The American Life & Security Corporation

Statutory Financial Statements and
Supplemental Schedules
December 31, 2010 and 2009
(With Independent Auditor’s Report Thereon)

McGladrey

In accordance with your request, this PDF file, which contains an unsecured electronic final version of the statutory financial statements, was provided to allow you to comply with the request of the NAIC. You understand that this electronic version is not secure and it is possible for financial information to be manipulated.

These statutory financial statements and our report thereon are not to be modified in any manner. The final version of these statutory financial statements and related auditor's report as provided in print form is the official version and the only version which should be relied upon. Once provided to the NAIC, this version should be deleted from your records and the secured version (also provided) should be used to comply with all future requests for electronic versions of these statutory financial statements.

Contents

McGladrey

Independent Auditors' Report

The Board of Directors
American Life & Security Corporation

We have audited the accompanying statutory statements of admitted assets, liabilities, and capital stock and surplus of American Life & Security Corporation (the Company) as of December 31, 2010 and 2009 and the related statutory statements of operations, capital stock and surplus, and cash flows for the years then ended. These statutory financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statutory financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statutory financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statutory financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 2 to the statutory financial statements, the Company prepared these statutory financial statements using accounting practices prescribed or permitted by the Nebraska Department of Insurance, which practices differ from accounting principles generally accepted in the United States of America. The effects on statutory financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America are described in Note 2.

In our opinion, because of the effects of the matter described in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of American Life & Security Corporation as of December 31, 2010 and 2009 and the results of its operations or its cash flows for the years then ended.

However, in our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital stock and surplus of the American Life & Security Corporation as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Our audits were made for the purpose of forming an opinion on the basic statutory financial statements taken as a whole. The supplemental information included on the selected financial data, the supplemental summary investment schedule, and the supplemental investment risks interrogatories (supplemental information) is presented for purposes of additional analysis and are not a required part of the basic statutory financial statements. The effects on the supplemental information of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America are material. As a consequence, the supplemental information does not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2010 and for the year then ended. Such information has been subjected to the auditing procedures applied in the audit of the basic statutory financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic statutory financial statements taken as a whole.

McGladrey & Pullen, LLP

Omaha, Nebraska
May 31, 2011

American Life & Security Corporation

Statutory Statements of Admitted Assets, Liabilities, and Capital Stock and Surplus
December 31, 2010 and 2009

Admitted Assets	**2010**	2009
Cash and invested assets:		
Bonds, at admitted value	**$ 5,407,190**	$ 4,825,847
Preferred stock, at admitted value	**200,000**	-
Common stock of affiliate, at admitted value	**1,584,780**	-
Other assets	**247,666**	
Contract loans	**94,272**	-
Cash, including short-term investments in the amount of $2,796 and $1,288, respectively, at cost which approximates market	**2,817,378**	984,081
Total cash and invested assets	**10,351,286**	5,809,928
Interest and dividends due and accrued	**62,850**	37,643
Premiums and considerations	**87,998**	9,892
Equipment, net of accumulated depreciation of $9,031 and $9,031, respectively	**1,071**	1,785
Total admitted assets	**$ 10,503,205**	$ 5,859,248
Liabilities and Capital Stock and Surplus		
Liabilities:		
Reserve for life contracts	**$ 4,241,487**	$ 111,735
Liability for deposit-type contracts	**188,403**	97,464
Contract claims	**51,288**	4,363
Accrued expenses and taxes	**57,000**	20,000
Amounts payable on reinsurance assumed	**43,551**	-
Advance premiums and amounts held or due agents	**14,998**	4,776
Interest maintenance reserve	**6,230**	-
Remittances and items not allocated	**167,483**	351,770
Asset valuation reserve	**3,495**	-
Payable to parent company	**92,345**	70,641
Total liabilities	**4,866,280**	660,749
Capital stock and surplus		
Capital stock:		
Common stock, $1 par value. Authorized 1,500,000 shares; issued and outstanding as of December 31, 2010 and 2009	**1,500,000**	1,500,000
Total capital stock	**1,500,000**	1,500,000
Surplus:		
Gross paid-in and contributed surplus	**6,018,459**	4,018,459
Unassigned deficit	**(1,881,534)**	(319,960)
Total surplus	**4,136,925**	3,698,499
Total capital stock and surplus	**5,636,925**	5,198,499
Total liabilities and capital stock and surplus	**$ 10,503,205**	$ 5,859,248

See Notes to Statutory Financial Statements.

American Life & Security Corporation

Statutory Statements of Operations
Years Ended December 31, 2010 and 2009

	2010	2009
Income:		
Premiums earned	**$ 2,094,242**	$ 354,352
Investment income earned, net of investment expenses of $23,099 and $3,502, respectively	**120,214**	40,594
Consideration on reinsurance assumed	**3,729,599**	-
Total income	**5,944,055**	394,946
Benefits and expenses:		
Increase in aggregate reserves for life contracts	**4,129,750**	111,735
Benefits to policyholders	**537,778**	4,363
Interest and adjustments on deposit-type contract funds	**4,741**	527
Commissions	**1,599,827**	255,659
Taxes, licenses and fees	**344,291**	65,209
General expenses	**757,238**	212,915
Total benefit and expenses	**7,373,625**	650,408
Net loss from operations before net realized investment loss	**(1,429,570)**	(255,462)
Net realized loss on investments, net of taxes of $0 and $0, excluding amounts transferred to IMR of $272 and $0, respectively	**(3,985)**	(744)
Net loss	**$ (1,433,555)**	$ (256,206)

See Notes to Statutory Financial Statements.

American Life & Security Corporation

Statutory Statements of Capital Stock and Surplus
Years Ended December 31, 2010 and 2009

	2010	2009
Capital stock:		
Common stock	**$ 1,500,000**	$ 1,500,000
Gross paid-in and contributed surplus:		
Balance at beginning of year	**4,018,459**	-
Paid in surplus	**2,000,000**	4,018,459
Balance at end of year	**6,018,459**	4,018,459
Unassigned surplus:		
Balance at beginning of year	**(319,960)**	-
Net loss	**(1,433,555)**	(256,206)
Change in unrealized capital losses	**(123,987)**	-
Change in nonadmitted assets	**(480,803)**	(171,917)
Change in deferred taxes	**480,266**	108,163
Change in asset valuation reserve	**(3,495)**	-
Balance at end of year	**(1,881,534)**	(319,960)
Total capital stock and surplus	**$ 5,636,925**	$ 5,198,499

See Notes to Statutory Financial Statements.

