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JEFFERSON PILOT CORP
Form 10-K
March 27, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-5955

JEFFERSON-PILOT CORPORATION
(Exact Name of Registrant as Specified in its Charter)

NORTH CAROLINA (State or Other Jurisdiction of Incorporation or Organization)	100 NORTH GREENE STREET, GREENSBORO, NORTH CAROLINA 27401 (Address of Principal Executive Offices)	56-0896180 (I.R.S. Employer Identification No.)
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REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 336-691-3000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EXCHANGE(S) ON WHICH REGISTERED -----
Common Stock (Par Value \$1.25)	New York, Midwest and Pacific Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

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

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

State the aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant: approximately \$5.4 billion at March 3, 2003.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No []

At March 3, 2003, 142,843,987 shares of the registrant's common stock, par value \$1.25 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held May 5, 2003 are incorporated by reference into Part III.

List of Exhibits appears on page E-1.

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PART I

ITEM 1. BUSINESS

(a) General Development of Business

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

Jefferson-Pilot Life Insurance Company (JP Life),

Jefferson Pilot Financial Insurance Company (JPFIC),

Jefferson Pilot LifeAmerica Insurance Company (JPLA),

Jefferson Pilot Securities Corporation, a non-clearing NASD registered broker/dealer, and

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

Through these and other subsidiaries, we primarily engage in the business of writing life insurance policies, writing annuity policies and selling other investment products, writing group life, disability income and dental policies, operating radio and television broadcasting facilities, and producing sports programming. Greensboro, North Carolina is the center for most operations, although a major base of operations in Concord, NH serves JPFIC, JPLA and the broker/dealer, and the group life, disability income and dental operations have been consolidated in JPFIC's offices in Omaha, Nebraska. We provide further detail in Management's Discussion and Analysis of Financial Condition and Results of Operations which begins on page 10 (MD&A).

We have grown substantially in the past eight years both internally and through acquisitions.

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

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

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

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

On August 1, 2000, AH Life and GLIC merged into JPFIC. On December 31, 2000, FAHL merged into JPLA. These mergers reduce costs and improve efficiency

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in our insurance operations.

As a result of strategic studies in 1999, we adopted a refined strategy called Premier Partnering. Strategic initiatives include a higher level of marketing support and improved service for more productive agents, tailoring specific products and marketing programs, and implementation of "lean manufacturing" to improve quality and reliability throughout our marketing and service processes. We have experienced substantial growth in life insurance sales and an increase in the number of agents who qualify as Premier Partners since we began implementing this strategy.

(b) Financial Information About Industry Segments

We present industry segment information in Note 16.

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(c) Narrative Description of Business

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

REVENUES BY SEGMENT*

	2002	2001	2000
	-----	-----	-----
	(IN MILLIONS)		
Individual Products.....	\$1,822	\$1,721	\$1,684
Annuity and Investment Products.....	686	647	629
Benefit Partners.....	698	602	537
Communications.....	208	195	206
Corporate and Other.....	66	165	182
	-----	-----	-----
	\$3,480	\$3,330	\$3,238
	=====	=====	=====

* Revenues include net investment income

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

INSURANCE COMPANY SUBSIDIARIES

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

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

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variable annuities. Since its merger with GLIC, JPFIC also writes substantially all our group term life, disability income and dental insurance.

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

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

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

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

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

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

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

OTHER INFORMATION REGARDING INSURANCE COMPANY SUBSIDIARIES

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

Insurance companies also must file detailed annual reports on a statutory accounting basis with the state supervisory agencies where each does business; see Note 12 regarding codification of statutory accounting principles. These agencies may examine the business and accounts at any time. Under the rules of the National Association of Insurance Commissioners (NAIC) and state laws, the supervisory agencies of one or more states examine a company periodically, usually at three to five year intervals.

Various states, including Nebraska, New Jersey, New York and North

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Carolina, have enacted insurance holding company legislation. Our insurance subsidiaries have registered as members of an "insurance holding company system" under applicable laws. Most states require prior approval by state insurance regulators of transactions with affiliates, including extraordinary dividends by insurance subsidiaries, and of acquisitions of insurance companies.

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

Competition. Our insurance subsidiaries operate in a highly competitive field which consists of a large number of stock, mutual and other types of insurers.

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

Employees. As of December 31, 2002, our insurance operations including our broker/dealer employed approximately 3,000 persons. Substantially all of these employees are payrollled with JP Life and costs are allocated to affiliates under various service agreements that have been approved by state insurance regulators. We have been reducing the number of contracted agents in our core channels as we increase our focus on the more productive agents through our Premier Partnering strategy.

COMMUNICATIONS

JPCC owns and operates three television stations and 17 radio stations as well as Jefferson-Pilot Sports, a sports production and syndication business.

TELEVISION OPERATIONS

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

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RADIO OPERATIONS

JPCC owns and operates one AM and one FM station in Atlanta, GA, one AM and two FM stations in Charlotte, NC, two AM and three FM stations in Denver, CO, one AM and two FM stations in Miami, FL and one AM and three FM stations in San Diego, CA.

JP SPORTS

JP Sports' principal business is to produce and syndicate broadcasts of Atlantic Coast Conference (ACC) and Southeastern Conference (SEC) football and basketball events. The contracts with the leagues were renewed in 2001 and extend through 2005 for ACC football and through 2006 with an option through

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2011 for ACC basketball, and through 2009 for the SEC. Raycom Sports is an equal partner in the contract for ACC basketball. Commitments under these contracts are discussed in MD&A and in Note 19.

OTHER INFORMATION REGARDING COMMUNICATIONS COMPANIES

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

Employees. As of December 31, 2002, JPCC employed approximately 770 persons full time.

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

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

(d) Foreign Operations

All our operations are conducted within the United States. Subsidiaries that had begun life insurance operations in Argentina and Uruguay, which were not material to our operations, were sold in late 1999. We occasionally make fixed income investments outside the U.S. for our investment portfolio.

(e) Available Information

JP makes available free of charge on or through our Internet website (<http://www.jpfinancial.com>) JP's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after JP electronically files such material with, or furnishes it to, the Securities and Exchange Commission.

ITEM 2. PROPERTIES

JP Life owns its home office consisting of a 20-story building and an adjacent 17-story building in downtown Greensboro, NC. These buildings house insurance operations and provide space for commercial leasing. JP Life also owns a supply and printing facility, a parking deck and a computer center, all located on nearby properties. Operations in Lexington, KY for the KCL business assumed were moved to Greensboro in 2001.

JPFIC, JPLA and our broker/dealer conduct operations in Concord, NH in one of two buildings on approximately 196 acres owned by JPFIC. The other building

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is available for commercial leasing.

JPFIC conducts operations in Omaha, NE in two buildings on its 11 acre campus. A portion of one building and a third building provide space for commercial leasing.

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

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

ITEM 3. LEGAL PROCEEDINGS

JP Life is a defendant in a proposed class action suit, Romig v. Jefferson-Pilot Life Insurance Company, filed on November 6, 1995 in the Superior Court of Guilford County, NC. The suit alleges deceptive practices, fraudulent and negligent misrepresentation and breach of contract in the sale of certain life insurance policies using policy performance illustrations which used then current interest or dividend rates and insurance charges and illustrated that some or all of the future premiums might be paid from policy values rather than directly by the insured. The claimant's actual policy values exceeded those illustrated on a guaranteed basis, but were less than those illustrated on a then current basis due primarily to the interest crediting rates having declined along with the overall decline in interest rates in recent years. On March 10, 2003, the Court authorized JP Life to send a notice to participating class policyholders that an agreement had been reached to settle this suit. The settlement will resolve claims by 165,000 holders and beneficiaries of certain policies, mostly sold in the 1980s and early 1990s, and is subject to final Court approval later this year. In the settlement, JP Life denies any allegations of wrongdoing. JP Life believes that its sales, servicing and administrative practices are -- and always have been -- designed to match customers' needs with appropriate products and to fully inform customers about the operation and features of those products. The settlement will provide benefits to class policyholders, and will benefit JP Life by resolving and eliminating the need for corporate resources to be spent on a suit that has been pending for seven years.

JP Life, as successor to Pilot Life Insurance Company, is a defendant in a proposed class action suit, Thorn v. Jefferson-Pilot Life Insurance Company, filed September 11, 2000 in the United States District Court in Columbia, SC. The complaint alleges that Pilot Life and its successors decades ago unfairly discriminated in the sale of certain small face amount life insurance policies and that these policies were unreasonably priced. The suit alleges fraudulent inducement, constructive fraud, and negligence in the marketing of these policies. The plaintiffs seek unspecified compensatory and punitive damages, costs and equitable relief. While management is unable to estimate the probability or range of any possible loss, management believes that our practices have complied with state insurance laws and intends to vigorously defend the claims asserted.

JP and its subsidiaries are involved in other legal and administrative proceedings and claims of various types, including several proposed class action suits in addition to those noted above. Some suits include claims for punitive damages. In recent years, the life insurance industry has experienced increased litigation in which large jury awards including punitive damages or settlements in lieu of litigation have occurred. Because of the considerable uncertainties that exist, we cannot predict the outcome of pending or future litigation with certainty. Based on consultation with our legal advisers, management believes that resolution of pending legal proceedings will not have a material adverse effect on our financial position or liquidity, but could have a material adverse

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effect on the results of operations for a specific period.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

None.

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EXECUTIVE OFFICERS OF THE REGISTRANT

David A. Stonecipher, 61, Chairman and Chief Executive Officer, joined JP as President-Elect and CEO-Elect in September 1992, and became President and CEO in March 1993, and Chairman in May 1998. He served as President until November 2001. Previously he was President of the Life Insurance Company of Georgia and Southland Life Insurance Company and their parent company, Georgia US.

Robert D. Bates, 61, became an Executive Vice President and President -- Benefit Partners of JP effective with the GLIC acquisition on December 30, 1999. He was President of GLIC from 1989 until the August 2000 merger of GLIC into JPFIC, and was Chairman, President and Chief Executive Officer of GLIC and its publicly held parent, The Guarantee Life Companies Inc., until December 30, 1999.

Dennis R. Glass, 53, President since November 2001, joined JP in October 1993. He was Executive Vice President, Chief Financial Officer and Treasurer from 1993 to November 2001. Previously, he was Executive Vice President and CFO of Protective Life Corporation, and earlier, of the Portman Companies.

John D. Hopkins, Executive Vice President and General Counsel, joined JP in April 1993, and previously was a partner in King & Spalding, an Atlanta law firm. Mr. Hopkins recently turned 65 and will be retiring in keeping with our mandatory retirement age.

Warren H. May, 48, has been Executive Vice President -- Marketing and Distribution since he joined JP in October 2002. Mr. May joined Travelers Life & Annuity Company in Hartford, CT in November 1995 as Senior Vice President, leading the independent distribution sales and marketing team for life and annuity products, as well as the advanced sales attorneys, advertising/promotion professionals and technology support staff. Mr. May later assumed expanded responsibility including offshore life and qualified plan marketing. In his last role at Travelers he served as Chief Executive Officer of Travelers Life Distributors and Chairman of Tower Square Securities, Inc., Travelers' independent broker dealer.

Kenneth C. Mlekush, 64, Vice Chairman since November 2001, joined JP in January 1993, and also has been President -- Life Companies since February 1999. He was an Executive Vice President until November 2001. Previously he was President and Chief Operating Officer of Southland Life Insurance Company and Executive Vice President of its parent, Georgia US.

Theresa M. Stone, 58, has been Chief Financial Officer and Treasurer of JP since November 2001, and also has been Executive Vice President of JP and President of JPCC since July 1, 1997. Previously she was President and Chief Executive Officer of JPFIC, and also was Executive Vice President of The Chubb Corporation to May 13, 1997.

There are no agreements or understandings between any executive officer and any other person pursuant to which such executive officer was or is to be

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selected as an officer. Executive officers hold office at the will of the Board, subject for certain executives to their rights under employment agreements listed as exhibits to this Form 10-K.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

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

	2002		2001		2000		1999		HIGH
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	
First Quarter.....	53.00	45.23	49.67	41.00	45.42	33.25	51.58	44.04	40.00
Second Quarter.....	52.99	45.07	49.25	44.07	46.46	36.88	47.50	42.42	41.40
Third Quarter.....	47.50	36.75	49.00	38.00	47.21	37.83	50.42	41.00	42.70
Fourth Quarter.....	45.21	36.35	46.90	41.15	50.58	39.33	53.08	40.79	52.20

(b) Holders. As of March 3, 2003, our stock was owned by 9,145 shareholders of record, and a much larger number of street name holders.

(c) Dividends. They are shown in Item 6 below. Dividends to the Registrant from its insurance subsidiaries are subject to state regulation, as more fully described in MD&A.

