



ANNUAL REPORT

50 Years STRONG

Our Family, Dedicated to Yours™

1960 - 2010

American Fidelity Corporation



®

50 Years STRONG

Our Family, Dedicated to Yours™

A Message from the Chairman

2010 was a milestone year for American Fidelity Assurance Company (AFA) as we celebrated 50 years of providing financial security for our Customers. Building on the groundwork laid by my father and grandfather, AFA has triumphed because we are balanced, conservative and prepared. We remain always loyal to that foundation and apply their philosophy of family values, honesty and integrity to everything we do today.

Though the economy continues to bring challenges to all businesses, American Fidelity Corporation (AFC) continues with strong results in 2010. AFA, the flagship business in our Corporation, saw excellent results, recording a record net income in 2010. With continued business solidity, as confirmed once again with an “A+” rating from A.M. Best and an “A” rating from Weiss Ratings, AFA continues to thrive due to conservative growth practices and strives to lead our markets through one-on-one, solutions-oriented service to our Customers.

Results in our core markets were solid due to our strong leadership and conservative discipline. We will continue with our strategies to take advantage of new opportunities and provide innovative products to serve our Customers.

We recognize that our focus on our Customers sets us apart from others. Our commitment to being a provider of choice is balanced with our dedication to be the employer of choice for our Colleagues and sets the stage for our continued success.



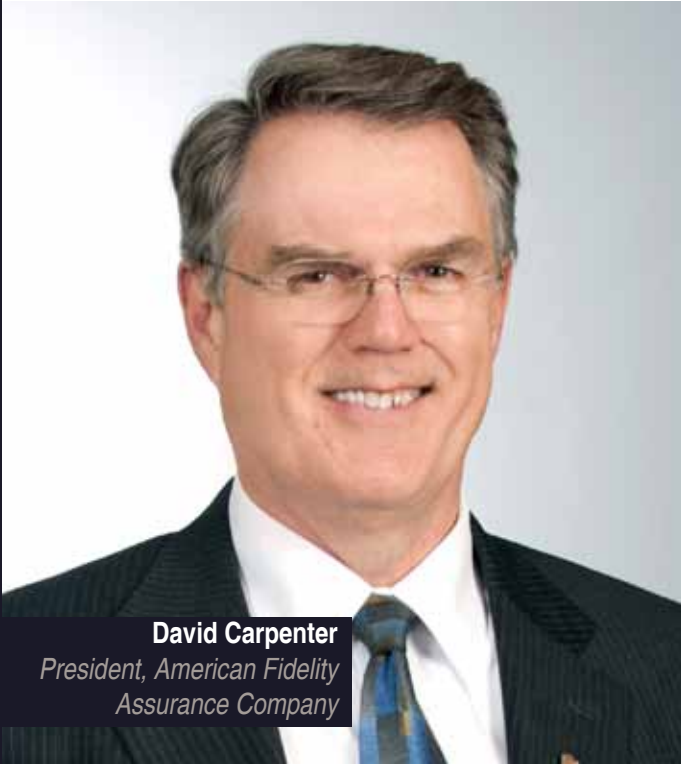
Bill Cameron
Chairman & CEO

Our 50th year of business also marked our eighth year of ranking on FORTUNE magazine’s list of the “100 Best Companies to Work For” in America.

“We are American Fidelity. Our Family, Dedicated to Yours.™”

The American Fidelity family remains dedicated to you! It’s what brings us together as a company – protecting our Customers and their family’s financial security. We are American Fidelity. Our Family, Dedicated to Yours™.

A Message from the President



David Carpenter

*President, American Fidelity
Assurance Company*

American Fidelity Assurance Company celebrated its 50th birthday in 2010, and we are looking forward to serving you, our Customer, for decades to come.

As we traverse the landscape that shapes our daily lives, you can rest assured that AFA truly lives our tag line “Our Family, Dedicated to Yours.”™ We fully realize that we have to earn your business each and every day. Over the past decade we have made many improvements in our operations, which means that we are able to

- 1) return more value to you in terms of price and product features,
- 2) invest in continually improving Customer service, and
- 3) meet our profitability goals in order to ensure that we have adequate reserves and surplus on hand to fulfill our promise to meet your financial security needs.

“Our products are developed with the intricacies of each market in mind.”

We pride ourselves on providing financial security solutions to you, such as assistance with navigating the Patient Protection and Affordable Care Act (PPACA) and other

Our Family, Dedicated to Yours™

AMERICAN FIDELITY EXECUTIVE TEAM

employer-sponsored plans. Speaking of the Affordable Care Act, we have invested substantially in understanding the legislation so we can assist you in working through the demands of ACA.

If you have a health plan in place today, we are able to help you understand the complexities of the act. AFA will continue to work to identify solutions on issues like these, to be able to help you more effectively manage your business.