American Life & Security Corporation

Statutory Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Cash from operations:		
Premiums collected, net	**$ 1,921,384**	$ 320,277
Reinsurance commission received	**3,729,637**	-
Benefit and loss related payments	**(452,041)**	(527)
Underwriting expenses paid	**(2,569,065)**	(490,584)
Investment income, net	**150,886**	16,870
Net cash provided by (used in) operations	**2,780,801**	(153,964)
Cash from investments:		
Proceeds from investments sold	**6,678,773**	-
Cost of bonds acquired	**(7,309,216)**	(4,839,526)
Cost of stocks acquired	**(2,156,433)**	-
Net loss on short-term investments	**(4,390)**	-
Net change in contract loans	**(94,272)**	-
Net cash used in investments	**(2,885,538)**	(4,839,526)
Cash provided by financing and miscellaneous sources:		
Capital and paid in surplus	**2,000,000**	5,518,459
Net deposits on deposit type contracts	**90,935**	97,464
Other cash (uses) sources	**(152,901)**	361,648
Net cash provided by financing and miscellaneous sources	**1,938,034**	5,977,571
Net increase in cash and short-term investments	**1,833,297**	984,081
Cash and short-term investments at beginning of year	**984,081**	-
Cash and short-term investments at end of year	**$ 2,817,378**	$ 984,081

See Notes to Statutory Financial Statements.

Note 1. Company Overview

The American Life & Security Corporation (the Company) is a wholly-owned subsidiary of Midwest Holding Inc. (MHI). The Company was incorporated on May 7, 2009. The Company was also granted a certificate of authority to write insurance in the State of Nebraska on September 1, 2009. The Company is engaged in the business of underwriting, selling, and servicing life insurance and annuity policies.

The Company owns 100% of the common stock of Capital Reserve Life Insurance Company (Capital Reserve). Capital Reserve is a stock life insurance company domiciled in Missouri and is authorized to write business in Missouri, Kansas, and Iowa. The Company purchased Capital Reserve on June 20, 2010 for $1,956,433.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The accompanying statutory financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by the Nebraska Department of Insurance, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Prescribed statutory accounting policies include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting policies other than those prescribed. The NAIC Accounting Practices and Procedures Manual (NAIC SAP) has been adopted as a component of prescribed practices by the State of Nebraska. The Company does not employ any practices not prescribed by the NAIC or the Nebraska Department of Insurance in the preparation of its statutory financial statements.

The more significant differences between statutory accounting practices and GAAP are as follows:

- Investments in bonds with an NAIC rating of 1 through 5 are carried at amortized cost; whereas bonds with an NAIC rating of 6 are written down to fair value by charging statutory surplus. Under GAAP, bonds are classified into three categories: held to maturity, available for sale, and trading. Bonds held to maturity are stated at amortized cost; bonds available for sale are stated at fair value and the resulting unrealized gains or losses, net of applicable income taxes, are charged or credited to surplus; and bonds held for trading are reported at fair value and the resulting unrealized gains and losses are reported in earnings, net of related taxes.

  The fair value of investments on a statutory basis is determined by the SVO, where as for GAAP, the fair value of investments is determined based on the expected exit price.

- Assets having economic value other than those that can be used to fulfill policyholder obligations are categorized as “nonadmitted assets” and are not permitted to be included in the statutory financial statements of admitted assets, liabilities, and capital and surplus, whereas, for GAAP, these assets are recognized in the balance sheet. Included with nonadmitted assets are furniture, equipment and supplies, prepaid expenses, certain receivables, certain deferred tax assets and other items that do not meet statutory criteria for admitted assets.

- Receivables over 90 days outstanding are not admitted to the statutory financial statements and charged to surplus, whereas, for GAAP, the Company assesses the collectability of premiums receivable and any charge is to the income statement.

Note 2. Summary of Significant Accounting Policies (Continued)

- Deferred federal income taxes are provided for the tax effects of certain income and expense items recognized for income tax purposes in different years than for financial reporting purposes. The change in the deferred tax asset or liability is reflected in surplus. GAAP requires the change to be reported in income. Admittance testing may result in a charge to capital and surplus for nonadmitted portions of the deferred tax asset. State taxes are not considered for statutory purposes in calculating a deferred tax asset or liability, however, they are considered for GAAP purposes.

  Both statutory and GAAP guidance requires a valuation allowance be established where the deferred tax asset is reduced, if based on the weight of available evidence it is more likely than not that some portion or all of a gross deferred tax asset will not be realized, to its realizable value. Changes in valuation allowance are reported in a similar manner to which changes in deferred tax assets and liabilities are reported, as noted above.

- The statutory financial statements are presented net of the effects of reinsurance, whereas, for GAAP, the financial statements are presented gross of the effects of reinsurance.

- Capital contributions can be made after the reporting period and with approval from the Nebraska Commissioner of Insurance can be classified as capital contributions for a prior reporting period for statutory purposes. Under GAAP, these capital contributions are recorded as capital contributions on the date they are made.

- Commissions allowed by reinsurers on business ceded are reported as income when received rather than being deferred and, to the extent recoverable, amortized with deferred policy acquisition costs, as required under GAAP.

- Comprehensive income is not determined for statutory reporting purposes, whereas, for GAAP, such income is presented.

- The statutory statement of cash flows differs in certain respects from the presentation required within GAAP literature, including the presentation of changes in cash and short-term investments instead of cash and cash equivalents. Short-term investments include securities with original maturities of one year or less.

- The statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statements of the Company filed with the NAIC and the state regulatory authorities, which differ from the presentation and disclosures of financial statements presented under GAAP reporting.

- The accounts of wholly owned subsidiaries are not consolidated with those of the Company as would be required under GAAP but are recorded at the equity of statutory basis net assets.

- The Company is required to establish an asset valuation reserve (AVR) and an interest maintenance reserve (IMR). The AVR provides for a standardized statutory investment valuation reserve for bonds, common stocks, mortgage loans, short-term investments, and other invested assets. Changes in this reserve are recorded as charges or credits to surplus. The IMR is designed to defer net realized capital gains and losses resulting from changes in interest rates in the market and to amortize them into income over the remaining life of the bond or mortgage loan sold. The IMR represents the unamortized portion not yet taken into income. AVR and IMR are not recorded for GAAP.