ITEM 6. SELECTED FINANCIAL DATA

JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

REVENUE BY SOURCES

	2002	2001	2000	1999	1998
	(IN MILLIONS)				
Individual products.....	\$1,822	\$1,721	\$1,684	\$1,468	\$1,420
Annuities and investment products.....	686	647	629	511	500
Benefit partners.....	698	602	537	164	310
Communications.....	208	195	206	200	190
Corporate and other.....	88	99	80	117	70
Revenues before investment (losses) gains and cumulative effect of change in accounting principle.....	3,502	3,264	3,136	2,460	2,510
Realized investment (losses) gains.....	(22)	66	102	101	90
Cumulative effect of change in accounting for derivative instruments (1).....	--	2	--	--	--
Total Revenues.....	\$3,480	\$3,332	\$3,238	\$2,561	\$2,610

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NET INCOME BY SOURCES

	2002	2001	2000	1999	1998
	----	----	----	----	----
	(IN MILLIONS)				
Individual products.....	\$293	\$295	\$287	\$242	\$221
Annuities and investment products.....	80	75	78	67	71
Benefit partners.....	48	44	33	25	24
Communications.....	40	34	41	38	32
Corporate and other.....	4	20	6	33	12
	----	----	----	----	----
Net income before investment (losses) gains and cumulative effect of change in accounting principle.....	465	468	445	405	360
Realized investment (losses) gains, net of taxes.....	(15)	44	67	65	58
Cumulative effect of change in accounting for derivative instruments, net of taxes (1).....	--	1	--	--	--
	----	----	----	----	----
Net Income Available to Common Stockholders.....	\$450	\$513	\$512	\$470	\$418
	=====	=====	=====	=====	=====

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

JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

SUMMARY OF SELECTED FINANCIAL DATA

	2002	2001	2000	1999	1998
	-----	-----	-----	-----	-----
	(IN MILLIONS EXCEPT SHARE AND PER SHARE INFORMATION)				
Total reportable segment results before gains (losses) from sales of investments and cumulative effect of change in accounting principle.....	\$ 465	\$ 468	\$ 445	\$ 405	\$ 360
Gains (losses) from sales of investments, net of taxes.....	(15)	44	67	65	58
Cumulative effect of change in accounting for derivative instruments, net of taxes.....	--	1	--	--	--
	-----	-----	-----	-----	-----
Net income available to common stockholders.....	\$ 450	\$ 513	\$ 512	\$ 470	\$ 418
	=====	=====	=====	=====	=====
Income per share of common stock before cumulative effect of change in accounting principle.....	\$ 3.07	\$ 3.37	\$ 3.31	\$ 2.97	\$ 2.60
Cumulative effect of change in accounting for derivative instruments, net of taxes.....	--	0.01	--	--	--

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Renewal and Other Life.....	1,059	1,061	1,062	931	931
	-----	-----	-----	-----	-----
Life Insurance.....	2,247	1,979	1,579	1,536	1,500
Accident and Health, Including Premium					
Equivalents.....	445	382	351	144	421
	-----	-----	-----	-----	-----
Total Life Insurance Premiums.....	\$ 2,692	\$ 2,361	\$ 1,930	\$ 1,680	\$ 1,930
	=====	=====	=====	=====	=====
ANNUITY PREMIUMS ON A SFAS 60 BASIS:					
Fixed Annuity.....	\$ 1,051	\$ 1,497	\$ 1,273	\$ 858	\$ 371
Variable Annuity (including separate					
accounts).....	26	59	127	140	140
	-----	-----	-----	-----	-----
Total Annuity Premiums.....	\$ 1,077	\$ 1,556	\$ 1,400	\$ 998	\$ 511
	=====	=====	=====	=====	=====
INVESTMENT PRODUCT SALES.....	\$ 2,904	\$ 2,803	\$ 3,677	\$ 2,361	\$ 1,811
	=====	=====	=====	=====	=====
COMMUNICATIONS BROADCAST CASH FLOW.....	\$ 85	\$ 74	\$ 90	\$ 85	\$ 74
	=====	=====	=====	=====	=====

Note: First year life premiums include single premiums.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations analyzes the consolidated financial condition, changes in financial position and results of operations for the three years ended December 31, 2002, of Jefferson-Pilot Corporation and consolidated subsidiaries. The discussion should be read in conjunction with the Consolidated Financial Statements and Notes. All dollar amounts are in millions except share and per share amounts. All references to Notes are to Notes to the Consolidated Financial Statements. Prior share amounts and earnings per share have been restated to give retroactive effect to the Company's 50% stock dividend, which was effective in April 2001.

COMPANY PROFILE

Overview

Jefferson-Pilot Corporation is a financial services and broadcasting company providing products and services in four major businesses: 1) life insurance; 2) annuities and investment products; 3) group life; disability and dental insurance; and 4) broadcasting and sports programming production. Our Individual Products segment offers a wide array of both fixed and variable life insurance products. Our Annuity and Investment Product (AIP) segment offers fixed and variable annuity products as well as other investment products marketed through our broker/dealer. Our Benefit Partners segment offers group non-medical products such as term life, disability and dental insurance to the employer marketplace. The Communications segment consists of radio and television broadcasting operations located in selected markets in the Southeastern and Western United States, and sports program production.

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Our other segment, Corporate and Other, contains the activities of the parent company and passive investment affiliates, surplus of the life insurance subsidiaries not allocated to other reportable segments, financing expenses on corporate debt, strategic initiatives intended to benefit the entire company, and federal and state income taxes not otherwise allocated to business segments. We include all realized gains and losses on investments in the Corporate and Other segment, and hold all impaired securities in this segment. Realized investment gains are gains and losses on sales and write downs of investments, and although these are included in revenues, we exclude them in assessing the performance of our business segments. We may realize investment gains in our sole discretion from our available-for-sale equity and bond portfolios. See further discussion under Results of Operations.

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

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Segment Revenues

The revenues for our reportable segments, excluding realized gains and losses, were as follows:

	YEAR ENDED		
	2002	2001	2000
	-----	-----	-----
Individual Products.....	52%	53%	54%
AIP.....	20%	20%	20%
Benefit Partners.....	20%	18%	17%
Communications.....	6%	6%	7%
Corporate and Other.....	2%	3%	2%

CRITICAL ACCOUNTING POLICIES

General

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

DAC and VOBA

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Deferred acquisition costs (DAC) and value of business acquired (VOBA) reflect our expectations about the future experience of the existing business in force. The primary assumptions regarding future experience that can affect the carrying value of DAC and VOBA balances include mortality, interest spreads and policy lapse rates. Significant changes in these assumptions can impact the amortization of DAC and VOBA in both the current and future periods, which is reflected in earnings. See the Financial Position section for further discussion of these items including a sensitivity analysis regarding the impact of changes in critical assumptions or expectations.

Investments

We regularly monitor our investment portfolio to ensure that investments that may be other than temporarily impaired are identified in a timely fashion and properly valued, and that any impairments are charged against earnings in the proper period. Our methodology to identify potential impairments requires professional judgment and is further described in the Investments section.

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

As the discussion above indicates, many judgments are involved in timely identifying and valuing securities, including potentially impaired securities. Inherently, there are risks and uncertainties involved in making these judgments. Changes in circumstances and critical assumptions such as a continued weak economy, a more pronounced economic downturn or unforeseen events which affect one or more companies, industry sectors or countries could result in additional write downs in future periods for impairments that are deemed to be other than temporary.

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Litigation

In recent years, the life insurance industry has experienced increased litigation in which large jury awards including punitive damages or settlements in lieu of litigation have occurred. Establishing accruals for specific litigation inherently involves a variety of estimates of future potential outcomes. Accordingly, management, based on the advice of internal and external counsel, reviews each specific litigation matter and makes a judgment whether it is probable we have incurred a loss. Once it is determined that a loss is probable, we use professional judgment in determining whether we can reasonably estimate the loss. In general, we accrue the costs of defense until we can reasonably estimate the loss or any potential range of possible loss. At that time, these additional costs are accrued. Based on consultation with our legal advisors, we believe that resolution of pending legal proceedings will not have a material adverse effect on our financial position or liquidity but could have a material adverse effect on the results of operations for a specific period.

RESULTS OF OPERATIONS

In the following discussion, "reportable segment results" and "total reportable segment results" include all elements of net income available to

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common stockholders except realized investment gains and losses. We use reportable segment results in assessing the performance of our business segments internally and believe it to be relevant and useful information. Reportable segment results as described above may not be comparable to similarly titled measures reported by other companies. The following tables illustrate our results before and after including realized investment gains and losses and reconcile reportable segment results to net income available to common stockholders, the most directly comparable GAAP financial measure:

	2002	2001	2000
	-----	-----	-----
Consolidated Summary of Income			
Total reportable segment results.....	\$465.1	\$469.1 (a)	\$445.2
Realized investment (losses) gains (net of applicable income taxes).....	(14.9)	43.7	66.9
	-----	-----	-----
Net income available to common stockholders.....	\$450.2	\$512.8	\$512.1
	=====	=====	=====
Consolidated Earnings Per Share			
Basic:			
Total reportable segment results.....	\$ 3.17	\$ 3.09 (b)	\$ 2.88
Realized investment (losses) gains (net of applicable income taxes).....	(0.10)	0.29	0.43
	-----	-----	-----
Net income available to common stockholders.....	\$ 3.07	\$ 3.38	\$ 3.31
	=====	=====	=====
Fully-diluted:			
Total reportable segment results.....	\$ 3.14	\$ 3.06	\$ 2.86
Realized investment (losses) gains (net of applicable income taxes).....	(0.10)	0.28	0.42
	-----	-----	-----
Net income available to common stockholders.....	\$ 3.04	\$ 3.34	\$ 3.28
	=====	=====	=====

(a) Includes \$1.5 relating to the cumulative effect of change in accounting for derivatives.

(b) Includes \$0.01 per share of income relating to cumulative effect of change in accounting for derivatives.

	2002	2001	2000
	-----	-----	-----
Average number of shares outstanding.....	146,846,698	151,914,983	154,575,633
	=====	=====	=====
Average number of shares outstanding -- assuming dilution.....	148,222,342	153,411,170	155,921,435
	=====	=====	=====

Net income available to common stockholders decreased 12.2% in 2002 and increased 0.1% in 2001. In 2002, we experienced net investment losses due primarily to other than temporary bond impairments in excess of gains from sales of equity securities, which are discussed in more detail in the Corporate and Other and in the

Investments sections. Total reportable segment results decreased 0.9% in 2002 and increased 5.4% in 2001. The primary factors contributing to the decline in 2002 earnings were: 1) an increase in the accrual for pending litigation in our Corporate segment; 2) increased mortality in our individual life lines; 3) weak equity markets that affected our variable universal life (VUL) and variable annuity (VA) products; 4) lower spreads on our universal life (UL) and fixed annuity products; 5) lost income on defaulted securities; and 6) funds used for stock repurchases which reduced investment income. These unfavorable influences were mitigated in 2002 by: 1) lower financing costs; 2) the elimination of amortization of certain intangible assets under SFAS 142; 3) growth in our Communications and our Benefit Partners segments; and 4) accelerated accrual of discount on our mortgage backed securities portfolios.

Earnings per share amounts for the reportable segments were more favorable than the absolute earnings amounts due to repurchases of 7,881,300 shares in 2002 and 4,437,100 shares in 2001. The average number of diluted shares outstanding declined 3.4% in 2002 and 1.6% in 2001.

RESULTS BY BUSINESS SEGMENT

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

Results by Reportable Segment

	2002	2001	2000
	-----	-----	-----
Individual Products.....	\$293.1	\$294.5	\$287.3
AIP.....	80.3	76.4 (a)	77.9
Benefit Partners.....	47.5	44.5	32.6
Communications.....	39.8	33.5	41.2
Corporate and Other.....	4.4	20.2	6.2
	-----	-----	-----
Total reportable segment results.....	465.1	469.1	445.2
Net realized investment (losses) gains.....	(14.9)	43.7	66.9
	-----	-----	-----
Net income available to common stockholders.....	\$450.2	\$512.8	\$512.1
	=====	=====	=====

(a) Includes \$1.5 relating to the cumulative effect of change in accounting for derivatives.

Segment Assets

We assign invested assets backing insurance liabilities to our segments in relation to policyholder funds and reserves. We assign net DAC and VOBA,

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reinsurance receivables and communications assets to the respective segments where those assets originate. We also assign invested assets to back capital allocated to each segment in relation to our philosophy for managing business risks, reflecting appropriate conservatism. We assign the remainder of invested and other assets, including all impaired securities, to the Corporate and Other segment.

	2002	2001
	-----	-----
Individual Products.....	\$16,671	\$16,155
AIP.....	9,397	8,765
Benefit Partners.....	909	791
Communications.....	204	202
Corporate and Other.....	3,428	3,083
	-----	-----
Total assets.....	\$30,609	\$28,996
	=====	=====

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INDIVIDUAL PRODUCTS

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

Individual Products include UL and VUL, together referred to as UL-type products, as well as traditional life products. The operating cycle for life insurance products is long term in nature; therefore, actuarial assumptions and the judgments used in those assumptions are important to the financial reporting for these products.

Traditional products require the policyholder to pay scheduled premiums over the life of the coverage. We recognize traditional premium receipts as revenues, and profits are expected to emerge in relation thereto.

UL-type product premiums may vary over the life of the policy at the discretion of the policyholder, so we do not recognize them as revenues when received, although UL-type premiums do increase assets and liabilities. We recognize revenues on these products from mortality, expense and surrender charges to policyholder fund balances (policy charges). Additionally, we earn interest spreads on all UL-type and traditional products. Policy benefits include interest credited to policyholder fund balances as well as claim related costs.

Reportable segment results also include earnings on allocated capital for both traditional and UL-type products.