AFA continues to focus on four markets. We do so in order to better meet the needs of each specific market. Our products are developed with the intricacies of each market in mind. We do not develop a one-size-fits-all solution for each market. Whether you are in the education, auto dealer, health care or municipality market, you can be assured that our solutions are specifically structured for your unique industry.

AFA continues to focus on needs-based selling of products to you and your employees. We work first to understand your risks and then offer solutions.

In summary, our family is dedicated to yours. Our employer solutions, needs-based selling and focus on continually building a better Company for you are our daily commitments.



Bill Cameron
*Chairman & CEO
American Fidelity
Assurance Company*



David Carpenter
*President
American Fidelity
Assurance Company*



Alfred L. Litchenburg
*Vice Chairman, President
Life and Health Group*



Gary Tredway
*President
Worksite Group*



Robert Brearton
*Vice Chairman, CFO &
Executive Vice President,
American Fidelity
Assurance Company*



Dave Lopez*
*President
American Fidelity
Foundation*



Jeanette Rice
*Sr. Vice President
Corporate and
Human Resources*

*Lopez – Resigned 3/11

American Fidelity Educational Services



Gary Tredway
President, AFES

Who We Are

American Fidelity Educational Services (AFES) is at the head of the class when it comes to providing top-notch supplemental insurance and investment products supported by valuable financial services and administrative solutions for the education community.

Licensed in 49 states and the District of Columbia, our offices across the nation support more than 3,900 school districts with Section 125 services while more than 1,100 school districts benefit from our 403(b) Plan administration.

Accomplishments

Just as the economy challenged individuals and industries across the nation, AFES felt the effects of the depressed economic environment as state funding for education declined. State budget cuts for education resulted in salary freezes for many in our Customer base, with some experiencing income and staff reductions.

With this in mind, providing value-added services was one more way we could offer our support. Heeding our Customers' needs, the launch of our new web-based billing service, Accountability, was well received as a cost-saving measure. We were proud to accommodate more than one-third of our accounts through August and look to increase participation, as all new accounts will include this service.

Our AFPlanServ area continued to grow as they helped new accounts keep their 403(b) Plans up to IRS code. These service efforts opened doors to additional Section 125 accounts, driving insurance premium growth.

With the swift passage of our nation's Health Care Reform legislation, AFES saw the need to become a significant resource for our Customers and education associations. The AFES team, and AFA at large, worked to become a trusted advisor. Providing timely, understandable information has been appreciated by the education community.

Support efforts along with the admirable endeavors of our sales force allowed AFES to enhance the Company's 50th anniversary celebration by providing our best financial and expense ratio results in division history. While unit value growth declined with the economy, a focus on new products and new accounts by our sales force along with first-rate expense reduction efforts provided a strong return on investment.

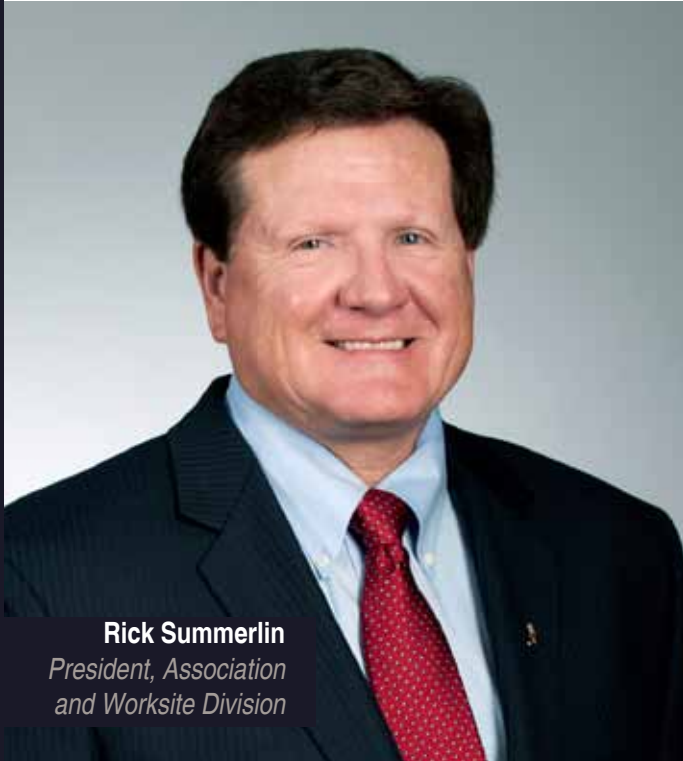
Our Future

Being an invaluable resource for our existing and potential Customers will foster great things for today and our tomorrows. Providing a fount of information regarding Health Care Reform will be a key in 2011, with thousands of employers seeking direction through a clear and concise message.

In addition, AFES will further demonstrate our experience and professionalism through value-added services to provide a fertile selling environment and promote continuous improvement.