Note 2. Summary of Significant Accounting Policies (Continued)

A reconciliation of net income and capital and surplus, as presented in the accompanying statutory financial statements, and GAAP as of and for the years ended December 31, 2010 and 2009 are as follows:

	Net Loss		Capital and Surplus	
	2010	2009	**2010**	2009
Amounts stated in conformity with NAIC SAP	**$ (1,433,555)**	$ (256,206)	**$ 5,636,925**	$ 5,198,499
Other investment adjustments	**6,230**	-	**(446,819)**	(104,515)
Deferred acquisition costs	**981,353**	213,378	**1,685,500**	213,378
Nonadmitted assets	**-**	-	**64,291**	63,754
Provision for reinsurance	**(108,150)**	(63,699)	**(364,894)**	(71,046)
Other adjustments	**757**	(7,347)	**(19,404)**	-
Amounts stated in conformity with GAAP	**$ (553,365)**	$ (113,874)	**$ 6,555,599**	$ 5,300,070

Risk and uncertainties: Certain risks and uncertainties are inherent in the Company's day-to-day operations and in the process of preparing its statutory financial statements. The more significant of those risks and uncertainties, as well as the Company's method for mitigating the risks, are presented below and throughout the notes to the statutory financial statements.

- *Use of Estimates* – The preparation of statutory financial statements requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- *Reinsurance* – Reinsurance contracts do not relieve the Company from its obligations to insureds. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers to minimize its exposure to losses from reinsurer insolvencies. Management believes that any liability arising from this contingency would not be material to the Company's financial position.

- *Investments* – The Company is exposed to risks that issuers of securities owned by the Company will default or that interest rates will change and cause a decrease in the market value of its investments.

- *Loss Reserves* – The reserves for policy and contract claims consist of case-basis estimates for reported claims and estimates for unreported claims based on past claims-reporting experience. The management of the Company believes reserves for policy and contract claims are adequate to cover the ultimate liability. However, the ultimate claim costs may vary from the amounts presently provided.

Note 2. Summary of Significant Accounting Policies (Continued)

- *External Factors* – The Company is highly regulated by the state in which it is domiciled. Such regulations, among other things, limit the amount of rate increases on policies and impose restrictions on the amount and type of investments and the minimum surplus required to conduct business in the state. The impact of regulatory initiatives in response to the recent financial crisis, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, could subject the Company to substantial additional regulation.

- *Risk-Based Capital* – The NAIC has developed life risk-based capital (RBC) standards that relate an insurer's reported statutory surplus to the risks inherent in its overall operations. The RBC formula uses the statutory annual statement to calculate the minimum indicated surplus level to protect the Company from various risks that it faces. The NAIC model law calls for various levels of regulatory action based on the magnitude of an indicated RBC capital deficiency, if any. The Company continues to monitor its internal requirements and the NAIC's RBC requirements. The Company has determined that its surplus levels are in excess of the minimum capital requirements for all RBC action levels. Management believes that the Company's surplus levels are sufficient to support the level of risk inherent in its operations.

The credit quality of the bond portfolio at December 31, 2010 and 2009 is presented in the following table:

	2010		2009	
	Amortized Cost	**Percentage**	Amortized Cost	Percentage
Class 1 - highest quality	**$ 4,922,244**	**91%**	$ 4,825,847	100%
Class 2 - high quality	**484,946**	**9%**	-	0%
Class 3 - medium quality	**-**	**0%**	-	0%
Class 4 - low quality	**-**	**0%**	-	0%
Class 5 - lower quality	**-**	**0%**	-	0%
Class 6 - in or near default	**-**	**0%**	-	0%
	$ 5,407,190	**100%**	$ 4,825,847	100%

Bonds with ratings from AAA to BBB as assigned by Standard & Poor’s Corporation are generally considered as investment grade securities. Some securities issued by the U.S. government or an agency thereof are not rated but are considered to be investment grade. The NAIC regards U.S. Treasuries and agencies and all A ratings as Class 1 (highest quality), BBB ratings as Class 2 (high quality), BB ratings as Class 3 (medium quality), B ratings as Class 4 (low quality), C ratings as Class 5 (lower quality), and D ratings as Class 6 (in or near default).

Note 2. Summary of Significant Accounting Policies (Continued)

Investments: Investments are valued as prescribed by the NAIC and are generally reported as follows:

- Bonds are recorded at amortized cost using the scientific method (constant yield method). Bonds assigned a rating by NAIC of 6 are adjusted to market prices published by the NAIC with the offset reported as a change in surplus.

- Redeemable preferred stocks are stated at the lower amortized cost or NAIC fair values. Perpetual preferred stocks are carried at NAIC fair value.

- Policy loans are recorded at the aggregate unpaid balances.

- Stocks of insurance affiliates in which the Company has an interest of 10% or more are recorded based on the underlying audited statutory equity of the respective entities' financial statements. The change in the stated value is recorded as a change in net unrealized capital gains (losses), a component of surplus.

The assessment of other-than-temporary impairments is performed on a case-by-case basis. Factors considered by management in determining whether an other-than-temporary impairment exists (in other than loan-backed or structured investment securities) include: the financial condition, business prospects and creditworthiness of the issuer, the length of time and extent to which fair value has been less than cost for equity securities or amortized cost for fixed income securities, and the Company's intent and ability to retain such investments until the fair value recovers. If it is determined that the decline in fair market value is other than temporary, the carrying amount of the investment is written down to fair value as its new basis and the amount of the write-down is recorded as a realized loss.

Investment income consists primarily of interest and dividends. Interest is recognized on the accrual basis and dividends are recorded as earned at the ex-dividend date for stocks other than mandatorily redeemable, preferred stocks which are accrued to the redemption price.

Dividends or distributions received from affiliates shall be recognized in investment income when declared to the extent that they are not in excess of the undistributed accumulated earnings attributable to the investee. Dividends or distributions declared in excess of the undistributed accumulated earnings attributable to the investee shall reduce the carrying amount of the investment.

Investment income due and accrued 90 days past due is nonadmitted. There was no investment income due and accrued excluded from surplus at December 31, 2010 and 2009.

Realized gains and losses on securities transactions are determined on a specific identification basis and are included in the statutory statements of operations, net of federal income tax, subject to the provisions of the interest maintenance reserve.

The Company uses the prospective method to accrete the amortized cost basis to the ultimate expected cash flows.

