

Richard Hemmings
Chairman and CEO



LETTER TO MEMBERS

Dear Member:

It is with great pleasure that we welcome you as a new member of Members Mutual Holding Company and as a new or continuing policyholder of Fidelity Life Association. Members Mutual Holding Company (Members Mutual) was organized in 2007 as an incident of the reorganization of Fidelity Life Association (Fidelity Life) from a mutual insurance company to a stock life insurance subsidiary of Members Mutual. Members Mutual is a holding company that owns Fidelity LifeCorp and America Direct Insurance Agency, as well as Fidelity Life. The principal business of this group of companies is serving you...and the more than 72,000 other life insurance policyholders of Fidelity Life. The number of policyholders increased by over 12.5% in 2007.

Fidelity Life was originally organized in 1896 to serve the life insurance needs of

ordinary, working Americans in a country in the midst of great change. Life insurance was then and is now a cornerstone of family financial planning. While the times have changed, our mission remains to protect families and dependents from the loss of income caused by the untimely death of any of our insureds.

According to recent research studies, there are 48 million uninsured or underinsured households in the United States. Many of those households express a desire for new or additional life insurance coverage but many never receive calls from life insurance agents. Determining one's life insurance needs and what type of policy best fits one's circumstances can be challenging without the help of experienced agents. Since many agents and competing companies focus their efforts on high premium policies with cash values or

high face amounts, term life insurance with modest face amounts (under \$500,000) tends not to receive as much attention from sales agents. Consequently, there is a great unmet need for life insurance in Middle American households.

There are many reasons why the life insurance industry has not been more responsive to the needs of Middle Americans. Many of our competitors focus on upscale markets and ignore middle class households because the economics of selling large policies to the more affluent is better for them. Fidelity Life's mission has been to change the game and make the life insurance process and sales encounter simple, more efficient and responsive to the needs of ordinary Americans.

In 2004, the Board of Directors decided to reestablish Fidelity Life as an independent, member-focused company. At the beginning of 2006,

Fidelity Life was indeed re-launched with a new business strategy and approach to the life insurance market.

The company's motto, "Innovation Is Our Policy," exemplifies Fidelity Life's new business focus on developing products, new business processes and finding niche markets in which to operate. Most of Fidelity Life's business today is submitted via web-based applications rather than paper, and underwriting is completed within hours or days rather than the weeks or months that are more characteristic of the life insurance industry. It is these product and process innovations that are intended to differentiate the company's plans and offerings from larger, well-established competitors.

Fidelity Life's strategy is based on identifying underserved markets and concentrating our efforts on "Middle America."

We differentiate ourselves from other companies through a combination of product and process innovation. We utilize traditional agent sales and direct marketing capabilities.

Fidelity Life's second full year of operations since the company's re-launch was completed in 2007. A few of Fidelity Life's accomplishments in 2007 are noted in the following pages. Our organic growth focus remains on building scale and increasing revenues with profitable products that provide value to our members. Thank you for the opportunity to be of service during 2007.



Richard Hemmings
Chairman and CEO





Fidelity Life Association – A 110-Year-Old Start-Up Company

Fidelity Life Association is a life insurance company and the principal operating subsidiary of Members Mutual Holding Company. The company does business in all states except New York and Wyoming. Fidelity Life was originally founded in 1896 as a fraternal benefit society dedicated to providing financial security for the growing middle class of the Midwest and Northern states. For many years, we were affiliated under a management contract with a series of publicly-held life insurance companies, but Fidelity Life had no distinct market identity or business plan.

In 2004, the Fidelity Life Board of Directors determined that the interests of the company and its members would be best served by ending the management agreement under which it operated for nearly 50 years.

We re-launched the company in 2006 and are as committed as ever to meeting the needs of today's underserved and busy Middle Americans. Unencumbered by legacy issues facing most other companies, Fidelity Life is building a new kind of life insurance company that is leveraging the innovative use of technology to make policy approval decisions in hours or days rather than the weeks or months typical of the life insurance industry.