“Being an invaluable resource for our existing and potential Customers will foster great things for today and our tomorrows.”

Association and Worksite Division



Rick Summerlin
*President, Association
and Worksite Division*

Who We Are

Devotion to strong Customer support, a salaried sales force and dedication to offering the best in voluntary worksite benefits are characteristics that define the Association and Worksite Division (AWD).

AWD's innovative benefits administration solutions, simplified underwriting processes and automated systems make us a top-value provider in support of our unsurpassed financial security solutions. Offerings include group disability, cancer, life, accident and hospital indemnity insurance.

AWD allows employers and associations in the auto, municipality and health care markets the advantage of voluntary benefits, providing quality coverage to their employees and members.

Accomplishments

Though previous year's results were impacted by the recent economic downturns, 2010 served as a rebound year. The auto market began to see relief and expansion into new niche markets which allowed for a strong and exciting year.

Finishing 2010 at 110 percent of quota was no small feat, but the tireless work of the sales team to serve existing Customers while continuing to grow our Customer base led to excellent results.

Diversification of our market mix provided for great success with expansion into the municipal and health care markets. The lessons learned through 2010 will continue to spur further success in our new markets.

Our loyal Home Office staff remains true to the standard of providing the best in Customer service. Hard work within our call center has refocused efforts on this front, and a commitment to continued education will only solidify our strong service.

Our Future

AWD will take this rebound year and press forward to increase premium income in the auto industry as well as to further expansion within in our new markets. Cultivating our current sales force and attaining new talent will allow us to grow and meet the demands of our three key markets.

Advancements in efficiency and technology will help power our progress and support increased sales. Additionally, efforts in providing the best in Customer service will be ever present, as meeting our Customers' needs is a top priority.

“Cultivating our current sales force and attaining new talent will allow us to grow and meet the demands of our three key markets.”

Strategic Alliances



Ron Byrne
President, Strategic Alliances

Who We Are

Strategic Alliances supplies custom coverage solutions by teaming the expertise of our American Fidelity Colleagues with managing general underwriters, managing general agents and third-party administrators.

Well positioned to serve workforces of greater than 50, our product lineup includes medical stop loss, mini-medical and other specialty products. Our offerings help protect employers and managed care organizations from catastrophic medical benefit plan losses and provide options for employers marked by high turnover and employees with limited discretionary funds for conventional medical coverage.

In medical stop loss, we partner with Aran Insurance Agency of Arizona, Inc.; Elite Brokerage Services, Inc.; Excess Reinsurance Underwriters Agency, Inc.; International Assurance of Tennessee, Inc.; Orien Risk Analysts, Inc.; Phoenix Excess Risk Underwriters, LLC; and TRU Services, LLC, combining ownership and management continuity with consistent results and proven marketing capabilities.

Our partner in the mini-medical business is Foundation One Insurance Services. Strategic Alliances also joins forces with Combined Insurance Group on occupational accident coverage. The product mix is rounded out with a dental program marketed by SecureCare Dental.

Accomplishments

A renewed commitment to the Customer lay at the heart of Strategic Alliances in 2010 as we set the groundwork for division reorganization and cultivated further ownership of processes to make our Customer experience better than ever.

Always committed to expanding opportunities, Strategic Alliances also saw growth through the addition of a new stop-loss venture.

Of course, it is nearly impossible to speak of 2010 without the mention of Health Care Reform. Our commitment to providing innovative insurance solutions in the dynamic post-reform environment led to the adaptation of our mini-medical product to conform to new regulations.

Our Future

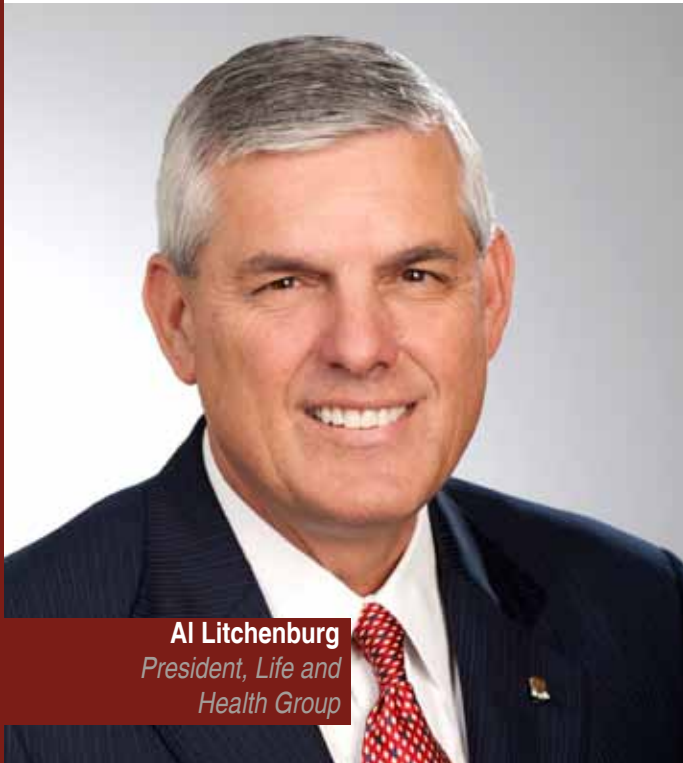
Continued development remains a top priority, with our sights set on securing two new venture partners in 2011. Expansion of our premium base by 15 percent coupled with maintaining the best possible expense ratios will provide for our division's future success.