Segment results were:

2002	2001	2000	1999	1998
-----	-----	-----	-----	-----

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Traditional premiums and other considerations.....	\$ 180.6	\$ 197.8	\$ 211.7	\$ 189.8	\$ 208.3
UL and investment product charges.....	710.7	639.6	623.7	535.8	529.4
Net investment income.....	923.6	876.6	840.0	736.1	681.1
Other income.....	6.7	7.6	8.6	6.1	4.9
	-----	-----	-----	-----	-----
Total revenues.....	1,821.6	1,721.6	1,684.0	1,467.8	1,423.7
	-----	-----	-----	-----	-----
Policy benefits.....	1,073.8	982.5	939.5	796.3	786.1
Expenses.....	296.9	286.2	304.3	301.7	299.0
	-----	-----	-----	-----	-----
Total benefits and expenses.....	1,370.7	1,268.7	1,243.8	1,098.0	1,085.1
	-----	-----	-----	-----	-----
Reportable segment results before income taxes.....	450.9	452.9	440.2	369.8	338.6
Provision for income taxes.....	157.8	158.4	152.9	127.5	117.3
	-----	-----	-----	-----	-----
Reportable segment results.....	\$ 293.1	\$ 294.5	\$ 287.3	\$ 242.3	\$ 221.3
	=====	=====	=====	=====	=====

Individual Products reportable segment results decreased 0.5% in 2002 and increased 2.5% in 2001 as further discussed below.

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

	2002	2001	2000
	-----	-----	-----
Annualized life insurance premium sales:			
Sales excluding large case BOLI.....	\$ 260	\$ 194	\$ 163
Large case BOLI.....	\$ --	\$ 11	\$ 2
Average UL policyholder fund balances.....	\$ 9,875	\$ 9,110	\$ 8,808
Average VUL separate account assets.....	1,211	1,333	1,383
	-----	-----	-----
	\$ 11,086	\$ 10,443	\$ 10,191
	=====	=====	=====
Average face amount of insurance in force:			
Total.....	\$161,841	\$157,438	\$157,140
UL-type policies.....	\$120,229	\$115,582	\$112,594
Average assets.....	\$ 16,352	\$ 15,524	\$ 15,075

Core agency channel sales were \$193.6, \$130.3 and \$124.4 for 2002, 2001 and 2000, which represented 74.5%, 67.2% and 76.3% of annualized life insurance premium sales excluding large case bank-owned life insurance (BOLI) for each of the three years presented. This increase in sales is a result of our Premier Partnering strategic initiative and the introduction of several new UL products. Total sales excluding BOLI increased 34.0% in 2002 and 19.0% in 2001. Single premium products targeted to smaller banks and sold through our target marketing channel provided 22.3% of life sales in 2002 and 28.6% in 2001. For large case BOLI, our business strategy is to respond to individual sales opportunities when the market accommodates our required returns. Thus, BOLI sales will vary widely between periods.

Revenues include traditional insurance premiums and policy charges, net of

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reinsurance, and net investment income. Individual traditional premiums decreased 9.2% in 2002 and 7.6% in 2001 due to the decline in our traditional business in force as we are focusing our efforts towards UL-type products and because we began reinsuring 90% of our term life insurance product in 2001. UL and investment product charges increased 11.1% in 2002 and 2.5% in 2001. The 2002 UL product charges grew faster than the average UL policyholder fund balances since certain recent products are designed with larger up-front expense charges. The increase in up-front product charges is offset by an increase in unearned revenue reserves accounted for as policy benefits, and these product charges are taken into income over time.

Net investment income increased 5.4% and 4.4% in 2002 and 2001, reflecting the growth in average policyholder funds partially offset by declines in investment yields. The average investment spread on fixed UL products (calculated as the difference between portfolio yields earned on invested assets less interest credited to policyholder funds, included in policy benefits) decreased 13 basis points to 1.87% in 2002 and increased 3 basis points to 2.00% in 2001. Interest spreads are affected by portfolio yields and our crediting rates, and also may vary over time due to our competitive strategies and changes in product design. In response to a decline in portfolio yields, we reduced credited rates across the product line at various times in 2002 by 73 basis points on average. This includes a reduction of 50 basis points later in the fourth quarter, the effects of which were only nominally realized in 2002. The current average crediting rate is 5.00%, while the average minimum guarantee rate on this product line is 4.21%. During 2002 prepayments of mortgage backed securities significantly increased as a result of continued declines in long-term mortgage rates. Our mortgage backed securities portfolio is primarily a discount portfolio; therefore, the effect of these prepayments was to accelerate the accretion of discount and increase the effective yields on our mortgage backed portfolio, which increased net investment income for the Individual Products segment by \$7.3 in 2002 and \$1.8 for 2001. These prepayments were not significant in 2000. We are investing the proceeds from these prepayments at current market yields which are lower than our portfolio yields.

Total policy benefits increased 9.3% and 4.6% in 2002 and 2001 due primarily to increases in mortality, interest credited and deferred revenue. Policy benefits on traditional business include death benefits, dividends, surrenders and changes in reserves, with the most significant being death benefits. Total policy benefits on traditional contracts represented 118.4% of premiums in 2002 compared to 111.3% in 2001 and 102.8% in 2000, reflecting increased mortality in 2002 and 2001. Policy benefits on UL-type products include interest credited to policyholder accounts, death benefits in excess of fund balances and changes in unearned revenue reserves. Total policy benefits on UL-type products increased to 7.8% of average policyholder funds and separate accounts in 2002 versus 7.3% in 2001 and 7.1% in 2000. The increases in interest credited of 6.4% and 4.6% in 2002 and 2001 reflect growth in average UL fund balances of 8.4% and 3.4% in 2002 and 2001 partially offset by lower crediting rates. Increased sales of products with higher up-front expense charges have increased deferred revenue, as discussed earlier. Net deferrals of revenue increased \$47.3 in 2002 and \$37.8 in 2001.

Death benefits constitute a significant portion of policy benefits. Our actual mortality experience for UL-type products per thousand dollars of face amount of insurance in force was \$2.07 in 2002, \$1.91 in 2001 and \$1.83 in 2000. Increases in our retention limit from \$1.4 to \$2.0 in early 2001 caused our mortality cost per thousand dollars of face amount of insurance in force to increase by \$0.07 in 2002 and \$0.02 in 2001. While this change improved our overall operating results due to lower premiums paid to reinsurers that flow primarily through UL and investment product charges, it increases the volatility of our mortality costs in a given year. To aid our analysis of actual mortality expense, we recently completed a multi-year study that compared our actual mortality

over the past four years to the 1975 -- 1980 Standard Actuarial table. This study indicates that our mortality experience over the period of the study is within our expected range, although fluctuating from year to year.

Total expenses (including the net deferral and amortization of DAC and VOBA) increased 3.7% in 2002 and decreased 5.9% in 2001. The expense details are as follows:

	2002	2001	2000
	-----	-----	-----
Commissions.....	\$ 270.5	\$ 212.1	\$ 207.3
General and administrative -- acquisition related.....	87.8	79.5	74.3
General and administrative -- maintenance related.....	38.9	44.5	42.6
Taxes, licenses and fees.....	55.4	51.1	46.3
	-----	-----	-----
Total commissions and expenses incurred.....	452.6	387.2	370.5
Less commissions and expenses capitalized.....	(323.2)	(244.7)	(223.9)
Amortization of DAC and VOBA.....	167.5	143.7	157.7
	-----	-----	-----
Total expense.....	\$ 296.9	\$ 286.2	\$ 304.3
	=====	=====	=====

The increase in 2002 expenses reflects higher amortization of DAC and VOBA, partially offset by improved maintenance expenses. Recent years' growth in the Individual Products segment is the primary contributor to this increase in amortization, although there were other items impacting amortization as well. Better persistency levels in acquired blocks of business caused us to lower amortization on our fixed UL products by \$17.2 in 2002. Partially offsetting this is a \$16.6 increase in amortization on VUL insurance products due to limitation of mean reversion techniques as a result of declining equity markets, as further discussed in the Financial Position section. The expense amounts we capitalize as DAC include first year commissions, as well as deferrable acquisition expenses. We generally limit our capitalization of deferrable acquisition expenses to the lower of product specific pricing allowables or our actual deferrable acquisition costs. As our sales have increased, pricing allowables have covered a greater amount of capitalizable acquisition expenses other than commissions. Increased sales resulted in higher capitalization of these expenses of \$18.9 in 2002 and \$13.5 in 2001.

Average Individual Products assets grew 5.3% and 3.0% in 2002 and 2001, primarily due to sales of fixed UL products and growth in existing UL policyholder fund balances, partially offset by declines in the market values of separate account assets of variable products. Average VUL separate account assets decreased 9.2% and 3.6% in 2002 and 2001. Adjusting for the decrease in market value, net of dividends, year over year, separate account balances would have increased by approximately 5.6% in 2002 and total fund balances would have grown by 8.0% in 2002.

Our financial and operating risks for this segment include, among others, interest spread risks, mortality risks, changes in the underlying assumptions of DAC and VOBA and the effects of unresolved litigation. We discuss these risks in more detail in the Financial Position, Capital Resources and Liquidity, and Market Risk Exposures sections.

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ANNUITY AND INVESTMENT PRODUCTS

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

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Reportable segment results were:

	2002	2001	2000	1999	1998
Policy charges, premiums and other considerations.....	\$ 12.2	\$ 14.9	\$ 26.9	\$ 18.5	\$ 17.6
Net investment income.....	576.8	533.4	482.2	418.4	425.0
Concession and other income.....	97.3	101.2	119.5	74.4	63.0
	686.3	649.5	628.6	511.3	505.6
Total revenues.....					
Policy benefits.....	424.7	385.3	341.6	306.0	299.0
Expenses.....	138.1	146.2	166.8	101.9	96.9
	562.8	531.5	508.4	407.9	395.9
Total benefits and expenses.....					
Reportable segment results before income taxes.....	123.5	118.0	120.2	103.4	109.7
Provision for income taxes.....	43.2	41.6	42.3	36.4	38.6
	\$ 80.3	\$ 76.4	\$ 77.9	\$ 67.0	\$ 71.1
Reportable segment results.....	\$ 80.3	\$ 76.4	\$ 77.9	\$ 67.0	\$ 71.1

AIP reportable segment results increased 5.1% in 2002 and decreased 1.9% in 2001 as further discussed below.

The following table summarizes key information for AIP:

	2002	2001	2000
Fixed annuity premium sales.....	\$ 994	\$1,396	\$1,195
Variable annuity premium sales.....	10	26	92
	\$1,004	\$1,422	\$1,287
Investment product sales.....	\$2,904	\$2,803	\$3,676
Average policyholder fund balances.....	\$7,810	\$6,858	\$6,338
Average separate account policyholder fund balances.....	481	533	694
	\$8,291	\$7,391	\$7,032
Effective investment spreads for fixed annuities.....	1.83%	1.96%	2.14%

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Fixed annuity surrenders as a percentage of beginning fund balances.....	9.5%	12.7%	21.2%
Average assets.....	\$9,064	\$8,138	\$7,648

We derive annuity revenues from investment income on segment assets, policy charges and concession income earned on investment product sales by JPSC. AIP revenues increased 5.7% in 2002 and 3.3% in 2001, driven by growth in investment income, partially offset by lower policy charge income. Our policy charge income continues to decline as our product mix focuses more on products that derive most of their earnings from investment spreads rather than from policy charges and as a result of lower surrenders. Net investment income grew 8.1% in 2002 and 10.6% in 2001, which was lower than the growth in average policyholder fund balances of 13.9% in 2002, primarily due to a decline in new investment yields. The effect of the prepayments of mortgage backed securities mentioned earlier was to accelerate the accretion of discount on our mortgage backed portfolio, increasing net investment income in the AIP segment by \$3.6 in 2002 and \$0.8 in 2001. Investment income for 2001 included \$2.3 due to the cumulative effect of the change in accounting for derivatives. Fixed annuity premium sales decreased 28.8% in 2002 and increased 16.8% in 2001. Annuity sales were the highest ever for the Company in 2001, and the 2002 decline reflects the current competitive fixed annuity market and our unwillingness to match our competitors' crediting rates, especially in the bank channel. Despite a slight increase in investment product sales, JPSC's concession and other income decreased 3.9% and 15.3% in 2002 and 2001, primarily because of sales of lower commission securities.

Fixed annuity surrenders as a percentage of beginning fund balances declined to 9.5% from 12.7% in 2001 and 21.2% in 2000. The lower lapse rates reflect the effects of increased surrender charge protection on our in-force block of business, the lower interest rate environment and the increasing percentage of our annuity block with multi-year crediting rate guarantees. The surrender rate in the AIP segment is influenced by many other factors such as: 1) the portion of the business that has low or no remaining surrender charges; 2) competition

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from annuity products including those which pay up-front interest rate bonuses or higher market rates; and 3) rising interest rates that may make returns available on new annuities or investment products more attractive than our older annuities. Fixed annuity fund balances with 5% or more surrender charges increased to 55% at year-end 2002 from 46% at year-end 2001.

Policy benefits, which are mainly comprised of interest credited to policyholder accounts, increased 10.2% in 2002 and 12.8% in 2001, reflecting growth in average fund balances partially offset by lower crediting rates.

Effective investment spreads on fixed annuities declined to 1.83% in 2002 from 1.96%, as yields earned on the investment portfolio dropped faster than we lowered our crediting rates and due to sales of products designed with lower spread requirements because of lower commissions. In response to this decline in portfolio yields, we lowered crediting rates throughout the year, including a 23 basis point reduction late in the fourth quarter of 2002, the effects of which were only nominally realized in 2002. The current average crediting rate on the portfolio is 5.35%, while the average minimum guarantee rate on this portfolio is 4.55% for 2003.