Note 2. Summary of Significant Accounting Policies (Continued)

The Company may, from time to time, sell invested assets subsequent to the financial statement date that were considered temporarily impaired at the financial statement date for several reasons. For all subsequent sales of invested assets that were considered temporarily impaired at the financial statement date, the Company contemporaneously documents its rationale for its change in intent or ability to hold to recovery. The rationale for the change in the Company's ability or intent generally focuses on changes in the economic facts and circumstances related to the invested asset subsequent to the financial statement date, significant unforeseen changes in the Company's liquidity needs, or changes in tax laws or the regulatory environment.

Cash and short-term investments: Cash and short-term investments consist of cash on deposit with financial institutions and investments with original maturities of less than one year at the date of acquisition. These investments are carried at cost, which approximates fair value. At December 31, 2010 and 2009, the Company had substantially all of its cash on deposit with a bank.

Revenue recognition and related expenses: Life premiums are recognized as income over the premium-paying period of the related policies. Premium income includes reinsurance assumed and is reduced by premiums ceded. Increases in policy benefit reserves, policy acquisition costs, and other period expenses are charged to operations as incurred. Reinsurance commissions, administration, and expense allowances are recognized when incurred in accordance with the contract terms.

Reserves: Policy reserves provide amounts adequate to discharge estimated future obligations in excess of estimated future premiums on policies in force. Policy reserves for traditional and flexible premium insurance are computed principally by using the commissioners' reserve valuation method (CRVM) or the net level premium method with assumed interest rates and mortality as prescribed by regulatory authorities. Tabular interest, tabular less actual reserves released, and tabular cost for all life contracts are determined based upon statutory regulations.

The Company's deposit-type contracts are supplemental contracts, dividends, and premiums on deposit and are reported as policyholder funds left on deposit. Premiums on deposit relate to life products. Interest on deposit-type funds is compounded annually.

Policy reserves for life insurance include claim reserves and unearned premiums. Claims reserves, including incurred but not reported claims, represent management's estimate of the ultimate liability associated with unpaid policy claims, based upon analysis of past experience. To the extent that the ultimate liability differs from the amounts recorded, such differences are reflected in operations when additional information becomes known.

The Company records a premium deficiency reserve when it is established that future premium and current reserves are not sufficient to cover future claim payments and expenses on individual insurance programs. The Company currently does not have a premium deficiency reserve.

Property, furniture, fixtures, equipment and leasehold improvements: Property and equipment are carried at cost less accumulated depreciation. The Company provides for depreciation of property and equipment using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures are generally depreciated over 3 to 10 years. Depreciation expense was $6,274 and $3,417, respectively, for the years ended December 31, 2010 and 2009. Certain property and equipment is nonadmitted through a charge against surplus. Maintenance and repairs are charged to expense as incurred.

Note 2. Summary of Significant Accounting Policies (Continued)

Federal income taxes: Current income taxes incurred are recognized in the statutory statements of operations based on tax returns for the current year and tax contingencies for current and prior years, to the extent not previously provided.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the statutory financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Gross deferred tax assets and liabilities are measured using enacted tax rates and are considered for admitted asset status according to the admissibility tests, as set forth by the NAIC. Changes in deferred tax assets and liabilities, including changes attributable to changes in tax rates, are recognized as a component of policyholders' surplus.

Gross deferred income tax assets are reduced by a valuation allowance if the Company determines it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. For 2010, the Company had an option to admit an incremental deferred tax asset based on expanded provisions, and the Company elected not to admit additional deferred tax assets. Deferred income tax assets were limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus (2) the lesser of the remaining gross deferred income tax assets expected to be realized within one year of the balance sheet date or 10% of capital and surplus excluding any net deferred income tax assets, electronic data processing equipment and operating software and any net positive goodwill, plus (3) the amount of remaining gross deferred income tax assets that can be offset against existing deferred income tax liabilities. The remaining deferred income tax assets are nonadmitted. Deferred income taxes do not include amounts for state taxes.

Asset Valuation Reserve and Interest Maintenance Reserve: An Asset Valuation Reserve (AVR) is maintained as prescribed by the NAIC for the purpose of stabilizing the surplus of the Company against fluctuations in the market value of assets.

An Interest Maintenance Reserve (IMR) is maintained as prescribed by the NAIC for the purpose of stabilizing the surplus of the Company against gains and losses on sales of fixed income investments that are primarily attributable to changing interest rates. The interest-related gains and losses are deferred and amortized into income over the remaining term of the securities that were sold.

Fair values of financial instruments: The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

- *Cash and Short-Term Investments* – The carrying amounts for these instruments approximate their fair values due to their short duration.

- *Bonds* – The fair values for bonds are based on NAIC-prescribed market values or quoted market prices, where available.

- *Preferred Stocks* – The fair values are based on quoted market prices.

- *Liability for Deposit-Type Contracts* – The carrying values of the liability for deposit-type contracts is assumed to be fair value. The Company does not believe an estimate of the fair value of the liability for deposit-type contracts can be made without incurring excessive costs. Because of the numerous assumptions that would have to be made to estimate fair value, the Company believes that such information would not be meaningful.

Note 2. Summary of Significant Accounting Policies (Continued)

Newly adopted pronouncements: In 2009, the NAIC adopted SSAP No. 100, *Fair Value Measurements*. SSAP No. 100 defines fair value, establishes a framework for measuring fair value and establishes disclosure requirements about fair value. This statement is effective for December 31, 2010 annual financial statements. The Company adopted SSAP No. 100 with no material effect to the financial statements.

In 2010, the NAIC adopted certain modifications to SSAP 10R, *Income Taxes*, effective upon adoption. These modifications extend SSAP 10R to include interim and annual periods through December 31, 2011.