We will also continue to stay ahead of any obstacles or openings presented in the variable regulatory environment produced by the Patient Protection and Affordable Care Act.

Strategic Alliances' recognizes that the pride we find in our work is a reflection of the quality products and services we offer our niche Customers. We stand ready to shine as we partner toward even better tomorrows.

“Our offerings help protect employees and managed care organizations from catastrophic medical benefit plan losses.”

American Fidelity International (Bermuda), Ltd.



Al Litchenburg
*President, Life and
Health Group*

Who We Are

American Fidelity International (Bermuda), Ltd. (AFIBL) provides high-quality financial protection products to affluent and emerging upper-income professionals, business owners and individuals in Latin America. Though presented with many options, our Customers choose American Fidelity because:

- We provide products with superior long-term value.
- We have long-standing and trusting relationships with our clients and consultants.
- We honor lifelong commitments.
- We are guided by high ethical, moral and legal standards.
- We continually seek ways to make it easy to do business with us.

Accomplishments

Our production related to our AFIBL Latin America market grew 24 percent and our total in-force premium increased 31 percent in 2010. We expanded our offerings with a new series of Term Life products. In addition, we streamlined our processes with several technology enhancements.

Our Future

Our long-term goals are to provide financial protection to Customers worldwide, grow our new sales annualized

BOARD OF DIRECTORS

premium and continue to increase our inforce net earned premium.

Growth, efficiency and expense management will remain our priorities. We will reach our long-term growth goals by focusing our talent and energy in these areas:

- Developing innovative financial protection products.
- Growing our distribution in the region and increasing productivity of our loyal field distributor ranks.
- Growing in distribution with institutional brokers such as private banking and financial institutions in the region.
- Delighting our Customers with quality services and web-based, user-friendly systems.
- Revamping our universal life portfolio due to low interest rates and increased reinsurance costs.

“Growth, efficiency and expense management will remain our priorities.”

Alfred L. Litchenburg

Director/President

Ronald J. Byrne

Director/Senior VP

Alan Bossin

Director

Lawrence Bird

Director

Christopher T. Kenney

Director

Christel Polk

Secretary

Annette Griffith

Assistant Secretary

Janita Burke

Alternate for Alan Bossin

Stephen Drake

Alternate for Lawrence Bird

American Public Life



Jim Pate
*President, American
Public Life*

Who We Are

American Public Life Insurance Company (APL), a member of the American Fidelity Group since May 2000, is headquartered in Jackson, Miss., with an additional office in Oklahoma City. APL offers cancer, specified disease, intensive care and accident insurance plans along with a variety of medical supplemental, disability income and dental plans. Whole and term life plans complete the wide array of product offerings.

Originally founded in 1945, American Public Life is proud of its reputation for delivering superior Customer service to brokers and worksite Customers. Superior service and attention to detail set us apart from other carriers. APL is licensed to do business in 49 states, the District of Columbia and Guam.

“Our goal is to provide financial security solutions that meet our Customers’ diverse and ever-changing needs.”

Accomplishments

At American Public Life, our goal is to provide financial security solutions that meet our Customers' diverse and ever-changing needs. We know that to meet our Customers' expectations, we must be adaptable and flexible while maintaining strength and stability. APL works hard to provide competitive products while focusing on prompt, courteous service.

Planning is a key factor for success. APL implemented an ambitious strategic plan in 2010 that identified several areas of change to aid in APL's continued growth and success. This plan established a clear sense of direction by refocusing efforts on being the worksite carrier of choice. The redesign of APL's sales and distribution channel gave the regional business directors an opportunity to work more closely with brokers in designing customized plans for the specific needs of their clients.

Our Future

In 2011, our Colleagues continue to work on streamlining processes and integrating multiple systems. Technology is a key factor in our continued success. APL is working on a website redesign and a new electronic enrollment system for brokers.

Understanding the need for new and innovative products, APL plans to roll out three new products in 2011. These products include an improved short-term disability plan, new critical illness plan and a new MEDlink® plan.

As always, American Public Life continues to build on our strength and stability, focuses on the future and prepares to meet the ongoing needs of our Customers.