Total AIP expenses decreased 5.5% and 12.4% in 2002 and 2001, due primarily to lower maintenance expenses along with lower commission expenses of JPSC. The expense details are as follows:

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	2002	2001	2000
	-----	-----	-----
Commissions -- insurance companies.....	\$ 53.0	\$ 67.5	\$ 66.7
Commissions -- broker/dealer.....	80.6	85.3	98.1
General and administrative -- acquisition related.....	16.8	13.6	14.0
General and administrative -- maintenance related.....	14.2	20.4	17.1
Taxes, licenses and fees.....	3.1	3.0	4.0
	-----	-----	-----
Total commissions and expenses incurred.....	167.7	189.8	199.9
Less commissions and expenses capitalized.....	(67.1)	(81.4)	(79.1)
Amortization of DAC and VOBA.....	37.5	37.8	46.0
	-----	-----	-----
Total expense.....	\$138.1	\$146.2	\$166.8
	=====	=====	=====

As a result of the declining equity markets in 2002, we increased the amortization of DAC on our variable annuity products by \$8.8 using the mean reversion techniques as further discussed in the Financial Position section. However, due to lower lapse rates experienced on our fixed annuity products, we lowered DAC amortization by \$13.0. The remaining increase in DAC amortization was due to overall growth in the business.

JPSC earnings were \$4.1, \$2.7 and \$6.3 for 2002, 2001 and 2000. The 2002 increase was primarily due to lower general and administrative expenses, while the 2001 decline was directly related to lower equity and mutual fund purchase/sale transactions.

Return on average assets for AIP was 0.89%, 0.94% and 1.02% for 2002, 2001, and 2000. A number of factors affected the decline in 2002 including decreased interest spreads that were partially offset by DAC unlocking. The drop in 2001 generally resulted from reduced JPSC earnings coupled with a decrease in interest spreads.

An inherent risk in the annuity business is that continued low or further declines in investment yields coupled with competition from competing products and minimum rate guarantees could further reduce our investment spread. Another risk associated with the annuity business is increased lapses when interest rates rise, particularly in the portion of business subject to low or no surrender charges. We discuss these risks in more detail in the Financial Position, Capital Resources and Liquidity, and Market Risk Exposures sections.

BENEFIT PARTNERS

The Benefit Partners segment offers group non-medical products such as term life, disability and dental insurance to the employer marketplace. These products are marketed primarily through a national distribution system of regional group offices. These offices develop business through employee benefit brokers, third party administrators and other employee benefit firms. The Benefit Partners segment was created in January 2000

through the integration of our existing group life and disability operations into Guarantee Life Insurance Company's (Guarantee) life, disability and dental operations acquired in December 1999. Segment results before 2000 include only the Group life and health products sold by JP Life.

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Reportable segment results were:

	2002	2001	2000	1999	1998
	-----	-----	-----	-----	-----
Premiums and other considerations.....	\$638.1	\$546.7	\$485.5	\$133.7	\$274.8
Investment income, net of expenses.....	60.2	55.0	51.3	30.4	38.1
	-----	-----	-----	-----	-----
Total revenues.....	698.3	601.7	536.8	164.1	312.9
	-----	-----	-----	-----	-----
Policy benefits.....	477.9	403.7	359.6	93.7	206.7
Expenses.....	147.3	129.6	127.2	33.0	69.8
	-----	-----	-----	-----	-----
Total benefits and expenses.....	625.2	533.3	486.8	126.7	276.5
	-----	-----	-----	-----	-----
Reportable segment results before income taxes.....	73.1	68.4	50.0	37.4	36.4
Provision for income taxes.....	25.6	23.9	17.4	12.9	12.5
	-----	-----	-----	-----	-----
Reportable segment results.....	\$ 47.5	\$ 44.5	\$ 32.6	\$ 24.5	\$ 23.9
	=====	=====	=====	=====	=====

Benefit Partners reportable segment results increased 6.7% in 2002 as further discussed below. Reportable segment results increased 36.5% in 2001, primarily due to growth in the business and the integration of Guarantee.

The following table summarizes key information for Benefit Partners:

	2002	2001	2000
	-----	-----	-----
Life, Disability, and Dental:			
Annualized sales.....	\$ 182	\$ 150	\$ 120
Loss ratio.....	73.0%	72.4%	73.4%
Total expenses, % of premium income.....	23.2%	23.7%	26.2%
Average assets.....	\$ 851	\$ 752	\$ 710

Benefit Partners revenues increased \$96.6 and \$64.9 in 2002 and 2001 and annualized new sales for the core life, disability and dental lines grew 21.3% in 2002 and 25.0% in 2001. The sales increases for 2002 and 2001 reflect the impacts of increases in the number of representatives of 16.4% and 15.5% coupled with the maturation of the sales force selling these products under the Jefferson Pilot name. Additional factors driving the increase in sales for these two years included our strong ratings, our technology driven customer service and a refocus by employers on their non-medical benefit needs.

Policy benefits increased 18.4% and 12.3% in 2002 and 2001 driven by growth in the business coupled with slightly adverse claims experience in 2002 in the disability line. Our life, disability and dental incurred loss ratio increased in 2002 to 73.0% versus 72.4% in 2001 and 73.4% in 2000, but was still within our expected range. While we closely monitor the loss ratio, we feel our risk management procedures are sound and some fluctuations are inherent in this segment.

Total expenses increased 13.7% and 1.9% in 2002 and 2001, due to growth in the business. As a percentage of premium income, total expenses were 23.2% in

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2002 versus 23.7% in 2001 and 26.2% in 2000, reflecting disciplined expense management.

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The expense details are as follows:

	2002	2001	2000
	-----	-----	-----
Commissions.....	\$ 74.7	\$ 63.4	\$ 52.5
General and administrative.....	69.6	65.7	69.0
Taxes, licenses and fees.....	17.9	14.9	15.3
	-----	-----	-----
Total commissions and expenses incurred.....	162.2	144.0	136.8
Less commissions and expenses capitalized.....	(95.7)	(69.9)	(66.8)
Amortization of DAC.....	80.8	55.5	57.2
	-----	-----	-----
Total expense.....	\$147.3	\$129.6	\$127.2
	=====	=====	=====

Acquisition costs consisting of commissions and other expenses that are primarily related to contracts issued or renewed are capitalized and are charged to expense in proportion to the revenue recognized. The amount of acquisition costs capitalized as well as the amount amortized grew in proportion with the increase in sales for 2002, 2001 and 2000.

Risks beyond normal competition that may impact this segment include: 1) increased morbidity risk due to a weak economy that may increase disability claim costs; 2) continued medical cost inflation that can put pressure on non-medical benefit premium rates because employers may focus more on the employer's cost of non-medical programs; and 3) mortality risks including concentration risks from acts of terrorism not priced for or reinsured. We are mitigating these risks by monitoring new and existing claims and industry health care trend reports which serve as indicators of increased employer medical costs, and through intensive review of our concentration risks. Our group life reinsurance agreement covering extraordinary life claims arising from catastrophic events expired in April 2002. We began relying primarily on case-by-case management to mitigate our concentration exposures over time. We then supplemented this strategy with the purchase, effective September 1, 2002, of a new group life facultative reinsurance program which covers extraordinary life and accidental death or dismemberment claims arising from war or terrorism events (excluding nuclear, chemical or biological events) for covered groups at specific sites. The coverage provides reimbursement in various layers for losses that exceed \$50, up to a maximum reimbursement of \$64. We continue to monitor reinsurance market developments to stay abreast of options that could enhance our management of this risk. One of our non-core products, Exec-U-Care(R), which provides an insured medical expense reimbursement vehicle to executives for non-covered health plan costs, produced revenues for this segment of approximately \$100 and net income of approximately \$3 in 2002. A discontinuation of Exec-U-Care(R), while not anticipated, would have a significant impact on segment revenues, but only a limited effect on net income.

COMMUNICATIONS

JPCC operates radio and television broadcast properties and produces syndicated sports programming. Reportable segment results were:

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	2002	2001	2000	1999	1998
	-----	-----	-----	-----	-----
Communications revenues (net).....	\$210.3	\$196.8	\$210.4	\$205.0	\$199.8
Operating costs and expenses.....	125.6	122.9	120.9	119.9	124.1
	-----	-----	-----	-----	-----
Broadcast cash flow.....	84.7	73.9	89.5	85.1	75.7
Depreciation and amortization.....	8.1	10.9	11.1	11.4	11.5
Corporate general and administrative expenses.....	7.7	3.3	5.5	5.8	5.1
Net interest expense.....	2.9	4.1	4.6	5.0	5.1
	-----	-----	-----	-----	-----
Operating revenue before income taxes.....	66.0	55.6	68.3	62.9	54.0
Provision for income taxes.....	26.2	22.1	27.1	25.3	21.7
	-----	-----	-----	-----	-----
Reportable segment results.....	\$ 39.8	\$ 33.5	\$ 41.2	\$ 37.6	\$ 32.3
	=====	=====	=====	=====	=====

Reportable segment results increased 18.8% in 2002 and decreased 18.7% in 2001. The 2002 increase was primarily due to increased demand for advertising, effective ongoing operating expense management and the

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positive impact from eliminating amortization of certain intangible assets under SFAS 142. The 2001 decline was due to slowing economic conditions and lost revenues due to the September 11th event.

Combined revenues for Radio and Television increased 8.5% in 2002 and decreased 6.3% in 2001, reflecting solid increases in demand for local advertising and substantial political advertising in 2002. Excluding the impact of political revenues, combined revenues from Radio and Television increased 6.3% in 2002 and decreased 4.8% in 2001. Revenues from Sports operations decreased 6.5% and 8.5% in 2002 and 2001, reflecting a hesitancy of the market to enter into the longer-term structure of Sports advertising contracts.

Broadcast cash flow increased 14.6% in 2002 and decreased 17.4% in 2001. The 2002 increase was due to improved profitability at our Radio and TV properties, though these increases were partially offset by weak results in our Sports basketball product earlier in the year.

Total expenses, excluding interest expense, increased 3.1% in 2002 and decreased 0.3% in 2001. As a percent of communication revenues, these expenses were 67.2%, 69.7% and 65.4% for 2002, 2001 and 2000. The 2002 improvement reflects continued expense discipline combined with the elimination of FCC license and goodwill amortization under SFAS 142 in the current year. This amortization expense was \$3.2 for 2001 and 2000. A one-time insurance recovery of \$1.4 after tax reduced corporate general and administrative expenses in 2001, which improved segment earnings, but is not reflected in broadcast cash flow.

Because broadcasting stations rely on advertising revenues, they are sensitive to cyclical changes in both the general economy and in the economic strength of their local markets. Furthermore, our stations derived 25.3% of their advertising revenues from the automotive industry in 2002. If automobile advertising is seriously curtailed, it could have a negative impact on broadcasting revenues. Radio and television stations require a license from the FCC to operate with periodic renewal. While failure to renew is unlikely, any station that failed to receive renewal would be forced to cease operations and

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could no longer generate revenue. Technology and consolidation in the broadcast industry may increase competition for audiences and advertisers.

CORPORATE AND OTHER

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

The following table summarizes results for this segment:

	2002	2001	2000	1999	1998
	-----	-----	-----	-----	-----
Earnings on investments.....	\$ 76.5	\$103.1	\$ 96.1	\$126.3	\$ 95.2
Interest expense on debt and Exchangeable Securities.....	10.6	28.2	35.3	35.0	33.2
Operating expenses.....	47.9	33.8	28.0	15.8	23.3
Provision for income tax expense (benefit).....	(11.0)	(3.7)	2.0	18.4	1.3
	-----	-----	-----	-----	-----
Total expenses.....	47.5	58.3	65.3	69.2	57.8
	-----	-----	-----	-----	-----
Reportable segment results before dividends on Capital Securities and mandatorily redeemable preferred stock.....	29.0	44.8	30.8	57.1	37.4
Dividends on Capital Securities and mandatorily redeemable preferred stock.....	(24.6)	(24.6)	(24.6)	(24.5)	(25.7)
	-----	-----	-----	-----	-----
Reportable segment results.....	4.4	20.2	6.2	32.6	11.7
Realized investment (losses) gains, net.....	(14.9)	43.7	66.9	65.5	58.0
	-----	-----	-----	-----	-----
Reportable segment results, including realized (losses) gains.....	\$ (10.5)	\$ 63.9	\$ 73.1	\$ 98.1	\$ 69.7
	=====	=====	=====	=====	=====

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Reportable segment results excluding realized gains (losses) decreased \$15.8 in 2002 and increased \$14.0 in 2001. Several items impacted the 2002 Corporate and Other segment results including a decline in earnings on investments due to lost income on defaulted securities and funds used for share repurchases, lower interest expense on debt and Exchangeable Securities and an increase in accruals for litigation.

The earnings on investments for the segment include default charge income received from the operating segments for the Corporate and Other segment's assumption of all credit related losses on the invested assets of those segments. Default charges were \$22, \$20 and \$19 for 2002, 2001 and 2000 and are calculated as a percentage of the invested assets. Earnings on investments in this segment can fluctuate based upon opportunistic repurchases of common stock, the amount of excess capital generated by the operating segments and lost investment income on bonds impaired or sold at a loss.

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Interest expense on debt and Exchangeable Securities decreased \$17.6 in 2002 primarily due to lower market interest rates, the replacement of the MEDS securities with short-term borrowings in January 2002 and overall lower amounts outstanding. See Note 8 that more fully addresses our debt structure and interest costs. Operating expenses vary with the level of corporate activities and strategies. In 2002, we increased our accrual for litigation by \$23.1 taking into consideration the status of pending litigation, including several class action lawsuits. In March 2003, we announced that a North Carolina judge had authorized us to send a notice to participating class policyholders that an agreement had been reached with plaintiff's counsel to settle one of the existing class action suits. The settlement is subject to final approval by the Court. Management believes its current accruals for litigation expense are adequate. Goodwill amortization of \$9 and \$10, excluding JPCC, was included in operating expenses in this segment for 2001 and 2000 but has been eliminated in 2002 under SFAS 142. Note 2 details the pro forma effect that goodwill amortization would have in 2002. The provision for income tax expense includes the tax benefit of preferred dividends on Capital Securities, which we record gross of related tax effects. Income taxes decreased \$7.3 in 2002 and \$5.7 in 2001. The 2002 decline is primarily due to lower pretax segment income while the 2001 decline is due to the implementation of strategies that reduced federal income taxes on investment earnings and the resolution of tax issues for which we had previously established provisions.