In 2007, Fidelity Life became a stock subsidiary of newly created Members Mutual Holding Company in a mutual-to-stock reorganization, with Fidelity LifeCorp as the immediate intermediary holding company. The transaction was approved by our members and the Illinois Division of Insurance.

The reorganization gives us more operational flexibility and greater access to capital. This, in turn, provides us with more opportunity to create critical mass and increased efficiencies.

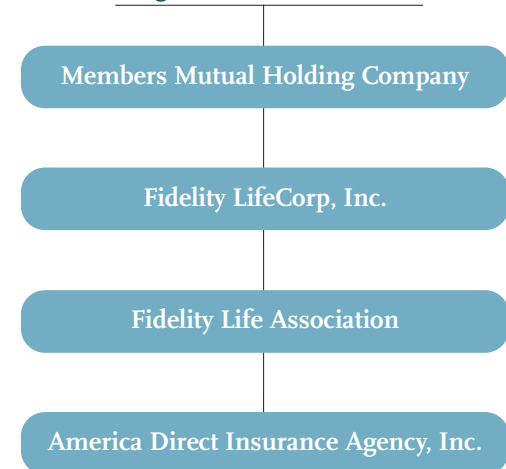
Fidelity Life's business strategy is to use this new organization to grow the business and our financial fundamentals in two ways. Our investments in technology, product innovation and distribution will allow us to grow our business organically. We will then use our more flexible capital alternatives and corporate organization to achieve growth through combinations, partnerships or other strategic transactions.

All Fidelity Life policyholders are members of Members Mutual Holding Company while their policies are in force.

Results-in-brief for 2007

New Product Introductions—4
New Distributors—4,300 in 2006 to 12,000 in 2007
Increase In Members—8,000, 12.5%
Policies Sold—12,629
Life Insurance In Force—\$22.7 billion

Organizational Chart





Dedicated to Providing for Underserved and Busy Middle Americans

Most life insurance companies focus their efforts on selling products to America's most wealthy people. Policies sold to more affluent customers tend to have higher premiums, face amounts and commissions. Because of high front-end sales costs and time-consuming, costly policy approval processes, other companies and producers can't afford to sell policies targeted to Middle Americans.

The industry's focus on the affluent creates a real void for most American families who count on life insurance to provide the financial security they need if they lose an important wage earner. In fact, recent industry surveys indicate that nearly one-third of all Americans have no life insurance and, of those who do, most feel they don't have enough.

Fidelity Life Association is changing the market for Middle Americans. Now, life insurance in the amounts they need and can afford is available for purchase when they want it. By utilizing technology and creativity, we created Rapid Decision Term, a simplified application and underwriting process and products that can be issued in a matter of hours or days rather than the weeks or months typical of most other companies. We ordinarily conduct no time-consuming medical exams or tests.

The Rapid Decision process has opened up a tremendous market opportunity for us. It provides our distribution partners with very attractive products to sell and, most importantly, allows families all across America to get the peace-of-mind they seek, quickly and easily. As we

move forward, our strategy is to continue to find areas of the life insurance marketplace that are overlooked or otherwise unattractive to the majority of companies. We will continue to develop innovative products and processes that are both valuable to customers and allow us to avoid entering highly competitive, less profitable markets.

Individual life products meet a variety of needs and feature our revolutionary Rapid Decision application and underwriting process

Rapid Decision Term (RD Term), our flagship product, was introduced to the marketplace in 2006. It was the first to utilize our innovative Rapid Decision application and underwriting process and has proven to be highly popular with customers who are busy and don't wish to

wait for coverage. RD Term is a series of term plans with a choice of 5, 10, 15, 20 or 30-year terms that provide coverage for up to \$300,000 depending on age.

Rapid Decision Mortgage Term is a version of RD Term developed especially to meet the needs of people with recent mortgages. Coverage is available up to \$500,000 depending on age and for periods as long as 40 years.