BOARD OF DIRECTORS

Alfred L. Litchenburg

Chairman of the Board, APL

Jim V. Pate

President and Chief Operating Officer, APL

Gary E. Tredway

*President, Worksite Group,
American Fidelity Assurance Company*

David M. Johndrow

Director

Tony R. Satterfield

Director

Mollie D. Andrews

Director

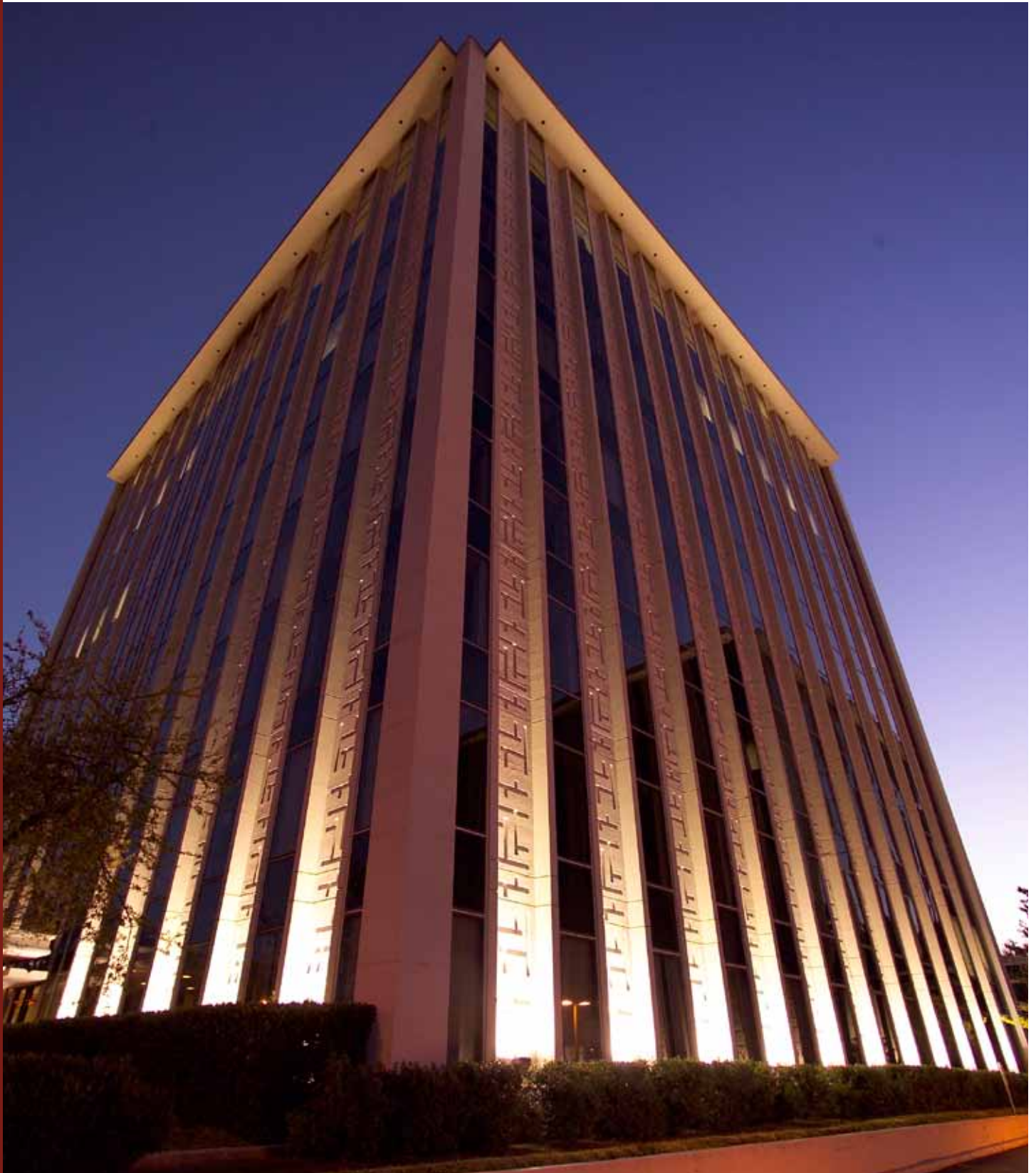
Michael F. Ross

Director

Stephen P. Garrett

Secretary

Expanded Offerings



Our Family, Dedicated to Yours™

American Fidelity Property Company

Focusing on real estate and property management services, American Fidelity Property Company holdings include office, multi-family units and commercial developments.

ASC Holding

ASC Holding, parent company to Asset Services Company, is an investment firm focusing on prudent asset allocation strategies to help clients achieve their financial goals. Asset Services Company consults with corporations, institution pension plans and endowments to identify a plan of growth for their asset base.