Realized investment gains and losses were as follows:

	2002	2001	2000
	-----	-----	-----
Bonds gains.....	\$ 31.2	\$ 15.0	\$ 19.2
Bond losses.....	(36.9)	(39.3)	(26.4)
Bond impairment charges.....	(163.1)	(55.4)	(14.5)
Stock gains (net).....	160.4	145.9	120.5
Other (losses).....	(13.6)	(0.7)	3.3
	-----	-----	-----
Gross realized (losses) gains.....	(22.0)	65.5	102.1
Less: taxes.....	7.1	21.8	35.2
	-----	-----	-----
Net realized (losses) gains.....	\$ (14.9)	\$ 43.7	\$ 66.9
	=====	=====	=====

The following table summarizes assets assigned to this segment.

	2002	2001
	-----	-----
Parent company, passive investment companies and Corporate line assets of insurance subsidiaries.....	\$ 919	\$ 895
Unrealized gain on fixed interest investments.....	570	162
Co-insurance receivables on acquired blocks.....	1,056	1,091
Employee benefit plan assets.....	330	360
Goodwill arising from insurance acquisitions.....	270	270
Other.....	283	305
	-----	-----
Total.....	\$3,428	\$3,083
	=====	=====

Total assets for the Corporate and Other segment increased 11.2% in 2002 due primarily to unrealized gains on fixed interest investments. Unrealized gains and losses on all available-for-sale fixed income securities are assigned to this segment, and increased \$408 and \$119 in 2002 and 2001.

Risks for this segment include investment impairments due to continuing economic weakness or further economic decline, the risk of rising interest rates on our short-term debt, the ability to replace existing debt agreements with comparable terms, an additional decline in the value of our equity securities which would limit our potential for gains, the general uncertainty regarding litigation, and the potential for future impairment of goodwill. Additionally, as discussed in the Liquidity section, to service our debt and to pay shareholder dividends, this segment relies on excess cash flows through dividends from the insurance subsidiaries. These dividends are dependent upon regulatory approval above certain limits.

FINANCIAL POSITION

Our primary resources are investments related to our Individual Products, AIP and Benefit Partners segments, properties and other assets utilized in all segments and investments backing corporate capital. This section identifies several items on our balance sheet that are important to the overall understanding of our financial position. The Investments section reviews our investment portfolio and key portfolio management strategies.

Total assets increased \$1,613 in 2002 and \$1,675 in 2001 due to growth in investment income, net policyholder contract deposits, and unrealized gains on investments, all of which more than offset declines in fair values of separate account assets, dividends, stock repurchases and impairment losses.

Intangible assets on our balance sheet include DAC, VOBA and goodwill.

DAC and VOBA

The Individual Products, AIP and Benefit Partners segments defer the costs of acquiring new business, including first year commissions, first year bonus interest or day one premium bonuses on annuities, certain costs of underwriting and issuing policies plus agency office expenses, referred to as DAC. We limit our capitalization of acquisition costs other than commissions to the lower of product specific pricing allowables or the actual deferrable acquisition costs. When we acquire new business through an acquisition, we allocate a portion of the purchase price to a separately identifiable intangible asset, referred to as VOBA. We initially establish VOBA as the actuarially determined present value of future gross profits of each business acquired. Both DAC and VOBA are amortized through expenses as revenues are recognized in the future. Some of the assumptions regarding future experience that can affect the carrying value of DAC and VOBA balances include mortality, interest spreads, lapse rates and policy fees earned. Significant changes in these assumptions can impact the carrying balance of DAC and VOBA and therefore produce changes that must be reflected in earnings. These changes can be positive or negative.

We amortize DAC and VOBA on traditional products in proportion to premium revenue recognized. The DAC and VOBA balances on these products were \$208.2 or 8.9% of the gross balances at December 31, 2002, and are generally subject to little volatility.

We amortize DAC and VOBA on UL-type products and annuity products relative to the future estimated gross profits (EGP) from those products. In calculating

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the EGP for these products, management must make assumptions regarding the following components: 1) estimates of fees charged to policyholders to cover mortality, surrenders and maintenance costs; 2) estimated mortality in excess of fund balances accumulated; 3) expected interest rate spreads between income earned and amounts credited to policyholder accounts; and 4) estimated costs of policy administration (maintenance). DAC and VOBA calculations are sensitive to a change in our assumptions regarding EGP components, and any significant change in these assumptions will immediately impact the current DAC and VOBA balances with the change reflected through the income statement. We continuously review the models and our assumptions regarding EGP that we use for calculation of amortization expense for these products so that the assumptions reflect management's view of future events.

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We consider the following assumptions to be most significant to UL-type products: 1) estimated mortality; 2) estimated interest spreads; and 3) estimated future policy lapses. DAC and VOBA on UL-type products were \$1,711.3 or 73.3% of the gross balances at December 31, 2002.

In addition to these three assumptions on all UL-type products, VUL products and VA products contain an additional assumption that affects the DAC and VOBA amortization. This critical assumption is the rate of growth of the separate account mutual funds that generate additional policy fees utilized in the EGP on VUL and VA products. We assume a long-term total net return on separate account assets, including dividends and market value increases, of 8.25% and a five-year reversion period. The reversion period is a period over which a short-term return assumption is used to maintain the model's overall long-term rate of return. We capped the reversion rate of return at 8.25% for one year and 10% for years two through five. The effect of this limitation was to reduce the cumulative effective long-term rate at this point in time to less than 7.00%. Our decision to cap the first-year reversion and to limit our overall reversion rate reflects recent declines in equity markets and a lower than historic allocation of fund assets by our policyholders to equity funds.

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

QUANTITATIVE CHANGE IN SIGNIFICANT ASSUMPTIONS -----	ONE-TIME EFFECT ON DAC AND VOBA AMORTIZATION -----	ONE-TIME EFFECT ON DAC AND VOBA AMORTIZATION -----
Estimated mortality improving (degrading) 0.5% per year for 10 years from the current estimate.....	\$34.7	\$(35.5)
Estimated interest spread increasing (decreasing) 2.5 basis points per year for 10 years from the current assumed spread.....	27.9	(30.6)
Estimated policy lapse rates decreasing (increasing) 25% immediately and then increasing (decreasing) 2.5% per year for 10 years.....	23.1	(23.3)
Estimated long-term rate of return from VUL assets increasing (decreasing) 1.25% using mean reversion techniques.....	1.8	(7.4)

We consider estimated interest spreads and estimated future policy lapses

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to be the most significant assumptions related to our annuity products. DAC and VOBA on these products were \$356.6 or 15.3% of the gross balances at December 31, 2002. The following table reflects the possible income statement impacts on our AIP segment that could occur in a given year if we change our assumptions as illustrated related to annuity products:

QUANTITATIVE CHANGE IN SIGNIFICANT ASSUMPTIONS -----	ONE-TIME EFFECT ON DAC AND VOBA AMORTIZATION -----	ONE-TIME EFFECT ON DAC AND VOBA AMORTIZATION -----
Estimated interest spread increasing (decreasing) 2.5 basis points per year for 10 years from the current assumed spread.....	\$ 5.6	\$ (5.3)
Estimated policy lapse rates decreasing (increasing) 25% immediately and then increasing (decreasing) 2.5% per year for 10 years.....	14.3	(13.9)

In general, a change in an assumption on either individual life or annuity products that improves our expectations regarding future EGP is going to have the impact of deferring the amortization of DAC and VOBA into the future, thus increasing earnings in the current period. Conversely, a change in assumptions that decreases future EGP will have the effect of speeding up the amortization of DAC and VOBA, thus reducing earnings in the current period.

We also adjust the carrying value of DAC and VOBA to reflect changes in the unrealized gains and losses in available-for-sale securities since this impacts EGP. Note 6 contains roll forwards of DAC and VOBA including the amounts capitalized, amounts amortized and the effect of the unrealized gains.

Goodwill

Through December 31, 2001, goodwill was amortized on a straight-line basis over periods of 25 to 40 years. Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", which primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. Under SFAS 142, we test goodwill for impairment at least on an annual basis, and we concluded that there had been no impairments in 2002. Goodwill was \$312 at December 31, 2002 and 2001 and 8.8% and 9.2% as a percentage of shareholders' equity at these dates. We regularly review the carrying amounts for indications of value impairment, considering financial performance and other relevant factors such as a significant adverse change in the business or legal climate, an adverse action or assessment by a regulator, or unanticipated competition. When considered impaired, the carrying amounts are written down to a value determined by using a combination of fair value and discounted cash flows.

Other

At December 31, 2002 and 2001, we had reinsurance receivables of \$889 and \$914 and policy loans of \$135 and \$153 which are related to the businesses of JP Financial that are coinsured with Household International (HI) affiliates. HI has provided payment, performance and capital maintenance guarantees with respect to the balances receivable. We regularly evaluate the financial condition of our reinsurers and monitor concentrations of credit risk related to

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reinsurance activities. We have not suffered any significant credit losses from reinsurance activities in the last three years.

At December 31, 2002 and 2001, the fair values of the assets related to the defined benefit pension plans were \$331 and \$361. The projected benefit obligations at December 31, 2002 and 2001 were \$322 and \$267 with the primary growth due to actuarial losses which arose primarily from an actual loss on the return on plan assets versus an 8% return assumed in the actuarial assumptions. The 2002 decline in assets reflects the decline in the equity markets in which most of these assets are invested coupled with a consistent level of benefit payments. Net periodic benefit cost, which includes service cost, interest cost, return on plan assets and net amortization and deferrals of gains and losses, contributed \$3.0 and \$3.5 to our income for 2002 and 2001. See Note 14 for further details regarding our pension plans.

CAPITAL RESOURCES

Stockholders' Equity

The following table shows our capital adequacy.

	2002	2001	2000	1999	1998
	-----	-----	-----	-----	-----
Total assets less separate accounts.....	\$28,824	\$26,848	\$25,010	\$24,174	\$22,584
Total stockholders' equity.....	3,540	3,391	3,159	2,753	3,052
Ratio of stockholders' equity to assets less separate accounts.....	12.3%	12.6%	12.6%	11.4%	13.5%

The ratio of equity to assets less separate accounts has remained relatively constant. Unrealized gains on available-for-sale securities, which are included as a component of stockholders' equity, increased \$196 and \$69 in 2002 and 2001, reflecting lower interest rates partially offset by increased credit spreads.

In 2002 we repurchased 7,881,300 of our common shares at an average cost of \$43.69 per share compared to 4,437,100 shares at an average cost of \$42.42 in 2001. In August 2002, our board refreshed our share repurchase authorization to cover 5 million shares, of which approximately 2.8 million shares remained at December 31, 2002.

We consider existing capital resources to be more than adequate to support the current level of our business activities.

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The Individual Products, AIP and Benefit Partners segments are subject to regulatory constraints. Our insurance subsidiaries have statutory surplus and risk based capital levels well above required levels. These capital levels together with the rating agencies' assessments of our business strategies have enabled our major life insurance affiliates to attain the following claims paying ratings:

JP LIFE	JPFIC	JPLA
-----	-----	-----

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A.M. Best.....	A++	A++	A++
Standard & Poor's.....	AAA	AAA	AAA
Fitch Ratings.....	AA+	AA+	AA+

The ratings by A.M. Best and Standard & Poor's are currently the highest available by those rating agencies and have been recently reaffirmed. Standard & Poor's also kept in effect their negative outlook for Jefferson Pilot and the life insurance industry as a whole. In 2002, Fitch Ratings downgraded our major life insurance affiliates' ratings to AA+, the agency's second highest rating, along with numerous other companies in the financial services industry. This action by Fitch has not had a perceptible effect on us, but a very significant drop in our ratings, while not anticipated, could potentially impact future sales and/or accelerate surrenders on our business in force.

Short-Term Borrowings and Debt

We have bank credit agreements for unsecured revolving credit, under which we have the option to borrow at various interest rates. In May 2002, we replaced an expiring \$375 bank credit agreement with new unsecured revolving credit agreements, currently aggregating \$525, half available for five years and half available for 364 days. The credit agreements principally support our issuance of commercial paper. Outstanding commercial paper had various maturities, with \$74 at December 31, 2002 in excess of 90 days, although maturities can be up to 270 days. If we cannot remarket commercial paper at maturity, we have sufficient liquidity, consisting of the bank credit agreements, liquid assets, such as equity securities, and other resources to retire these obligations. The weighted-average interest rates for commercial paper borrowings outstanding of \$453 and \$297 at December 31, 2002 and 2001 were 1.44% and 3.72%. The maximum amount outstanding during 2002 and 2001 was \$455 and \$565.

Our commercial paper is currently rated by two rating agencies.

AGENCY	RATING
-----	-----
Fitch.....	F1+
Standard & Poor's.....	A1+

These are both the highest ratings that the agencies issue and have been affirmed in the past nine months. A significant drop in these ratings, while not anticipated, could cause us to pay higher rates on commercial paper borrowings or lose access to the commercial paper market.