Note 3. Investments

The amortized cost and estimated fair value of investments in investment securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2010:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	**$ 3,724,382**	**$ 5,659**	**$ 221,013**	**$ 3,509,028**
Corporate and miscellaneous securities	**1,682,808**	**795**	**74,514**	**1,609,089**
	$ 5,407,190	**$ -**	**$ 295,527**	**$ 5,118,117**
Preferred stock	**$ 200,000**	**$ -**	**$ -**	**$ 200,000**

December 31, 2009:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 4,825,847	$ -	$ 104,515	$ 4,721,332
Total debt securities	$ 4,825,847	$ -	$ 104,515	$ 4,721,332

Note 3. Investments (Continued)

The following tables present the estimated fair value and the gross unrealized losses, aggregated by investment category and length of time that individual investment securities have been in an unrealized loss position, at December 31, 2010 and 2009:

	Investments with Unrealized Losses					
	Less than 12 Months		12 Months or Longer		Total	
December 31. 2010	**Estimated Fair Value**	**Unrealized Losses**	**Estimated Fair Value**	**Unrealized Losses**	**Estimated Fair Value**	**Unrealized Losses**
Bonds:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	**$ 2,857,519**	**$ 221,808**	**$ -**	**$ -**	**$ 2,857,519**	**$ 221,808**
Corporate and miscellaneous securities	**1,609,089**	**73,719**	**-**	**-**	**1,609,089**	**73,719**
	$ 4,466,608	**$ 295,527**	**$ -**	**$ -**	**$ 4,466,608**	**$ 295,527**

December 31. 2009	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Bonds:						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$ 4,721,332	$ 104,505	$ -	$ -	$ 4,721,332	$ 104,505
	$ 4,721,332	$ 104,505	$ -	$ -	$ 4,721,332	$ 104,505

The majority of the unrealized losses on securities is due to interest rate changes and market segments that are experiencing temporary value declines. The Company regularly monitors its investment portfolio for securities where the unrealized losses may indicate an other-than-temporary impairment (OTTI) in the value of its securities. This review for impairment considers a number of qualitative and quantitative factors, as well as significant management judgment. There were no realized losses due to OTTI at December 31, 2010 and 2009.

The amortized cost and estimated fair value of debt securities at December 31, 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Statement Value	Estimated Fair Value
Due in one year or less	$ -	$ -
Due after one year through five years	645,055	651,509
Due after five years through ten years	2,514,853	2,392,114
Due after ten years through twenty years	1,580,991	1,474,226
Due after twenty years	666,291	600,268
	$ 5,407,190	$ 5,118,117

Note 3. Investments (Continued)

Net investment income reflected in the results of operations for the year ended December 31, 2010 and 2009 are as follows:

		2010		2009
Bonds	$	136,530	$	23,786
Cash and short-term investments		3,904		20,310
Preferred stock		1,097		-
Contract loans and policy interest		7,740		-
		149,271		44,096
Less investment expenses		(23,099)		(3,502)
Less amortization of interest maintenance reserve		(5,958)		-
	$	120,214	$	40,594

Gross realized gains and losses from investment securities consist of the following:

Year Ended December 31, 2010		**Gross Realized Gains**		**Gross Realized Losses**		**Net Realized Gains (Losses)**
Bonds	**$**	**80,305**	**$**	**(79,628)**	**$**	**677**
Short-term investments		**-**		**(4,390)**		**(4,390)**
	$	**80,305**	**$**	**(84,018)**	**$**	**(3,713)**
Transfer to IMR, net of taxes of $407						**(272)**
Net realized capital losses					**$**	**(3,985)**

Year Ended December 31, 2009		Gross Realized Gains		Gross Realized Losses		Net Realized Gains (Losses)
Bonds	$	-	$	-	$	-
Short-term investments		-		(744)		(744)
	$	-	$	(744)	$	(744)
Net realized capital losses					$	(744)

Proceeds from sales of investments during 2010 and 2009 were $6,678,773 and $0, respectively. Gross gains of $80,305 and $0 and gross losses of $84,018 and $744, respectively, were realized on those sales.

Bonds and other invested assets with a statement value of $114,240 and $99,279 were on deposit at December 31, 2010 and 2009, respectively, with various banks, as required by the respective states or by reinsurance contracts.

Note 4. Investments in Subsidiary

Summarized financial statement information of Capital Reserve, of which the Company owns 100%, as of and for the year ended December 31, 2010, is as follows:

Statutory Statement of Admitted Assets, Liabilities and Capital and Surplus		
Total Admitted Assets	$	1,622,695
Total Liabilities	$	37,915
Total Capital and Surplus		1,584,780
	$	1,622,695

Statutory Statements of Operations		
Total Revenues	$	61,301
Total Underwriting Deductions		150,580
Total Federal Income Taxes		-
Net Loss	$	(89,279)

Note 5. Fair Value of Financial Instruments

The fair values of investment securities, including short-term investments and cash, are estimated based on prices received from SVO and Reference Data. Cash and short-term investment fair values approximate their carrying values. The amortized cost and the estimated fair value of investment securities as of December 31, 2010 and 2009 were as follows:

	2010		2009	
	Statement Value	**Estimated Fair Value**	Statement Value	Estimated Fair Value
Financial assets:				
Bonds	**$ 5,407,190**	**$ 5,118,117**	$ 4,825,847	$ 4,721,332
Preferred stock	**200,000**	**200,000**	-	-
Common stock, affiliate	**1,584,780**	**1,584,780**	-	-
Short-term investments	**2,796**	**2,796**	1,228	1,228
Cash	**2,814,582**	**2,814,582**	4,827,075	97,464
Financial liabilities:				
Liability for deposit-type contracts	**$ 188,403**	**$ 188,403**	$ 97,464	$ 97,464

The Company has no other assets or liabilities meeting the definition of a financial instrument. In addition, the Company has no off-balance-sheet financial instruments.

Note 5. Fair Value of Financial Instruments (continued)

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to fair values determined using unadjusted quote prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to fair values determined using unobservable inputs (Level 3). An asset's or liability's classification is determined based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Valuations derived from inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

a) Quoted prices for similar assets or liabilities in active markets.
b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
c) Inputs other than quoted prices that are observable for the asset or liability.
d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Valuations are derived from techniques that require significant unobservable inputs. The unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following summarizes financial instruments measured at fair value as of December 31, 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	Level 1	Level 2	Level 3	Fair Value
Assets at fair value				
Preferred stock	$ -	$ -	$ 200,000	$ 200,000
Total assets at fair value	$ -	$ -	$ 200,000	$ 200,000

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis for which the Company uses significant unobservable inputs (Level 3) for the year ended December 31, 2010:

	Balance at January 1, 2010	Purchases	Balance at December 31, 2010
Assets at fair value			
Preferred stock	$ -	$ 200,000	$ 200,000
	$ -	$ 200,000	$ 200,000

Note 6. Reinsurance

The Company utilizes reinsurance contracts to reduce its exposure to losses in all aspects of its insurance business. Such reinsurance permits recovery of a portion of losses from reinsurers, although it does not relieve the Company from its primary liability to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial strength of potential reinsurers and continually monitors the financial condition of reinsurers.

Amounts recoverable from reinsurers are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Management believes the recoverables are appropriately established. The Company generally strives to diversify its credit risks related to reinsurance ceded.