American Fidelity General Agency

American Fidelity General Agency, Inc. acts as an agent for insuring groups and individuals for life, property and casualty insurance.

The Alcott Group

The Alcott Group is a Professional Employer Organization (PEO), providing Human Resources (HR) support and employer services to small and mid-sized organizations.

The group's clients are companies that cannot justify having in-house HR staff or need an affordable and effective HR resource.

American Fidelity Health Services Administration

American Fidelity Health Services Administration is an independent Health Savings Account (HSA) provider, handling administration needs while allowing Customers to make medical plan decisions.

Community



American Fidelity Assurance Company (AFA) celebrated its 50th anniversary in 2010, and knowing the significance the Community plays in our business, we wanted to take time to recognize them in our celebrations. With educational services as a focus in our business, many of our community efforts are directed toward public education.

That focus was evident when the American Fidelity Foundation announced it would celebrate the Company's anniversary with a \$50,000 competitive grant to benefit a public education project. Nearly 70 applications were received from organizations throughout the state. The applications were narrowed down by a team of American Fidelity Colleagues and a group of community education leaders. Three finalists were asked to submit a video about their projects, and AFA Colleagues selected Calm Waters Center for Children and Families to receive the \$50,000 grant. The other two finalists – Smart Start of Central Oklahoma and Payne Education Center – received \$5,000 each as a result of the competition.

In support of our education focus, Colleagues also give of their time. AFA has adopted Buchanan Elementary as our partner school. Nearly 40 Colleagues spend at least 30 minutes each week tutoring and mentoring students from the school. Each summer, Colleagues donate hundreds of dollars worth of supplies to the school; in 2010, Colleagues collected nearly 50 boxes of supplies for the students.

Helping out Oklahoma City Public Schools by providing space in our Home Office building for pre-kindergarten classes, the first class of students graduated in May 2010. In August, a new group of students filed into the classroom to begin their educational careers in space provided by AFA.

Other major education initiatives by AFA include partnerships with the Oklahoma City Thunder NBA Team, KFOR Weatherschool, the Tulsa Shock, the Tulsa Talons and Magic 104 radio. The most comprehensive program involves sponsoring the Thunder's education initiatives including Teacher of the Game, the Rolling Thunder Book Bus and Reading Time Outs. During each home game, an outstanding teacher is recognized and honored with a live presentation. The Rolling Thunder takes books to students at their schools, while the Reading Time Outs are in-school presentations featuring Thunder players who reinforce the importance of reading regardless of career choice. Weatherschool takes weather education into the classroom through interactive curriculum available to teachers online as well as in-person assemblies with television meteorologists.

AFA partners with the Tulsa Shock to present Time Out for Fitness programs in Tulsa-area schools, while a coach or PE teacher is recognized during each home game. During the 2010 season, AFA donated \$100 for each touchdown scored by the Talons. Each Tuesday during the school year, a teacher is highlighted on a local radio station for dedication to the children they teach.

While AFA and our Colleagues are strong supporters of education, we also recognize the need for strong civic support. American Fidelity Assurance Company and our Colleagues are perennial leaders in community campaigns as a United Way Pacesetter and Allied Arts supporter. In 2010, Colleagues pledged \$228,586.62 to the United Way; with the AF Foundation adding \$182,869.29. For Allied Arts, Colleagues pledged \$86,458, with the Foundation adding \$45,000 to the total for the campaign.

The giving doesn't stop there. Colleagues have a variety of avenues to support charities of their choice and receive support from the Company. The AF Foundation matches Colleague donations, and in 2010 paid \$53,888 to charities supported by our Colleagues. Each year, Colleagues are encouraged to wear jeans on a designated day with proceeds going to the charities. This program raised nearly \$8,000 for charities in 2010.

Another organization our Colleagues support is the Regional Food Bank of Oklahoma. American Fidelity Assurance

Company donated more pounds of food to the organization during the 2010 Feeding Hope corporate food drive than any other company, adding 12,474 pounds to the organization's warehouse. In addition, Colleagues spent time helping and packaging donations.

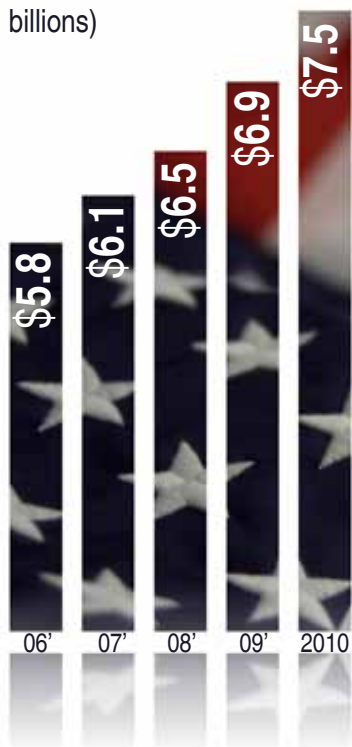
Each year, AFA holds five blood drives at our Home Office. As a result, nearly 500 units of blood were donated to the Oklahoma Blood Institute. About 250 Colleagues joined the fight against breast cancer and participated in the Susan G. Komen Race for the Cure. In the spring, about 50 volunteers gave up a Sunday morning to support runners at a water stop during the 10th annual Oklahoma City Memorial Marathon.