Our insurance subsidiaries have sold U.S. Treasury obligations and collateralized mortgage obligations under repurchase agreements involving various counterparties, accounted for as financing arrangements. We may use proceeds to purchase securities with longer durations as an asset/liability management strategy. We also may use repurchase agreements from time to time in lieu of commercial paper borrowings. At December 31, 2002 and 2001, repurchase agreements, including accrued interest, were \$499 and \$292, with the increase reflecting lower interest rates on repurchase agreements compared to rates on commercial paper. The securities involved had a fair value and amortized cost of \$532 and \$493 at December 31, 2002 versus \$306 and \$289 at December 31, 2001. The maximum principal amounts outstanding were \$636 and \$457 during 2002 and 2001.

LIQUIDITY

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We meet liquidity requirements primarily by positive cash flows from the operations of subsidiaries. We have sufficient overall sources of liquidity to satisfy operating requirements. Primary sources of cash from our insurance operations are premiums, other insurance considerations, receipts for policyholder accounts, investment sales and maturities and investment income. Primary uses of cash for our insurance operations include purchases

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of investments, payment of insurance benefits, operating expenses, withdrawals from policyholder accounts, costs related to acquiring new business, dividends and income taxes. Primary sources of cash from the Communications operations are revenues from broadcast advertising, and primary uses include payments for commissions, compensation and related costs, sports rights, interest, income taxes and purchases of fixed assets.

Cash provided by operations in 2002, 2001 and 2000 was \$428, \$801 and \$501. The primary reason for the large swings was approximately \$208 of single premiums that were received pending policy issuance in late 2001 and reported as cash received from operations in that year. In 2002 those policies were issued and the premiums were reported as a decrease in cash from operations in 2002 and an increase in policyholder deposits.

Net cash used in investing activities was \$1,599, \$1,425 and \$611 in 2002, 2001 and 2000, reflecting increased investment purchases primarily using proceeds received from net policyholder contract deposits due to higher sales.

Net cash provided by financing activities was \$1,099, \$737 and \$74 in 2002, 2001 and 2000, including cash inflows from policyholder contract deposits net of withdrawals of \$1,404, \$1,321 and \$512, reflecting both the increase in sales and the processing of the premiums received in late 2001. Net borrowings increased in 2002 to fund investing activities as well as stock repurchases.

In order to meet the parent company's dividend payments, debt servicing obligations and other expenses, we receive dividends from subsidiaries. Subsidiaries paid total cash dividends of \$455, \$414 and \$649 in 2002, 2001 and 2000. Our life insurance subsidiaries are subject to laws in their states of domicile that limit the amount of dividends that can be paid without the prior approval of the respective state's insurance regulator. The limits are based in part on the prior year's statutory income and capital, which are negatively impacted by bond losses and write downs. Approval of these dividends will depend upon the circumstances at the time, but we have not experienced problems with state approvals in the past.

Cash and cash equivalents were \$67, \$139 and \$26 at December 31, 2002, 2001 and 2000. The decrease from 2002 reflects the build up of cash used to pay off the MEDS in January 2002. The parent company and non-regulated subsidiaries held equity and fixed income securities of \$424, \$542 and \$549 at these dates. We consider these securities to be sources of liquidity to support our strategies.

Total debt and equity securities available-for-sale at December 31, 2002 and 2001 were \$16,874 and \$14,639.

Off Balance Sheet Liabilities and Commitments

One of our subsidiaries entered into an agreement with an unaffiliated third party to provide for the initial and periodic purchase of the majority of its loans receivable. This agreement is renewable on an annual basis. If the agreement is not renewed, we can issue debt to fund the amounts or terminate the entire program. The amount of loans outstanding at December 31, 2002 was \$16. We have no other off balance sheet arrangements of a financing nature.

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JPCC has commitments for purchases of syndicated television programming and commitments on other contracts and future sports programming rights of approximately \$419 as of December 31, 2002, payable through the year 2011. We have commitments to sell a portion of the sports programming rights to other entities for \$258 over the same period. These commitments are not reflected as an asset or liability in the accompanying consolidated balance sheet because the programs are not currently available for use. We expect advertising revenues that are sold on an annual basis to fund the purchase commitments.

We routinely enter into commitments to extend credit in the form of mortgage loans and to purchase certain debt instruments in private placement transactions for our investment portfolio. The fair value of such outstanding commitments as of December 31, 2002 approximates \$73. These commitments will be funded through cash flows from operations and investment maturities.

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INVESTMENTS

Portfolio Description

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

The following table shows the carrying values of our invested assets. Approximately 80% of our portfolio has been designated as available-for-sale (AFS) and is carried on the balance sheet at fair value. We determine fair values of our securities, including securities not actively traded, using the methodology described in the Critical Accounting Policies section above. Changes in fair values of AFS securities are reflected in other comprehensive income. The remainder of our portfolio has been designated as held-to-maturity (HTM). As prescribed by generally accepted accounting principles, HTM securities are carried at amortized cost, and accordingly there will be a difference between fair value and carrying value for HTM securities.

	DECEMBER 31, 2002		DECEMBER 31, 2001	
	-----		-----	
Publicly-issued bonds.....	\$15,239	62.6%	\$13,312	59.8%
Privately-placed bonds.....	4,238	17.4	4,125	18.5
	-----	-----	-----	-----
Subtotal bonds.....	19,477	80.0	17,437	78.3
Redeemable preferred stock.....	24	0.1	30	0.1
	-----	-----	-----	-----
Subtotal debt securities.....	19,501	80.1	17,467	78.4
Mortgage loans on real property.....	3,294	13.5	3,094	13.9
Common stock.....	407	1.7	509	2.3
Non-redeemable preferred stock.....	2	0.0	2	0.0
Policy loans.....	909	3.7	911	4.1
Real estate.....	133	0.6	132	0.6
Other.....	33	0.1	20	0.1
Cash and equivalents.....	67	0.3	139	0.6

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Total.....	\$24,346	100.0%	\$22,274	100.0%
	=====	=====	=====	=====

Credit Risk Management and Impairment Review

Our internal guidelines require an average quality of an S&P or equivalent rating of "A" or higher for the entire bond portfolio. At December 31, 2002 the average quality rating of our bond portfolio was "A+". We monitor the overall credit quality of our portfolio within internal investment guidelines. This table describes our debt security portfolio by credit rating.

SVO RATING	S&P OR EQUIVALENT DESIGNATION	AMORTIZED COST	FAIR VALUE	CARRYING VALUE	% OF CARRYING VALUE
-----	-----	-----	-----	-----	-----
1	AAA	\$ 5,084	\$ 5,427	\$ 5,423	27.8%
1	AA	1,843	1,996	1,979	10.1
1	A	4,649	5,054	4,957	25.5
2	BBB	5,626	5,948	5,855	30.0
3	BB	770	685	692	3.6
4	B	371	350	353	1.8
5	CCC and lower	199	151	160	0.8
6	In or near default	85	80	82	0.4
		-----	-----	-----	-----
	Total	\$18,627	\$19,691	\$19,501	100.0%
		=====	=====	=====	=====

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Limiting our bond exposure to any one creditor is another way we manage credit risk. The following table lists our ten largest exposures to an individual creditor in our bond portfolio as of December 31, 2002. As noted above, the carrying values in the following tables are stated at fair value for AFS securities and amortized cost for HTM securities.

CREDITOR	SECTOR	CARRYING VALUE
-----	-----	-----
Bank of America.....	Banks	\$104
Wachovia.....	Banks	99
General Electric.....	Capital Goods	94
Burlington Northern Santa Fe.....	Transportation	88
U. S. Bancorp.....	Banks	88
Verizon Communications.....	Communications	86
Scana.....	Utilities	86
Citigroup.....	Banks	86
Cargill.....	Consumer Non-Cyclical	85
National Rural Utilities.....	Utilities	84

Throughout 2002 large bankruptcy filings, defaults by companies within certain industries and specific country-related issues adversely affected the

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bond market. In addition, we witnessed significant deterioration in credit ratings throughout the year. Industries that were particularly affected included passenger airlines, communications, energy and technology. Credit spreads increased considerably, resulting in significantly lower market values on bonds in these sectors.

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

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

- current fair value of the security compared to amortized cost
- length of time the fair value was below amortized cost
- industry factors or conditions related to a geographic area that are negatively affecting the security
- downgrades by a rating agency
- past due interest or principal payments or other violation of covenants
- deterioration of the overall financial condition of the specific issuer

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

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

- fundamental analysis of the liquidity and financial condition of the specific issuer
- underlying valuation of assets specifically pledged to support the credit

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- time period in which the fair value has been significantly below amortized cost
- industry sector or geographic area applicable to the specific issuer
- our ability and intent to retain the investment for a sufficient time to recover its value

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

Below Investment Grade Securities

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

The following table shows the ten largest below investment grade debt security exposures by individual issuer at December 31, 2002.

CREDITOR	SECTOR	AMORTIZED COST	CARRYING VALUE	GROSS UNREALIZED LOSS
El Paso.....	Utilities	\$65	\$53	\$(11)
Rite Aid.....	Consumer Cyclical	48	42	(6)
Intertape Polymer Group.....	Basic Materials	35	41	--
Qwest Communications.....	Communications	44	34	(11)
Williams Companies.....	Utilities	35	33	(2)
Carolina Tractor Equipment.....	Capital Goods	25	27	--
American Airlines.....	Transportation	42	27	(16)
Delta Airlines.....	Transportation	30	23	(9)
Allied Waste.....	Utilities	25	22	(4)
Mirant.....	Energy	21	21	(3)

Bonds of these issuers that are investment grade are not included in these values. Securities of several of these creditors are also on the potentially distressed security list and are subject to additional analysis for other-than-temporary impairment.

At December 31, 2002 and 2001, below investment grade bonds were \$1,287 or 6.6% and \$1,065 or 6.1% of the carrying value of the bond portfolio. These are higher than our historical exposures. We are currently managing our below investment grade bonds to reduce our exposure as a percentage of the total portfolio over time.

Unrealized Gains and Losses

The majority of our unrealized gains and losses can be attributed to changes in interest rates and market changes in credit spreads, which have caused temporary price fluctuations. However, within the specific bonds with unrealized losses, we further stratify and analyze them as discussed above to determine if the unrealized loss is other than temporary.

The following table summarizes by category the unrealized gains and losses in our entire securities portfolios, including common stock and redeemable

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preferred stock, as of December 31, 2002.

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
AVAILABLE-FOR-SALE, CARRIED AT FAIR VALUE:				
US Treasury obligations and direct obligations of US Government agencies.....	\$ 340	\$ 27	\$ --	\$ 367
Federal agency mortgage backed securities (including collateralized mortgage obligations).....	3,225	224	--	3,449
Obligations of states and political subdivisions.....	79	5	--	84
Corporate obligations.....	10,094	746	(237)	10,603
Corporate private-labeled mortgage backed securities (including collateralized mortgage obligations).....	1,829	113	(4)	1,938
Redeemable preferred stock.....	24	1	(1)	24
Subtotal, debt securities.....	15,591	1,116	(242)	16,465
Non-redeemable preferred stock.....	2	--	--	2
Common stock.....	44	366	(3)	407
Securities available-for-sale.....	15,637	1,482	(245)	16,874
HELD-TO-MATURITY, CARRIED AT AMORTIZED COST:				
Obligations of state and political subdivisions.....	11	1	--	12
Corporate obligations.....	3,025	233	(45)	3,213
Debt securities held-to-maturity.....	3,036	234	(45)	3,225
Total AFS and HTM securities.....	\$18,673	\$1,716	\$(290)	\$20,099

These unrealized gains and losses do not necessarily represent future gains or losses that we will realize. Changing conditions related to specific bonds, overall market interest rates or credit spreads as well as our decisions concerning the timing of any sales may impact values we ultimately realize. Gross unrealized gains and losses at December 31, 2001 were \$1,114 and \$(369).

The following table shows the diversification of unrealized gains and losses for our debt securities portfolio across industry sectors as of December 31, 2002:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Industrials				
Basic Materials.....	\$ 1,079	\$ 72	\$ (28)	\$ 1,123
Capital Goods.....	785	56	(13)	828
Communications.....	525	40	(24)	541
Consumer Cyclical.....	1,922	143	(22)	2,043

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Consumer Non-Cyclical.....	1,111	95	(6)	1,200
Energy.....	1,194	76	(24)	1,246
Technology.....	114	4	(3)	115
Transportation.....	759	70	(54)	775
Other Industrials.....	479	40	--	519
Utilities.....	2,446	167	(74)	2,539
Financials				
Banks.....	1,628	150	(14)	1,764
Insurance.....	343	23	(1)	365
Other Financials.....	1,187	78	(20)	1,245
Mortgage Backed Securities (including Commercial Mortgage Backed Securities).....	5,055	336	(4)	5,387
	-----	-----	-----	-----
Total.....	\$18,627	\$1,350	\$(287)	\$19,690
	=====	=====	=====	=====

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

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The following table shows the maturity date distribution of our debt securities in an unrealized loss position at December 31, 2002. The fair values of these securities could fluctuate over the respective periods to maturity or any sale.

	AMORTIZED COST	FAIR VALUE	GROSS UNREALIZED LOSSES	CARRYING VALUE
	-----	-----	-----	-----
Due in one year or less.....	\$ 64	\$ 58	\$ (7)	\$ 59
Due after one year through five years.....	425	382	(42)	395
Due after five years through ten years.....	668	592	(76)	606
Due after ten years through twenty years.....	619	504	(115)	519
Due after twenty years.....	317	279	(38)	281
Amounts not due at a single maturity date.....	80	72	(8)	71
	-----	-----	-----	-----
Subtotal.....	2,173	1,887	(286)	1,931
Redeemable preferred stocks.....	4	3	(1)	3
	-----	-----	-----	-----
Total.....	\$2,177	\$1,890	\$(287)	\$1,934
	=====	=====	=====	=====

The following table shows the credit quality of our debt securities with unrealized losses at December 31, 2002.

