Commissioners Securities Valuation Office (SVO). We monitor the overall credit quality of our portfolio within internal investment guidelines. This table describes our debt security portfolio by credit rating.

SVO Rating	S&P or Equivalent Designation	Amortized Cost	Fair Value	Carrying Value	% of Carrying Value
1	AAA	$ 2,997	$ 3,033	$ 3,029	13.7%
1	AA	1,962	2,017	2,010	9.1
1	A	7,687	7,911	7,867	35.4
2	BBB	7,822	7,973	7,936	35.8
3	BB	875	883	884	4.0
4	B	424	418	418	1.9
5	CCC and lower	26	26	26	0.1
6	In or near default	9	10	10	0.0

Total	$ 21,802	$ 22,271	$ 22,180	100.0%

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Limiting our bond exposure to any one creditor is another way we manage credit risk. The following table lists our ten largest exposures to an individual creditor in our bond portfolio as of December 31, 2005. As noted above, the carrying values in the following tables are stated at fair value for AFS securities and amortized cost for HTM securities.

Creditor	Sector	Carrying Value
Wachovia	Financial Institutions	$ 145
HSBC Holdings PLC	Financial Institutions	108
JP Morgan Chase & Co	Financial Institutions	106
General Electric Co	Capital Goods	104
Cargill Incorporated	Consumer, Noncyclical	104
Goldman Sachs Group	Financial Institutions	103
Weingarten Realty Investors	Financial Institutions	102
Citigroup Inc	Financial Institutions	102
Wells Fargo & Co	Financial Institutions	101
BB&T Corp	Financial Institutions	100

We monitor those securities that are rated below-investment-grade as to individual exposures and in comparison to the entire portfolio, as an additional credit risk management strategy.

The following table shows the ten largest below-investment-grade debt security exposures by individual issuer at December 31, 2005. Investment grade bonds of issuers listed below are not included in these values. The gross unrealized gain or loss shown below is calculated as the difference between the amortized cost of the securities and their fair values.

Creditor	Sector	Amortized Cost	Fair Value	Gross Unrealized Gain/(Loss)	Carrying Value
El Paso Corp	Utilities	$48	$48	$	$ 48
Ahold, Royal	Consumer, NonCyclical	43	46	3	46
General Motors Corp	Consumer, Cyclical	52	41	(11)	41
Ford Motor	Consumer, Cyclical	44	38	(6)	38
Kerr-McGee Corp	Energy	36	38	2	38
Nova Chem. Ltd/Nova	Basic Materials	36	36		36
Rite Aid Corp	Consumer, Cyclical	33	33		33
Homer City Funding LLC	Utilities	24	27	3	27
Williams Cos Inc	Utilities	26	27	1	27
Qwest Communications Intl	Communications	25	27	2	27

At December 31, 2005 and 2004, below investment grade bonds were $1,334 or 6.0% and $1,299 or 5.9% of the carrying value of the bond portfolio, reflecting sales, purchases, upgrades and downgrades of below investment grade bonds that occurred in 2005.

As noted above, credit risk is inherent in our bond portfolio. We manage this risk through a structured approach in which we assess the effects of the changing economic landscape. We devote a significant amount of effort of both highly specialized, well-trained internal resources and external experts in our approach to managing credit risk.

Impairment Review

In identifying potentially distressed securities , we review all securities held, with a particular emphasis on securities that have a fair value to amortized cost ratio of less than 80%. However, as part of this identification process, management must make assumptions and judgments using the following information:

current fair value of the security compared to amortized cost;

length of time the fair value was below amortized cost;

industry factors or conditions related to a geographic area that are negatively affecting the security;

downgrades by a rating agency;

past due interest or principal payments or other violation of covenants; and

deterioration of the overall financial condition of the specific issuer.

In analyzing securities for other-than-temporary impairments, we then pay special attention to securities that have been potentially distressed for a period greater than six months. We assume that, absent reliable contradictory evidence, a security that is potentially distressed for a continuous period greater than twelve months has incurred an other-than-temporary impairment. Such reliable contradictory evidence might include, among other factors, a liquidation analysis performed by our investment professionals and consultants, improving financial performance or valuation of underlying assets specifically pledged to support the credit.

When we identify a security as potentially impaired, we add it to our potentially distressed security list and determine if the impairment is other-than-temporary. Various committees comprised of senior management and investment analysts intensively review the potentially distressed security list to determine if a security is deemed to be other than temporarily impaired. In this review, we consider the following criteria:

fundamental analysis of the liquidity and financial condition of the specific issuer;

underlying valuation of assets specifically pledged to support the credit;

time period in which the fair value has been significantly below amortized cost;

industry sector or geographic area applicable to the specific issuer; and

our ability and intent to retain the investment for a sufficient time to recover its value.

When this intensive review determines that the decline is other-than-temporary, the security is written down to fair value through a charge to realized investment gains and losses. We adjust the amortized cost for both AFS and HTM securities that have experienced other-than-temporary impairments to reflect fair value at the time of the impairment. We consider factors that lead to an other-than-temporary impairment of a particular security in order to determine whether these conditions have impacted other similar securities.

We monitor unrealized losses through further analysis according to maturity date, credit quality, individual creditor exposure and the length of time the individual security has continuously been in an unrealized loss position.

The following table shows the maturity date distribution of our debt securities in an unrealized loss position at December 31, 2005. The fair values of these securities could fluctuate over the respective periods to maturity or any sale.