This commitment to the community where we make our home has helped American Fidelity earn a spot on the FORTUNE magazine list of "100 Best Companies to Work for in America" for the eighth consecutive year. But the recognition is not why we support our community. American Fidelity Assurance Company is proud of our reputation as a strong corporate citizen, not because it's good for business, but because it is the right thing to do.

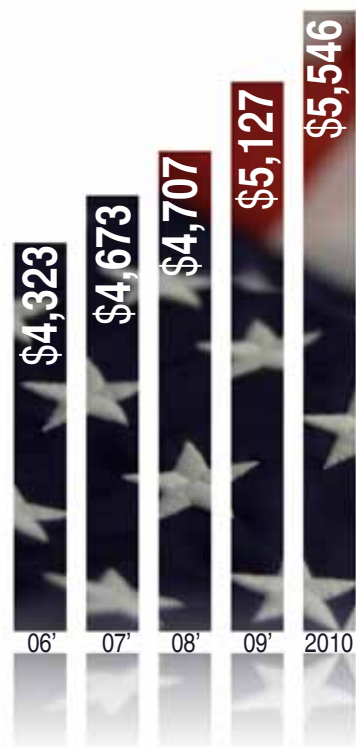
Left: AF Foundation Grant Finalists
Right Top: Memorial Marathon Water Stop
Right Middle: Weatherschool
Right Bottom: Regional Food Bank of Oklahoma

Consolidated Financial Statements

Accumulated Benefits
Paid to Customers
(in billions)



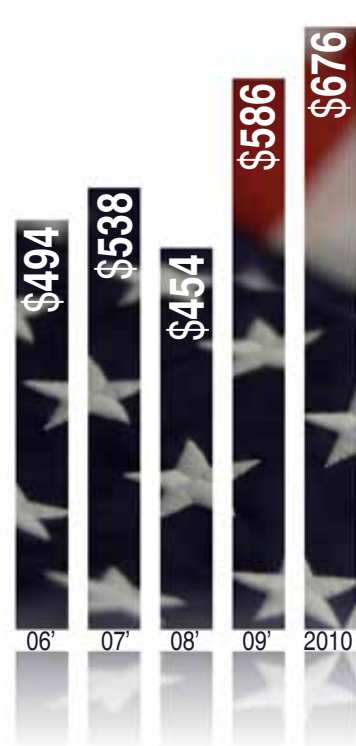
Consolidated Assets
(in millions)



Total Revenue
(in millions)



Capital & Surplus
(in millions)



Assets	2010 (In Thousands)	2009 (In Thousands)
Cash	\$110,082	\$121,026
Bonds	2,930,660	2,627,516
Short Term and Other Investments	25,316	67,746
Preferred and Common Stocks	47,348	42,446
Mortgage Loans	325,964	323,208
Real Estate and Policy Loans	62,215	60,535
Accrued Investment Income	34,276	30,693
Accounts Receivable	1,029,889	992,540
Deferred Policy Acquisition Costs	543,976	501,560
Equipment and Other Assets	51,460	34,973
Separate Account Assets	384,767	324,519
TOTAL ASSETS	\$5,545,953	\$5,126,762

Reserves, Obligations and Surplus	2010 (In Thousands)	2009 (In Thousands)
Policy and Other Contract Reserve Funds Set Aside and Invested to Assure Payment of Future Benefits to Policy Owners and Beneficiaries	\$2,936,986	\$2,705,536
Unearned Premiums	5,952	6,003
Notes Payable	567,768	555,672
Income Tax Liability and Other Obligations	973,025	947,507
Separate Account Liabilities	384,767	324,519
Capital Surplus and Retained Earnings for the Future Protection of Policy Owners and Beneficiaries	676,281	586,247
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY APPLICABLE TO AFC	\$5,544,779	\$5,125,484
Noncontrolling Interests	1,174	1,278
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$5,545,953	\$5,126,762

Reconciliation of Capital, Surplus and Retained Earnings	2010 (In Thousands)	2009 (In Thousands)
Amount as Reported on a Combined Statutory Basis	\$305,712	\$299,701
Net Deferred Policy Acquisition Costs	499,809	463,137
Policy Liabilities	(64,918)	(64,368)
Deferred Federal Income Taxes	(122,989)	(80,917)
Other	26,508	(65,832)
Stockholder's Equity of Noninsurance Subsidiaries, Net of Consolidating Eliminations	32,159	34,526
BALANCE AS DETERMINED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES*	\$676,281	\$586,247

2010 Board of Directors



Greg S. Allen

CEO

Advanced Food Company, Inc.