SVO RATING	S&P OR EQUIVALENT DESIGNATION	AMORTIZED COST	FAIR VALUE	% OF FAIR VALUE	GROSS UNREALIZED LOSSES	% OF GROSS UNREALIZED LOSSES	CARRYING VALUE
-----	-----	-----	-----	-----	-----	-----	-----
1	AAA/AA/A	\$ 406	\$ 372	19.7%	\$ (34)	11.8%	\$ 380

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2	BBB	798	725	38.3	(72)	25.1	737
3	BB	539	442	23.4	(97)	33.8	452
4	B	227	196	10.4	(31)	10.8	200
5	CCC and lower	181	133	7.0	(49)	17.1	141
6	In or near default	26	22	1.2	(4)	1.4	24
	Total	\$2,177	\$1,890	100.0%	\$(287)	100.0%	\$1,934
		=====	=====	=====	=====	=====	=====

The following table shows the bonds of individual creditors that have unrealized losses of \$10 or greater as of December 31, 2002. Bonds of the same creditors that have unrealized gains are not included.

CREDITOR	SECTOR	AMORTIZED COST	CARRYING VALUE	UNREALIZED LOSS
-----	-----	-----	-----	-----
American Airlines.....	Transportation	\$42	\$27	\$(16)
P G & E.....	Utilities	27	11	(16)
Continental Airlines.....	Transportation	38	31	(13)
Qwest Communications.....	Communications	52	42	(13)
El Paso.....	Utilities	65	53	(11)

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

	FAIR VALUE	GROSS UNREALIZED LOSSES	% OF GROSS UNREALIZED LOSSES	CARRYING VALUE
	-----	-----	-----	-----
More than 1 year.....	\$1,000	\$(195)	67.9%	\$1,025
6 months - 1 year.....	169	(39)	13.6	180
Less than 6 months.....	721	(53)	18.5	729
	-----	-----	-----	-----
Total.....	\$1,890	\$(287)	100.0%	\$1,934
	=====	=====	=====	=====

Of the \$287 gross unrealized losses at December 31, 2002, approximately \$150 was included in our potentially distressed securities list mentioned above. Of this amount, \$8 had been continuously included in our potentially distressed securities list for more than twelve months.

Information about unrealized gains and losses is subject to rapidly changing conditions. Securities with unrealized gains and losses will fluctuate, as will those securities that we have identified as potentially distressed. The recent volatility of financial markets and declines in market interest rates has led to an increase in both unrealized gains and losses. We consider all of the factors discussed earlier when we determine if an unrealized loss is other than temporary, including our ability and intent to hold the security until the value recovers. Our current evaluation of other-than-temporary impairments reflects our positive intent to hold certain securities until maturity. However, we may

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subsequently decide to sell certain of these securities in future periods within the overall context of our portfolio management strategies. If we make the decision to dispose of a security with an unrealized loss, we will write down the security to its fair value if we have not sold it by the end of the reporting period.

Realized Losses -- Write Downs and Sales

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

In 2002 we had other-than-temporary impairments on bonds of \$163 as compared to \$55 for 2001. The individual impairments in excess of \$10, how they were measured, the circumstances giving rise to the losses, and the impact those circumstances have on other material investments we held at the time are as follows:

2002

- \$19.8 write down of manufactured housing debt that was secured by long term mortgages on mobile homes and a corporate guarantee from the manufacturer and underwriter of the underlying collateral. The manufacturer filed for Chapter 11 bankruptcy protection rendering the corporate guarantee essentially worthless. In addition, we concluded that projected cash flows of the underlying collateral may be insufficient based on third-party valuations. This had no impact on other holdings in our portfolio.
- \$19.8 write down of securitized refinanced HUD residential loans that also carried a corporate guarantee from the finance company that made the underlying loans. The finance company filed for Chapter 11 bankruptcy protection, which left us unable to collect under the corporate guarantee. Again, we concluded that projected cash flows of the underlying collateral may be insufficient based on third-party valuations. This had no impact on other holdings in our portfolio.
- \$19.6 write down on debt of WorldCom, Inc., which filed for bankruptcy in July. This issuer had specific problems with accounting restatements and potentially questionable business practices. The entire telecommunications sector has been under pressure due to overcapacity. We then sold these securities in 2002. We specifically looked at other creditors in this sector including several on our potentially distressed security list and determined that at this point, the unrealized losses on securities we hold of other material creditors are temporary.
- \$16.5 write down related to United Airlines equipment trust certificates. This airline filed for Chapter 11 bankruptcy protection. This had no impact on other holdings in our portfolio.
- \$11.6 write down on debt of NRG Energy that defaulted due to liquidity issues brought upon by rapid ratings downgrades. We then sold these securities in 2002. The bulk of our holdings in the utilities sector are regulated utility bonds. However, we did review our exposure to unregulated companies, whose bonds are typically lower rated and display greater risk profile than regulated companies. In this review we did not identify any other write downs.

2001

- \$13.0 write down on unsecured debt of Burlington Industries. The textile manufacturer had been suffering from liquidity issues and filed for Chapter 11 bankruptcy protection. We reviewed our exposure to

securities issued by other textile manufacturers and did not identify any other write downs. This security was sold in 2002 at a price equal to book value.

There were no individual impairments in excess of \$10 for 2000. The other write downs resulting from other-than-temporary impairments in all years were spread across many different sectors and related to specific issuer circumstances. The majority of write downs in 2002 were in the transportation, energy and telecommunications sectors.

In 2002, we incurred losses of \$37 on sales of securities. The only individually material realized loss that occurred in 2002 from a sale of securities was an \$8.9 loss on debt of Williams Cos., Inc., which suffered significant credit downgrades within a short period. The other realized losses from sales of securities were individually less than \$1.0. These disposals were in accordance with established portfolio management strategies and did not previously meet the criteria for other-than-temporary impairment.

Mortgage Backed Securities

Mortgage backed securities (including Commercial Mortgage Backed Securities) at December 31, 2002 and 2001, all of which are included in debt securities available-for-sale, were as follows:

	2002	2001
	-----	-----
Federal agency issued mortgage backed securities.....	\$3,449	\$3,254
Corporate private-labeled mortgage backed securities.....	1,938	2,330
	-----	-----
Total.....	\$5,387	\$5,584
	=====	=====

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

Because of the steep decline in interest rates to record lows, the mortgage market has experienced record levels of refinancings and the structural protection of our MBS portfolio has eroded. We experienced prepayments on mortgage-backed securities totaling \$1,277 or 22.8% of the average carrying value of the MBS portfolio in 2002, which exceeded our expectations. Our MBS portfolio is primarily a discount portfolio; therefore, larger than expected prepayments accelerated the amortization of income in 2002. Also, pursuant to SFAS 91, we adjusted our long-term prepayment speeds for the calculation of effective yields on a retrospective basis as a result of these prepayments. These two factors increased 2002 investment income by \$7.6 after tax. Further, these repayments are reinvested at yields that are lower than our current portfolio yields, producing less investment income going forward. The decline in interest rates has continued into 2003, and we have continued to receive additional prepayments.

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Mortgage Loans

We record mortgage loans on real property net of an allowance for credit losses. This allowance includes both reserve amounts for specific loans that are believed to be at a higher risk of becoming impaired in the near future, and a general reserve that is calculated by review of historical industry loan loss statistics. We consider future cash flows and the probability of payment when we calculate our specific loan loss reserve. At December 31, 2002 and 2001, our allowances for mortgage loan credit losses were \$36 and \$29.

Derivative Instruments

Our guidelines permit use of derivative financial instruments such as futures contracts and interest rate swaps in conjunction with specific direct investments. Our actual use of derivatives through December 31, 2002 has been limited to managing well-defined interest rate risks. Interest rate swaps utilized in our asset/liability management strategy with a current notional value of \$278 and \$132 were open as of December 31, 2002 and 2001. During 2002, we began using interest rate swaps to hedge future bond purchases that will back deposits on

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certain annuity contracts. This hedging strategy protects the spread between the annuity crediting rate offered at the time the annuities are sold and the income that will eventually be earned on bonds that will back annuity contracts issued. These interest rates contracts are generally terminated within a month. Effective August 1, 2002, we now purchase S&P 500 Index(R) options in association with our current sales of equity indexed annuities. The reinsurance agreement on previously issued equity indexed annuities remains in existence.

MARKET RISK EXPOSURES

Since our assets and liabilities are largely monetary in nature, our financial position and earnings are subject to risks resulting from changes in interest rates at varying maturities, changes in spreads over U.S. Treasuries on new investment opportunities, changes in the yield curve, and equity price risks. During 2002, 10 year U.S. Treasury rates decreased 124 basis points versus an increase of 14 basis points in 2001.

In a falling interest rate environment, the risk of prepayment on some fixed income securities increases and funds prepaid are then reinvested at lower yields. We limit this risk by concentrating the fixed income portfolio mainly on non-callable securities, by selecting MBS's that are structured to minimize cash flow volatility and by purchasing securities that provide for "make-whole" type prepayment fees. Falling interest rates can also impact demand for our products, as bank certificates of deposit with no surrender charges and higher average returns from equity markets may become more attractive to new and existing customers. Conversely, in a rising interest rate environment, competitive pressures may make it difficult for us to sustain spreads between rates credited on interest-sensitive products and portfolio earnings rates, thereby prompting withdrawals by policyholders. We manage these risks by adjusting our interest crediting rates with due regard to the yield of our investment portfolio, minimum rate guarantees and pricing assumptions and by prudently managing interest rate risk of assets and liabilities.

As is typical in the industry, our life and annuity products contain minimum rate guarantees regarding interest we credit. For interest sensitive life products, our minimum rates range from approximately 2.5% to 6.0%, with an approximate weighted average of 4.2%. For annuity products, our minimum rates range from 3.0% to 6.0%, with the greatest concentration in the 3.5% to 4.0%

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range.

We employ various methodologies to manage our exposure to interest rate risks. Our asset/liability management process focuses primarily on the management of interest rate risk of our insurance operations. We monitor the duration of insurance liabilities compared to the duration of assets backing the insurance lines, measuring the optionality of cash flows. Our goal in this analysis is to prudently balance profitability and risk for each insurance product category, and for us as a whole. At December 31, 2002 and 2001, 89% of policy liabilities related to interest-sensitive portfolios.

We also consider the timing of cash flows arising from market risk sensitive instruments and insurance portfolios under varying interest rate scenarios as well as the related impact on reported earnings under those varying scenarios. Market risk sensitive instruments include debt and equity securities available-for-sale and held-to-maturity (including MBS securities), mortgage loans, policy loans, investment commitments, annuities in the accumulation phase and periodic payment annuities, commercial paper borrowings, repurchase agreements and interest rate swaps.

We have derived estimated incremental loss amounts by modeling estimated cash flows of our market risk sensitive instruments and insurance portfolios. Incremental income or loss is net of taxes at 35%. The model also assumes that all short-term debt consisting of commercial paper and reverse repurchase agreements are replaced with similar instruments. Estimated cash flows produced in the model assume reinvestments representative of our current investment strategy, and calls/prepayments include scheduled maturities as well as those expected to occur when borrowers can benefit financially based on the difference between prepayment penalties and new money rates under each scenario. Assumed lapse rates within insurance portfolios consider the relationships expected between crediting rates and market interest rates, as well as the level of surrender charges inherent in individual contracts. The illustrated incremental income or loss also includes the expected impact on amortization of DAC and VOBA. The model is based on our existing business in force as of December 31, 2002 and does not consider new sales of life and annuity products or the potential impact of interest rate fluctuations on sales.

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The following table shows our estimate of the impact that various hypothetical interest rate scenarios would have on our earnings for a single year, based on the assumptions in our model. We believe that, based upon historically low current interest rates, a symmetrical change in interest rates is not reasonably possible. Our model shows the effect on income with an increase up to 300 basis points and a decrease in 100 basis points. We believe that the 300 basis point increase or 100 basis point decrease, experienced gradually over four quarters, reflects reasonably possible near term changes in interest rates as of December 31, 2002. The incremental loss for a year derives primarily from differences in the yield curves and in the sensitivities they introduce to our model.

CHANGE IN INTEREST RATE -----	ESTIMATED INCREMENTAL SINGLE YEAR LOSS -----
+ 300 basis points.....	\$ (6)
+ 200 basis points.....	(4)
+ 100 basis points.....	(2)
-100 basis points.....	(1)

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Generally, an increase in interest rates will benefit our earnings in the insurance portfolio, yet increase our interest expense on short-term debt. Conversely, a decrease in interest rates will decrease earnings from the insurance portfolio as minimum rate guarantees would begin to take effect and/or competitive conditions would not permit us to reduce crediting rates, while we would benefit from the decline in interest expense on our short-term debt.

Changes in interest rates for a single year illustrated above assume shifts in the yield curve, graded pro-rata over four quarters. The model also assumes that changes in our crediting rates will occur correspondingly with declines or increases in investment yields. The above table reflects the effect on one year. A spike in interest rates of 300 basis points that lasts for three years would produce a significantly larger estimated loss in the second and third years, as policyholders would potentially seek more attractive rates elsewhere. Correspondingly, a larger than 100 basis point decrease would cause a significantly larger estimated loss in the single year and cumulatively, as minimum rate guarantees would prohibit us from lowering credited rates on most products.