A summary of reinsurance amounts affecting the accompanying statutory financial statements follows:

	2010		2009	
	Written	**Earned**	Written	Earned
Direct	**$ 2,044,259**	**$ 2,044,259**	$ 355,971	$ 355,971
Assumed	**57,483**	**57,483**	-	-
Ceded	**(7,500)**	**(7,500)**	(1,619)	(1,619)
Net	**$ 2,094,242**	**$ 2,094,242**	$ 354,352	$ 354,352

The following table provides a summary of the significant reinsurance balances recoverable on paid and unpaid losses by reinsurers (in thousands), along with the A.M. Best credit rating:

Reinsurer	Credit Rating	Recoverable on Paid Losses	Recoverable on Unpaid Losses
Investors Heritage Life Insurance Co.	B+	$ -	$ 7,335
Optimum Re Insurance Company	A-	-	12,069

Note 7. Deposit Liabilities

Withdrawal characteristics of deposit-type contracts and other contracts with life contingencies are as follows at December 31, 2010 and 2009:

	2010	2009
Subject to discretionary withdrawal without surrender charge or market value adjustment	**$ 188,403**	$ 97,464
Not subject to withdrawal	**-**	-
Total	**$ 188,403**	$ 97,464

Note 7. Deposit Liabilities (Continued)

The Company holds a reserve for the nondeduction of deferred fractional premiums or return of premium at the death of the insured. Reserves are computed to be never less than the surrender value defined in the policy.

Extra premiums are charged for substandard lives for certain types of policies, plus the gross premium for the true age. Mean reserves are determined by computing the regular mean reserve for the plan and holding, in addition, one-half of the extra premium charged. For the other groups of policies, substandard lives are issued policies with initially reduced death benefit schedules that increase with duration to the ultimate amount. Mean reserves are determined by computing the regular mean reserve for the ultimate face amount.

The amount of $188,403 and $97,464, respectively, at December 31, 2010 and 2009, reported as deposit-type funds, relates to supplemental contracts, dividends, and premiums on deposit and are reported as policyholder funds left on deposit in the statutory statements of admitted assets, liabilities, and surplus.

Note 8. Premiums and Annuity Considerations Deferred and Uncollected

Deferred and uncollected life insurance premiums and annuity considerations as of December 31, 2010 and 2009 were as follows:

	2010		2009	
	Gross	**Net of Loading**	Gross	Net of Loading
Ordinary - first year due and deferred	**$ 117,358**	**$ 41,684**	$ -	$ -
Ordinary - renewal due and deferred	**90,292**	**46,314**	34,075	9,892
Total	**$ 207,650**	**$ 87,998**	$ 34,075	$ 9,892

Note 9. Transactions with Parent Company

The Company has a cost sharing agreement with its parent company Midwest Holding, Inc. Under the terms of this cost sharing agreement the Company paid Midwest Holding, Inc. the amount of $908,653 and $418,774 and owed $92,345 and $70,641, respectively, for the year ended December 31, 2010 and 2009.

Note 10. Income Taxes

Federal income taxes incurred at December 31, 2010 and 2009 consists of the following major components:

	2010	2009
Federal income tax benefit	$ -	$ -
Federal income tax on capital gains	-	-
Total current income taxes	-	-
Change in deferred income taxes	(480,266)	(108,163)
Total federal income taxes incurred	$ (480,266)	$ (108,163)

The reported amount of income tax expense differs from the amount of income tax expense that would be obtained by applying the federal statutory tax rate of 34% to the net loss before income taxes. The significant items causing this difference are as follows for the years ended December 31, 2010 and 2009:

	2010	2009
Loss before income taxes	$ (1,433,555)	$ (256,206)
Statutory federal income tax rate	34%	34%
Expected income tax expense	(487,409)	(87,110)
Adjustments resulting from the following:		
Other	7,143	(21,053)
Total federal income taxes incurred	$ (480,266)	$ (108,163)

Note 10. Income Taxes (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2010 and 2009 are as follows:

	December 31		
	2010	2009	Change
Deferred tax assets:			
Ordinary			
Proxy deferred acquisition costs	**$ 47,435**	$ 9,830	$ 37,605
Reserves	**1,207**	492	715
Loading	**40,682**	8,222	32,460
Net operating loss carry forward	**433,097**	79,638	353,459
Other ordinary deferred tax assets	**136,609**	21,677	114,932
Total ordinary deferred tax assets	**659,030**	119,859	539,171
Nonadmitted deferred tax assets	**(588,429)**	(108,163)	(480,266)
Admitted deferred tax assets	**70,601**	11,696	58,905
Deferred tax liabilities:			
Ordinary			
Due and deferred premiums	**(70,601)**	(11,586)	(59,015)
Capital			
Bonds	**-**	(110)	110
Total deferred tax liabilities	**(70,601)**	(11,696)	(58,905)
Net admitted deferred tax asset	**$ -**	$ -	$ -

The change in net deferred income taxes comprised the following:

	December 31		
	2010	2009	Change
Total deferred tax assets	**$ 659,030**	$ 119,859	$ 539,171
Total deferred tax liabilities	**(70,601)**	(11,696)	(58,905)
Net deferred tax asset	**$ 588,429**	$ 108,163	$ 480,266
Tax effect of unrealized losses			-
Change in net deferred income tax, excluding unrealized gains and losses			$ 480,266

The Company determined that no valuation allowance was necessary as of December 31, 2010 and 2009.

Note 10. Income Taxes (Continued)

A summary of the Company's admitted gross deferred tax asset calculation by component for the year ended December 31, 2010 as outlined in SSAP 10R is as follows:

	Character		
Gross deferred tax assets at enacted rate:			$ 659,030
Admitted gross deferred tax assets (para 10.a.)	Ordinary	$ -	
Admitted gross deferred tax assets (para 10.b.i.)	Ordinary	-	
Admitted gross deferred tax assets (para 10.b.ii.)		-	
Admitted gross deferred tax assets (para 10.c.)	Ordinary	70,601	
	Capital	-	
Admitted gross deferred tax assets (para 10.e.i.)		-	
Admitted gross deferred tax assets (para 10.e.ii.a.)		-	
Admitted gross deferred tax assets (para 10.e.ii.b.)		-	
Admitted gross deferred tax assets (para 10.e.iii.)		-	
Total admitted gross deferred tax assets			70,601
Nonadmitted gross deferred tax assets			$ 588,429

As of December 31, 2010, the Company has operating loss carryforwards of $227,629 that will expire in 2024 and $1,046,117 that will expire in 2025. There are no federal income taxes incurred that are available for recoupment in the event of future net losses.