Theodore "Ted" Elam

Attorney, McAfee & Taft



John M. Bendheim, Jr.

President

Bendheim Enterprises, Inc.



***David R. Lopez**

President

American Fidelity Foundation



Lynda Lee Cameron

Director, AFA, AFC

VP Cameron Associates, Inc.



Paula Marshall

CEO

The Bama Companies, Inc.



William M. Cameron

Chairman and CEO

American Fidelity Corporation



Stephen M. Prescott, MD

President

Oklahoma Medical

Research Foundation



William E. Durrett

Sr. Chairman

American Fidelity Corporation



†Dr. Galen Robbins

Physician



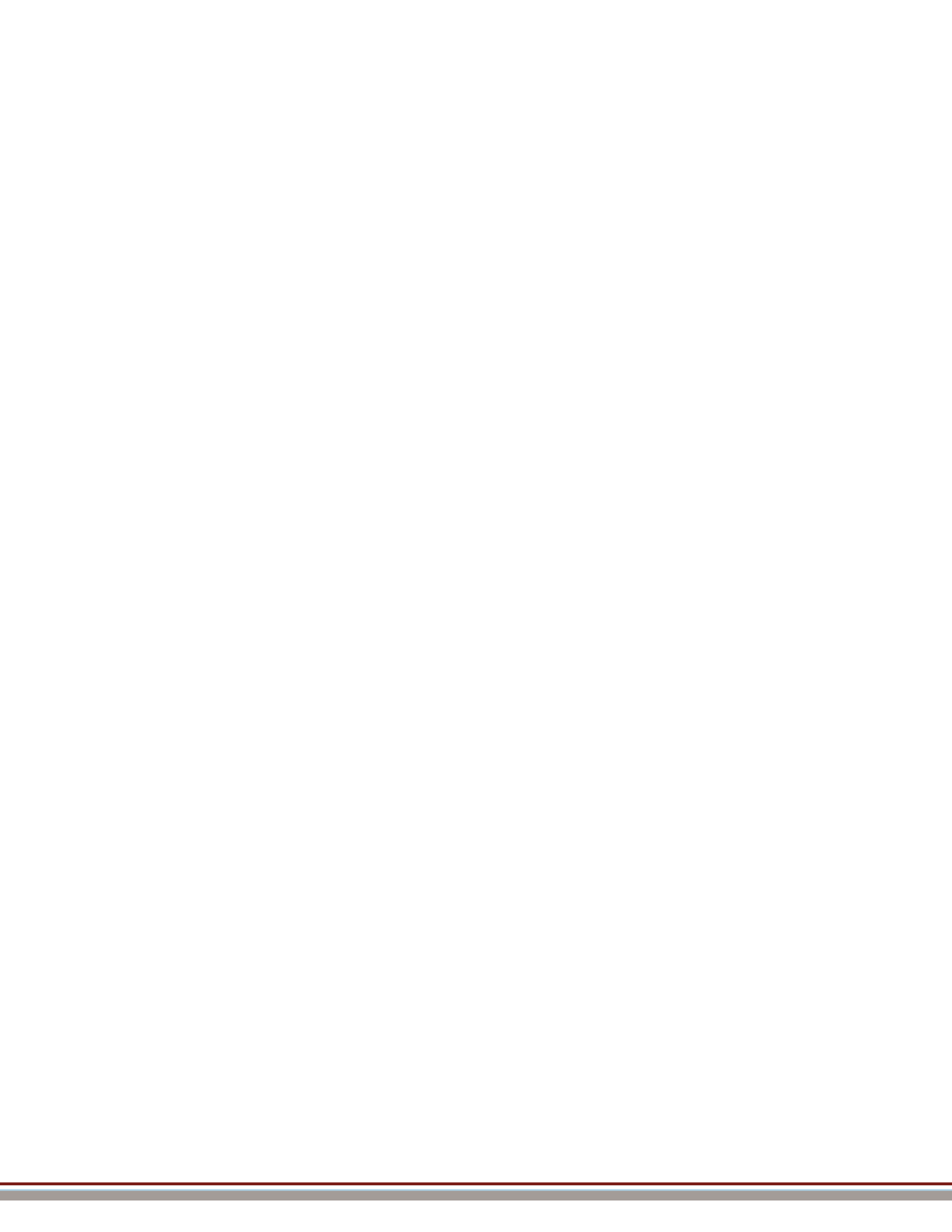
Charles R. Eitel

Founding Partner

Eitel and Armstrong

**Lopez – Resigned 3/11*

†Robbins – Deceased 11/10





A member of the American Fidelity Group[®]

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