Graded Death Benefit Term and Whole Life are two products designed for people who have had trouble getting coverage due to health issues. Customers have partial coverage in years one and two with full coverage beginning in year three. Term coverage is available for those wishing pure protection while the Whole Life policy provides

modest cash accumulation. Both Graded Death Benefit products utilize the Rapid Decision process.

Accidental Death Benefit coverage can provide up to \$300,000 immediately for death due to an accident with no underwriting required.

Worksite and sponsored benefits

Beyond selling individual life insurance policies, Fidelity Life also works with specialized distributors to make our products available to employees as part of their workplace benefit programs. In addition to worksite versions of Rapid Decision Term and Graded Death Benefit Whole Life, our featured worksite product is Lifetime Benefit Term.

Lifetime Benefit Term is a permanent term product

which is very attractive in the worksite marketplace that predominantly features universal life. Lifetime Benefit Term offers higher face amounts per premium dollar than universal life, coverage is portable and can last through age 120.

A diversity of distribution has fueled our growth

As with our product designs, Fidelity Life brings innovation to our distribution relationships. Unlike many carriers who have one traditional form of distribution, our customers can get our products through many different sources:

- Traditional life insurance agents
- Direct-to-consumer marketing companies
- Brokerage
- Worksite specialists

In each of these distribution channels we have engaged

industry-leading marketing organizations that represent the elite agents in the life insurance industry. Many have been chosen for their expertise in a specific market niche, but all have access to the full array of Fidelity Life products.

Fidelity Life also owns a direct marketing company, America Direct. America Direct provides both Fidelity Life and, for those with needs beyond the scope of Fidelity Life's product portfolio, non-Fidelity Life products to consumers via its dedicated call center operation.





Company Reorganization

Fidelity Life Association completed our successful reorganization to a stock subsidiary of newly-formed Members Mutual Holding Company in 2007. The reorganization provides us more flexibility and access to capital, both of which will benefit our members through increased efficiencies and more competitive products.

New Products

Rapid Decision Mortgage Term, a product designed specifically to meet the needs of customers with mortgages, was added to our Rapid Decision portfolio in 2007. Also, two additional products using our Rapid Decision platform were researched and designed with launches scheduled for 2008.

Lifetime Benefit Term was introduced to the worksite and sponsored benefits

marketplace. The product has captured the imagination of worksite producers as it provides face amounts ranging between 10-30 percent higher than universal life for the same premium dollar.

The value of Lifetime Benefit Term was proven early on by one of Fidelity Life's leading worksite distribution partners who introduced the product to a hospital group that is one of its largest and oldest clients. Of the 10,000 employees in the hospital group, nearly 2,000 employees completed applications for coverage generating more than \$1 million of annual premiums during one month.

Technology

We continued to build supporting technology and evaluate alternatives for automated underwriting that will allow Fidelity Life to maintain our competitive

advantage in issuing policies during the course of a single sales call.

Distribution

Distributors across the country have recognized the benefits Fidelity Life can bring to them. As a result, our distribution base increased from just over 4,000 individual producers to well over 12,000 during the year. In addition, most major direct-to-consumer distributors began adding Rapid Decision Term to their platforms.

Revenue

Sales of new policies as measured by paid premiums increased 60 percent over 2006. We achieved an annualized sales rate of \$14 million by the fourth quarter of 2007.

Membership

Membership increased from approximately 64,000 in 2006 to 72,000 in 2007.

Industry Recognition

Fidelity Life was recognized for our contribution to the life insurance industry by receiving the inaugural LIDMA Vision Award from the Life Insurance Direct Marketing Association for 2007. The award recognizes people and companies that improve the process of how life insurance is delivered to Middle Americans, support LIDMA's mission to distribute more life insurance to protect more American families and combine a keen business sense with care for other people as well as kindness and a passion for the benefits of life insurance.