Note 11. Commitments and Contingencies

The Company is a party to certain claims and legal actions arising during the ordinary course of business. It is management's opinion, after consulting with legal counsel, that these matters will not have a material adverse effect on the financial position and results of operations of the Company.

Note 12. Subsequent Events

All of the effects of subsequent events that provide additional evidence about conditions that existed at the Statements of Admitted Assets, Liabilities, Capital and Surplus date, including the estimates inherent in the process of preparing the statutory financial statements, are recognized in the statutory financial statements. The Company does not recognize subsequent events that provide evidence about conditions that did not exist at the Statements of Admitted Assets, Liabilities, Capital and Surplus date but arose after, but before the statutory financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the statutory financial statements from being misleading.

Note 12. Subsequent Events (Continued)

The Company and its parent, Midwest Holding Inc., reached an agreement to acquire all of the outstanding shares of Old Reliance Insurance Company, an Arizona domiciled life insurance company licensed in 14 states or jurisdictions. In exchange for cash and shares of Midwest Holding common stock valued at approximately $3 million. The Agreement calls for American Life and Security Corp. and its subsidiary, Capital Reserve Life Insurance Company, to be merged with and into Old Reliance. The merged company will then change its name to American Life and Security Corp. The transaction is subject to and awaiting regulatory approval and is expected to close in 2011.

Subsequent events have been evaluated through May 31, 2011 which is the date that the statutory financial statements were available to be issued.

Note 13. Reconciliation to Annual Statement

For 2010, the Company recorded an adjustment to common stock of affiliate in the 2010 audited financial statements which was not recorded in the 2010 annual statement.

The following tables show the difference in the annual statement filed with the Insurance Department of the State of Nebraska and the audited statutory statements of admitted assets, liabilities and capital and surplus for the year ended December 31, 2010.

	Annual Statement	Difference	Statutory Financial Statement
Statutory Statements of Admitted Assets, Liabilities, and Capital Stock and Surplus			
Common stock of affiliate, at admitted value	$ 1,832,446	$ (247,666)	$ 1,584,780
Other assets	-	247,666	247,666

THE AMERICAN LIFE & SECURITY CORPORATION **Schedule 1**

Selected Financial Data
Year Ended December 31, 2010
Admitted Assets per Annual Statement

Investment income earned:		
Government bonds	$	84,050
Other bonds (unaffiliated)		52,480
Bonds of affiliates		-
Preferred stocks (unaffiliated)		1,097
Common stocks (unaffiliated)		-
Common stocks of affiliates		-
Mortgage loans		-
Real estate		-
Premium notes, policy loans, and liens		7,227
Cash on hand and on deposit		3,904
Short-term investments		-
Other invested assets		-
Derivative instruments		-
Aggregate write-ins for investment		513
Gross investment income	$	149,271
Real estate owned - book value less encumbrances	$	-
Mortgage loans - book value:		
Farm mortgages	$	-
Residential mortgages		-
Commercial mortgages		-
Total mortgage loans	$	-
Mortgage loans, by standing - book value		
Good standing	$	-
Good standing with restructured terms		-
Interest overdue more than three months, not in foreclosure		-
Foreclosure in process		-
Other long-term assets - statement value		247,666
Collateral loans		-
Bonds and stocks of parents, subsidiaries, and affiliates - book value:		
Bonds		-
Preferred stocks		-
Common stocks		1,584,780
Bonds and short-term investments, by maturity and class:		
By maturity - statement value:		
Due within 1 year or less		2,796
Over 1 year through 5 years		645,055
Over 5 years through 10 years		2,514,853
Over 10 years through 20 years		1,580,991
Over 20 years		666,291
Total bonds and short-term investments by maturity	$	5,409,986

(Continued)

THE AMERICAN LIFE & SECURITY CORPORATION **Schedule 1**

Selected Financial Data (Continued)
Year Ended December 31, 2010
Admitted Assets per Annual Statement

By class - statement value:		
Class 1	$	4,925,040
Class 2		484,946
Class 3		-
Class 4		-
Class 5		-
Class 6		-
Total bonds and short-term investments by class	$	5,409,986
Total bonds publicly traded	$	5,407,190
Total bonds privately placed	$	-
Preferred stocks - statement value	$	200,000
Common stocks - market value		1,832,446
Short-term investments - book value		2,796
Options, caps, and floors owned - statement value		-
Options, caps, and floors written and in force - statement value		-
Collars, swap, and forward agreements open - statement value		-
Futures contracts open - current value		-
Cash on deposit		2,814,582
Life insurance in force (in thousands):		
Industrial	$	-
Ordinary		53,991
Credit life		-
Group life		-
Amount of accidental death insurance in force under ordinary policies (in thousands)	$	10,830
Life insurance policies with disability provisions in force (in thousands):		
Industrial	$	-
Ordinary		-
Credit life		-
Group life		-
Supplementary contracts in force:		
Ordinary - not involving life contingencies:		
Amount of deposit	$	-
Income payable		-
Ordinary - involving life contingencies:		
Amount of deposit		-
Income payable		-
Group - not involving life contingencies:		
Amout of deposit		-
Income payable		-
Group - involving life contingencies:		
Income payable		-

(Continued)

THE AMERICAN LIFE & SECURITY CORPORATION **Schedule 1**

Selected Financial Data (Continued)
Year Ended December 31, 2010
Admitted Assets per Annual Statement

Annuities:		
Ordinary:		
Immediate - amount of income payable	$	-
Deferred - fully paid account balance		-
Deferred - not fully paid account balance		165
Group:		
Amount of income payable		-
Fully paid account balance		-
Not fully paid account balance		-
Accident and health insurance - premiums in force:		
Ordinary	$	-
Group		-
Credit		-
Deposit funds and dividend accumulations:		
Deposit funds - account balance	$	188,403
Dividend accumulations - account balance		-
Claim payments 2008 (in thousands):		
Group accident and health - year ended December 31, 2010:		
2009	$	-
2008		-
2007		-
2006		-
2005		-
Prior		-
Other accident and health:		
2009	$	-
2008		-
2007		-
2006		-
2005		-
Prior		-
Other coverages that use developmental methods to calculate claim reserves:		
2009	$	-
2008		-
2007		-
2006		-
2005		-
Prior		-

See accompanying Independent Auditor's Report.