	Amortized Cost	Fair Value	Gross Unrealized Losses	Carrying Value
Due in one year or less	$ 46	$ 43	$ (3)	$ 44
Due after one year through five years	2,105	2,058	(47)	2,061
Due after five years through ten years	5,287	5,162	(125)	5,169
Due after ten years through twenty years	1,278	1,246	(32)	1,247
Due after twenty years	1,020	984	(36)	985
Amounts not due at a single maturity date	104	102	(2)	102
Subtotal	9,840	9,595	(245)	9,608
Redeemable preferred stocks	3	3		3
Total	$ 9,843	$9,598	$(245)	$ 9,611

The following table shows the credit quality of our debt securities with unrealized losses at December 31, 2005:

SVO Rating	S&P or Equivalent Designation	Amortized Cost	Fair Value	% of Fair Value	Gross Unrealized Losses	% of Gross Unrealized Losses	Carrying Value
1	AAA/AA/A	$ 5,709	$ 5,585	58.2%	$ (124)	50.6%	$ 5,589
2	BBB	3,729	3,620	37.7	(109)	44.5	3,628
3	BB	272	262	2.7	(10)	4.1	263
4	B	126	124	1.3	(2)	0.8	124
5	CCC and lower	7	7	0.1		0.0	7
6	In or near default			0.0		0.0	
	Total	$ 9,843	$ 9,598	100.0%	$ (245)	100.0%	$ 9,611

One individual creditor, General Motors Corp, has an unrealized loss of $10.8 at December 31, 2005. No other individual creditor has an unrealized loss of $10 or greater at December 31, 2005.

The following table shows the length of time that individual debt securities have been in a continuous unrealized loss position.

	Fair Value	Gross Unrealized Losses	% of Gross Unrealized Losses	Carrying Value
More than 1 year	$ 1,369	$ (93)	38.0%	$ 1,339

6 months 1 year	1,022	(44)	18.0	1,026
Less than 6 months	7,207	(108)	44.0	7,246
Total	$ 9,598	$ (245)	100.0%	$ 9,611

Of the $245 gross unrealized losses on debt securities at December 31, 2005, $10.9 was included in our potentially distressed securities list of which $5.8 has been on the list for less than six months.

Information about unrealized gains and losses is subject to rapidly changing conditions. Securities with unrealized gains and losses will fluctuate, as will those securities that we have identified

as potentially distressed. We consider all of the factors discussed earlier when we determine if an unrealized loss is other-than-temporary, including our ability and intent to hold the security until the value recovers. However, we may subsequently identify securities for which a change in facts and circumstances regarding the specific investments has occurred. At such time, we will write down the security to fair value to recognize any unrealized losses. In 2005, we recognized $18.6 of impairments for securities that we no longer had the intent and ability to hold until forecasted recovery.

Realized Losses   Write-Downs and Sales

Realized losses are comprised of both write-downs on other-than-temporary impairments and actual sales of securities.

In 2005, we had other-than-temporary impairments on securities of $36.1 as compared to $60 for 2004. No individual securities experienced a write-down amount greater than $10 in 2005.

In 2004, there were two securities with write-down amounts of greater than $10. The first was the write down of a commercial cable equipment company for $10.1. This was due to the likely bankruptcy filing following an adverse judicial ruling on a summary judgment motion. The value of assets may not exceed the cost of a bankruptcy filing or the costs of winding down the operations. This had no impact on other holdings in our portfolio. The second was the write-down of a national passenger airline for $17.5. This was due to high labor costs, increasing fuel prices, intense competition from low cost carriers, an inability to access capital, and the lack of demand for older aircraft. We have been actively managing all of our exposures to the passenger airline industry, although this write-down had no impact on other holdings in our portfolio.

In 2005 we incurred losses of $19.8 on sales of securities. There were no individually material losses on sales of securities in 2005. After consideration of all available evidence, none of these disposals previously met the criteria for other-than-temporary impairment. The Company will continue to manage its AFS portfolio in a manner that is consistent with the available-for-sale classification.

Mortgage-backed Securities

Mortgage-backed securities (including Commercial Mortgage-backed Securities) at December 31, 2005 and 2004, all of which are included in debt securities available-for-sale, were as follows:

	2005	2004
Federal agency issued mortgage-backed securities	$ 1,248	$ 1,670
Corporate private-labeled mortgage-backed securities	1,301	688
Total	$ 2,549	$ 2,358

Our investment strategy with respect to our mortgage-backed securities (MBS) portfolio focuses on actively traded issues with less volatile cash flows. The majority of the MBS holdings are sequential and planned amortization class tranches of federal agency issuers. The MBS portfolio has been constructed with underlying mortgage collateral characteristics and structure in order to mitigate cash flow volatility over a range of interest rates.

Our MBS portfolio is primarily a discount portfolio; therefore, prepayments accelerate the accretion of discount into income. We experienced MBS prepayments totaling $536 or 21.86% and $1,034 or 39.3% of the average carrying value of the MBS portfolio in 2005 and 2004. The excess accretion of discount insignificantly impacted investment income in both 2005 and 2004, while it increased investment income $49.8 in 2003. These prepayments are reinvested at yields that are lower

than our current portfolio yields, producing less investment income going forward. During 2005, our MBS exposure increased slightly due to portfolio sales of corporate bonds being reinvested in MBS.

Mortgage Loans

We record mortgage loans on real property net of an allowance for credit losses. This allowance includes reserve amounts for specific loans, and a general reserve that is calculated by review of historical industry loan loss statistics. We consider future cash flows and the probability of payment when we calculate our specific loan loss reserve. At December&nb