Members Mutual Holding Company Consolidated Financial Statements – Unaudited

The enclosed financial statements for 2007 include the consolidated accounts of the affiliated companies comprising the Members Mutual Holding Company (MMHC) group of companies. The MMHC group is comprised of MMHC and Fidelity LifeCorp; holding companies that were formed in April, 2007 as an incident of the reorganization of Fidelity Life Association (FLA) to a stock company. The financial statements are comprised almost entirely of the accounts of FLA and, its wholly owned subsidiary America Direct Insurance Agency (America Direct), which currently are the two operating entities within the MMHC group. For the year ended December 31, 2006, the consolidated financial statements are comprised of the accounts of FLA and America Direct.

The consolidated financial statements reflect the organization's focus on growing its insurance and insurance sales operations. This growth is

reflected in the increase in consolidated assets and revenues. The increase in policyholder's surplus results from the increase in the market value of the FLA bond portfolio during 2007.

The consolidated Statements of Income show the revenue growth of the two operating entities over the periods. The growth is evidenced by the increase in first year premiums and in commission revenue from America Direct. This growth reflects the strategy of growing our core insurance operations.

Consolidated net income reflects the growing profitability of FLA, offset by operating losses from America Direct. In the last half of 2007, America Direct was able to reduce their operating loss over the levels of the past year and a half of essentially start up operations. Management continues to take steps to improve profitability of both organizations, while maintaining our commitment to growth.

Consolidated Balance Sheets – GAAP Basis As Of December 31, (\$ in thousands)

Assets	2007	2006
Bonds	\$ 424,478	\$ 423,915
Preferred Stocks	2,258	2,303
Common Stocks	17,292	16,931
Mortgage Loans on Real Estate	5,711	2,429
Policy Loans	14,820	16,933
Other Invested Assets	42,008	1,486
Cash & Short Term Investments	20,072	77,225
Total Invested Assets	526,639	541,222
Deferred Policy Acquisition Costs	10,948	7,670
Reinsurance Items	127,622	110,353
Commissions Receivable & Agents' Balances	2,121	1,912
Accrued Investment Income	4,354	4,573
Other Assets	8,469	10,848
Total Assets	\$680,153	\$676,578
Liabilities and Policyholders' Surplus		
Future Policy Benefits & Claims	\$373,816	\$376,495
Other Policyholder Liabilities	14,616	10,707
Other Liabilities	6,393	6,196
Total Liabilities	394,825	393,398
Policyholders' Surplus		
Unassigned Surplus	283,177	283,335
Accumulated Other Comprehensive Income	2,151	(155)
Total Policyholders' Surplus	285,328	283,180
Total Liabilities & Policyholders' Surplus	\$680,153	\$676,578

Consolidated Statements Of Income – GAAP Basis For The Year Ended December 31, (\$ in thousands)

Revenues	2007	2006
Direct Premiums	\$44,298	\$40,269
Premiums - reinsured	(22,782)	(22,297)
Premiums – net	21,516	17,972
Net Investment Income	25,480	26,214
Net Realized Gains on Investments	1,987	1,837
Earned Commissions	2,891	483
Other Income	555	230
Total Revenues	52,429	46,736
Benefits and Expenses		
Policyholder Benefits	25,241	25,373
Commissions & Expenses	24,672	18,691
Total Benefits & Expenses	49,913	44,064
Income Before Taxes	2,516	2,672
Federal Income Taxes	2,517	2,872
Net Income (Loss)	\$ (1)	\$ (200)

Board of Directors

Richard Hemmings
Chairman

Linda Walker Bynoe
Director

John Fibiger
Director

Steven Groot
Director

James Schacht
Director

Management

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President and Chief Executive Officer

Ciaran Brady
Vice President, Operations

Jim Harkensee
Vice President,
Product and Corporate Development
President, America Direct

Michael Honeysett
Vice President and Chief Marketing Officer

Mark Wray
Senior Vice President,
Chief Financial Officer and Secretary



Established 1896

Innovation Is Our PolicySM

Fidelity Life Association, A Legal Reserve Life Insurance Company

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