1. Admitted assets per Annual Statement	$ 10,503,205

2. The 10 largest exposures to single issuer/borrower/investment, by investment category, excluding (i) U.S. government, U.S. government agency securities, and those U.S. government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, (ii) property occupied by the Company, and (iii) policy loans, at December 31, 2010 are as follows:

Issuer		Amount	Percentage of total admitted assets
Merrill Lynch	$	317,238	3.02%
Genworth Financial Inc.		219,093	2.09%
Goldman Sachs Group Inc.		216,080	2.06%
American home corp.		191,285	1.82%
Royal Bank Scotland Group		164,882	1.57%
Merrill Lynch & Co.		161,427	1.54%
Reinsurance Group American Inc.		160,010	1.52%
Morgan Stanley		146,950	1.40%
Alterra Financial LLC		105,843	1.01%

3. As of December 31, 2010, the amounts and percentages of total admitted assets held in bonds, including those classified as short-term investments, and preferred stocks by NAIC rating are as follows:

Investment category		**Amount**	**Percentage of total admitted assets**
The Company’s total admitted assets held in bonds by NAIC rating are as follows:			
NAIC—1	$	4,922,244	46.86%
NAIC—2		484,946	4.62
NAIC—3		—	—
NAIC—4		—	—
NAIC—5		—	—
NAIC—6		—	—

4. As of December 31, 2010, the Company does not hold foreign investments that exceed 2.5% of admitted assets. Therefore, interrogatories 5-10 are not applicable.

11. As of December 31, 2010, the Company does not hold Canadian investments and unhedged Canadian currency exposures, including Canadian-currency-denominated investments that exceed 2.5% of total admitted assets.

12. As of December 31, 2010, the Company does not hold investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days at December 31, 2010).

(Continued)

13. The largest exposures to equity interest as of December 31, 2010 are as follows:

Issuer	Amount	Percentage of total admitted assets
Capital Reserve Life Insurance Company	$ 1,584,780	15.09%
Blackrock	100,000	0.95%
Invesco Van Kampen	25,000	0.24%
AGIC Convertible & Income Fund II	25,000	0.24%
AGIC Convertible I	25,000	0.24%
Pimco Corp Income Fund	25,000	0.24%

14. As of December 31, 2010, the Company held no investments in nonaffiliated, privately placed equities (included in other equity securities), excluding securities eligible for sale under (i) Securities and Exchange Commission ("SEC") Rule 144a or (ii) SEC Rule 144 without volume restrictions.

15. As of December 31, 2010, the Company held no investments in general partnership interests (included in other equity securities).

16. As of December 31, 2010, the Company does not hold mortgage loans that exceeds 2.5% of total admitted assets.

17. As of December 31, 2010, the Company does not hold investment in real estate that exceeds 2.5% of total admitted assets. Therefore, interrogatory 17 is not applicable.

18. As of December 31, 2010, the Company does not hold investment in real estate that exceeds 2.5% of total admitted assets.

19. As of December 31, 2010, the Company does not hold investment in mezzanine real estate loans that exceed 2.5% total admitted assets.

See accompanying Independent Auditor's Report.

THE AMERICAN LIFE & SECURITY CORPORATION **Schedule 3**

Summary Investment Schedule

December 31, 2010

Investment categories	Gross investment holdings Amount	Gross investment holdings Percentage	Admitted assets as reported in the Annual Statement Amount	Admitted assets as reported in the Annual Statement Percentage
Bonds:				
U.S. Treasury securities	$ 1,906,768	18.4%	$ 1,906,768	18.4%
U.S. government and corporate obligations (excluding mortgage-backed securities):				
Issued by U.S. government agencies	—	—	—	—
Issued by U.S. government-sponsored agencies	—	—	—	—
Foreign government (including Canada; excluding mortgage-backed securities)	—	—	—	—
Securities issued by states, territories and possessions, and political subdivisions in the U.S.:				
States, territories, and possessions general obligations	448,484	4.3	448,484	4.3
Political subdivision of states, territories and possessions, and political subdivisions general obligations	544,437	5.3	544,437	5.3
Revenue and assessment obligations	824,693	8.0	824,693	8.0
Industrial development and similar obligations	—	—	—	—
Mortgage-backed securities (including residential and commercial MBS):				
Pass-through securities:				
Guaranteed by GNMA	—	—	—	—
Issued by FNMA and FHLMC	—	—	—	—
Privately issued	—	—	—	—
CMOs and REMICs:				
Issued by FNMA and FHLMC	—	—	—	—
Privately issued and collateralized by MBS; issued or guaranteed by GNMA, FNMA, or FHLMC	—	—	—	—
All other privately issued	—	—	—	—
Other debt and other fixed income securities (excluding short-term):				
Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	1,682,808	16.3	1,682,808	16.3
Unaffiliated foreign securities	—	—	—	—
Affiliated securities	—	—	—	—
Equity interests:				
Investments in mutual funds	—	—	—	—
Preferred stocks:				
Affiliated	—	—	—	—
Unaffiliated	200,000	1.9	200,000	1.9
Publicly traded equity securities (excluding preferred stocks):				
Affiliated	—	—	—	—
Unaffiliated	—	—	—	—
Other equity securities:				
Affiliated	1,584,780	15.3	1,584,780	15.3
Unaffiliated	—	—	—	—
Other equity interests, including tangible personal property under lease:				
Affiliated	—	—	—	—
Unaffiliated	—	—	—	—

(Continued)

THE AMERICAN LIFE & SECURITY CORPORATION **Schedule 3**

Summary Investment Schedule (Continued)

December 31, 2010

Investment categories	Gross investment holdings		in the Annual Statement	
	Amount	Percentage	Amount	Percentage
Mortgage loans:				
Construction and land development	—	—	—	—
Agricultural	—	—	—	—
Single family residential properties	—	—	—	—
Multifamily residential properties	—	—	—	—
Commercial loans	—	—	—	—
Real estate investments:				
Property occupied by Company	—	—	—	—
Property held for production of income (includes $0 of property acquired in satisfaction of debt)	—	—	—	—
Property held for sale ($0 including property acquired in satisfaction of debt)	—	—	—	—
Policy loans	94,272	0.9	94,272	0.9
Receivables for securities	—	—	—	—
Cash and short-term investments	2,817,378	27.2	2,817,378	27.2
Other invested assets	247,666	2.4	247,666	2.4
Total invested assets	$ 10,351,286	100.0%	$ 10,351,286	100.0%

See accompanying Independent Auditors’ Report.