The incremental income or loss for shifts in excess of those shown or that occur more quickly than quarterly grading does not have a linear relationship to the values shown above. The incremental loss resulting from a higher change in interest rates would be proportionally greater due to the optionality of our interest-sensitive assets and liabilities. In contrast, the incremental income resulting from a greater decrease in interest rates would be proportionally less due to the effect of minimum rate guarantees in our interest-sensitive liabilities. A significant change in the slope of the yield curve could also affect our results. For example, competing products such as bank CDs could become relatively more attractive than our longer duration annuities under an inverted yield curve, resulting in higher policyholder withdrawals. An anticipated increase in interest rates could also suggest that we would term out some of the short-term debt, which the model does not take into consideration.

We are exposed to equity price risk on our equity securities (other than trading). We hold common stock with a fair value of \$407; approximately \$368 is in a single issuer, Bank of America Corporation (BankAmerica). We believe that a hypothetical 20% decline in the equity market is possible in the near term. If the market value of the S&P 500 Index, and of BankAmerica common stock specifically, decreased 20%, the fair value of our common stock as of December 31, 2002 would change as follows:

	HYPOTHETICAL CHANGE IN FAIR VALUE FROM 20% MARKET DECLINE

BankAmerica common stock.....	\$ (74)
Remaining equity securities.....	(7)
Total change in fair values.....	----- \$ (81) =====

Certain fixed interest rate market risk sensitive instruments may not give rise to incremental income or loss during the period illustrated, but may be subject to changes in fair values which are reflected in equity. Note 18 presents additional disclosures concerning fair values of financial assets and financial liabilities.

EXTERNAL TRENDS AND FORWARD LOOKING INFORMATION

We operate within the United States financial services and broadcasting markets, which are both subject to general economic conditions. Interest rates on longer maturity debt instruments began trending down in late 2000 as economic growth slowed and have continued to drop dramatically especially in 2002 and early 2003. Additional changes in rates may affect our businesses in many ways as discussed earlier in the Market Risk Exposure section. As noted in the Investment section, the prolonged decline in general economic conditions has increased our credit risk. A prolonged period of further declining or even level interest rates in their current position would have an impact on our Individual and AIP segments. Investments purchased for those segments yielding rates lower than our current portfolio rates will lower our overall portfolio earned rates. In the Individual and AIP segments, there are minimum crediting rates on policyholder accounts inherent in the insurance portfolio due to both product guarantees and various state requirements. Our inability to reduce crediting rates in response to the declines in earned rates would result in a significant negative impact on future earnings. Furthermore, a continued general economic weakness would cause deterioration in our balance sheet and our overall future profitability.

Our operations are also affected over the longer term by demographic shifts, global markets, technological innovation and overall capital market volatility. These forces impact us in various ways such as demand for our insurance products and advertising revenues, competition from other financial services providers, competition from emerging technologies for television and radio advertising, competition for new investments, debt costs, mergers and consolidations within the financial services and communications sectors, and costs inherent in administering complex financial products.

Demographic changes include the aging of the baby boomers, reaching their high earning years at a time when investment yields from both equities and fixed rate products are at historically low points. This challenge has been met by the insurance industry by offering various types of fixed and variable products aimed at this population. The industry's overall individual life insurance sales in the U.S. increased 3% for 2002 and reflected a trend towards those financial products with a fixed rate given the volatility in the equity markets. As discussed previously, our individual life sales growth continues to be better than the overall industry.

Regulatory and Legal Environment

The U.S. insurance industry has experienced mergers, acquisitions, consolidations, sales of business lines and marketing arrangements with other financial services providers. These activities have been driven by a need to reduce costs of distribution and to increase economies of scale in the face of growing competition from larger insurers, banks, securities brokers, mutual funds and other non-traditional competitors. We expect further strategic alignments in the financial services industry given changing demographics, technological advances, customer expectations for one-stop shopping, and the modernization of the regulatory framework for financial services under the Gramm-Leach-Bliley Act. We continue to analyze our options within this environment for increasing distribution, adding products and technology and improving economies of scale.

Prescribed or permitted Statutory Accounting Principles (SAP) may vary between states and between companies. The NAIC completed the process of codifying SAP to promote standardization of methods. Our statutory surplus

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increased \$41.6 as we implemented the codified SAP effective January 1, 2001.

State guaranty associations make assessments to cover losses to policyholders of insolvent or rehabilitated insurance companies. Assessments may be partially recovered through a reduction in future premium taxes in most states. We have accrued for expected assessments net of estimated future premium tax deductions.

See Item 3 for discussion of Legal Proceedings.

Environmental Liabilities

We are exposed to environmental regulation and litigation as a result of ownership of investment real estate and real estate owned by JPCC. Our actual loss experience has been minimal and we consider our exposure to environmental losses to be insignificant.

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Accounting Pronouncements

See Note 2.

Forward Looking Information

You should note that this document and our other SEC filings reflect information that we believe was accurate as of the date the respective materials were made publicly available. They do not reflect later developments.

As a matter of policy, we do not normally make projections or forecasts of future events or our performance. When we do, we rely on a safe harbor provided by the Private Securities Litigation Reform Act of 1995 for statements that are not historical facts, called forward looking statements. These may include statements relating to our future actions, sales and product development efforts, expenses, the outcome of contingencies such as legal proceedings, or financial performance.

Certain information in our SEC filings and in any other written or oral statements made by us or on our behalf, involves forward looking statements. We have used appropriate care in developing this information, but any forward looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties that could significantly affect our actual results. These risks and uncertainties include among others, general economic conditions (including the uncertainty as to the depth and duration of the current economic slowdown and the rate at which the economy recovers), the impact on the economy from any further terrorist activities or any US military engagements, and interest rate levels, changes and fluctuations, all of which can impact our sales, investment portfolios, and earnings; competitive factors, including pricing pressures, technological developments, new product offerings and the emergence of new competitors; changes in federal and state taxes (including the Bush Administration's tax proposals on dividends and retirement savings, and estate taxes); changes in the regulation of the financial services industry; or changes in other laws and regulations and their impact; and the various risks discussed earlier in this Item 7.

We undertake no obligation to publicly correct or update any forward looking statements, whether as a result of new information, future developments or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our press releases and filings with the SEC. In particular, you should read the discussion in the section entitled "External

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Trends and Forward Looking Information," and other sections it may reference, in our most recent 10-K report as it may be updated in our subsequent 10-Q and 8-K reports. This discussion covers certain risks, uncertainties and possibly inaccurate assumptions that could cause our actual results to differ materially from expected and historical results. Other factors besides those listed there could also adversely affect our performance.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information under the heading "Market Risk Exposures" in Management's Discussion and Analysis of Financial Condition and Results of Operations is incorporated herein by reference.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

	MARCH 31, 2002	JUNE 30, 2002	SEPTEMBER 30, 2002	DECEMBER 31, 2002

(IN MILLIONS EXCEPT SHARE INFORMATION)				
Revenues, excluding realized investment gains.....	\$ 851	\$ 874	\$ 877	\$
Realized investment gains (losses).....	34	4	4	---
	-----	-----	-----	-----
Revenues.....	885	878	881	---
Benefits and expenses.....	667	680	694	---
Provision for income taxes.....	72	67	62	---
	-----	-----	-----	-----
Net income before dividends on Capital Securities.....	146	131	125	---
Dividends on Capital Securities.....	(6)	(6)	(6)	---
	-----	-----	-----	-----
Net income available to common stockholders.....	\$ 140	\$ 125	\$ 119	\$
	=====	=====	=====	=====
Per share of common stock.....	\$0.93	\$0.84	\$0.82	\$0
	=====	=====	=====	=====
Per share of common stock -- assuming dilution.....	\$0.92	\$0.83	\$0.81	\$0
	=====	=====	=====	=====

	MARCH 31, 2001	JUNE 30, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2001

(IN MILLIONS EXCEPT SHARE INFORMATION)				
Revenues, excluding realized investment gains.....	\$ 797	\$ 799	\$ 821	\$
Realized investment gains (losses).....	57	30	24	---
	-----	-----	-----	-----
Revenues.....	854	829	845	---
Benefits and expenses.....	625	616	636	---
Provision for income taxes.....	76	72	70	---
	-----	-----	-----	-----
Net income before dividends on Capital Securities and cumulative effect of change in accounting principle.....	153	141	139	---
Dividends on Capital Securities.....	(6)	(6)	(6)	---

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Cumulative effect of change in accounting for derivative instruments, net of income taxes				
(1).....	1	--	--	--
	----	----	----	----
Net income available to common stockholders.....	\$ 148	\$ 135	\$ 133	\$
	=====	=====	=====	=====
Per share of common stock.....	\$0.97	\$0.88	\$0.88	\$0
	=====	=====	=====	=====
Per share of common stock -- assuming dilution.....	\$0.96	\$0.87	\$0.87	\$0
	=====	=====	=====	=====

(1) Effective January 1, 2001, the Company adopted FASB statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
Jefferson-Pilot Corporation

We have audited the accompanying consolidated balance sheets of Jefferson-Pilot Corporation and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jefferson-Pilot Corporation and subsidiaries at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the financial statements, in 2002 the Company changed its method of accounting for goodwill and in 2001 the Company changed its method of accounting for derivative financial instruments.

/s/ ERNST & YOUNG LLP

Greensboro, North Carolina
February 3, 2003, except for
Note 19, as to which the
date is March 10, 2003

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31	
	2002	2001
	(DOLLAR AMOUNTS IN MILLIONS EXCEPT SHARE INFORMATION)	
ASSETS		
Investments:		
Debt securities available for sale, at fair value (amortized cost \$15,591 and \$13,904).....	\$16,465	\$14,128
Debt securities held to maturity, at amortized cost (fair value \$3,225 and \$3,378).....	3,036	3,339
Equity securities available for sale, at fair value (cost \$46 and \$29).....	409	511
Mortgage loans on real estate.....	3,294	3,094
Policy loans.....	909	911
Real estate.....	133	132
Other investments.....	33	20
	-----	-----
Total investments.....	24,279	22,135
Cash and cash equivalents.....	67	139
Accrued investment income.....	302	281
Due from reinsurers.....	1,375	1,433
Deferred policy acquisition costs and value of business acquired.....	2,027	2,070
Goodwill.....	312	312
Assets held in separate accounts.....	1,785	2,148
Other assets.....	462	478
	-----	-----
Total assets.....	\$30,609	\$28,996
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Policy liabilities:		
Future policy benefits.....	\$ 2,592	\$ 2,565
Policyholder contract deposits.....	19,545	18,017
Dividend accumulations and other policyholder funds on deposit.....	248	250
Policy and contract claims.....	161	181
Other.....	586	486
	-----	-----
Total policy liabilities.....	23,132	21,499
Debt:		
Commercial paper and revolving credit borrowings.....	453	297
Exchangeable Securities.....	--	150
Securities sold under repurchase agreements.....	499	292
Currently payable income taxes.....	46	24
Deferred income tax liabilities.....	385	291
Liabilities related to separate accounts.....	1,785	2,148
Accounts payable, accruals and other liabilities.....	469	604
	-----	-----
Total liabilities.....	26,769	25,305

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Commitments and contingent liabilities		
Guaranteed preferred beneficial interest in subordinated debentures ("Capital Securities").....	300	300
Stockholders' Equity:		
Common stock and paid in capital, par value \$1.25 per share: authorized 350,000,000 shares; issued and outstanding 2002 -- 142,798,768 shares; 2001 -- 150,006,582 shares.....	180	188
Retained earnings.....	2,750	2,789
Accumulated other comprehensive income.....	610	414
	-----	-----
	3,540	3,391
	-----	-----
Total liabilities and stockholders' equity.....	\$30,609	\$28,996
	=====	=====

See Notes to Consolidated Financial Statements

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
	(DOLLAR AMOUNTS IN MILLIONS EXCEPT SHARE INFORMATION)		
REVENUE:			
Premiums and other considerations.....	\$1,564	\$1,424	\$1,365
Net investment income.....	1,623	1,533	1,430
Realized investment (losses) gains.....	(22)	66	102
Communications sales.....	210	196	210
Other.....	105	111	131
	-----	-----	-----
Total revenue.....	3,480	3,330	3,238
	-----	-----	-----
BENEFITS AND EXPENSES:			
Insurance and annuity benefits.....	1,999	1,796	1,660
Insurance commissions, net of deferrals.....	115	132	134
General and administrative expenses, net of deferrals.....	167	171	180
Insurance taxes, licenses and fees.....	78	71	68
Amortization of policy acquisition costs and value of business acquired.....	286	237	261
Communications operations.....	125	123	121
	-----	-----	-----
Total benefits and expenses.....	2,770	2,530	2,424
	-----	-----	-----
Income before income taxes.....	710	800	814
Income taxes.....	235	263	277
	-----	-----	-----
Net income before dividends on Capital Securities and cumulative effect of change in accounting principle.....	475	537	537

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Dividends on Capital Securities.....	(25)	(25)	(25)
Cumulative effect of change in accounting for derivative instruments, net of income taxes.....	--	1	--
	-----	-----	-----
Net income available to common stockholders.....	\$ 450	\$ 513	\$ 512
	=====	=====	=====
EARNINGS PER SHARE:			
Net income available to common stockholders before cumulative effect of change in accounting principle, net of income taxes.....	\$ 3.07	\$ 3.37	\$ 3.31
Cumulative effect of change in accounting for derivative instruments, net of income taxes.....	--	0.01	--
	-----	-----	-----
NET INCOME PER SHARE AVAILABLE TO COMMON STOCKHOLDERS.....	\$ 3.07	\$ 3.38	\$ 3.31
	=====	=====	=====
NET INCOME PER SHARE AVAILABLE TO COMMON STOCKHOLDERS -- ASSUMING DILUTION.....	\$ 3.04	\$ 3.34	\$ 3.28
	=====	=====	=====

See Notes to Consolidated Financial Statements

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK AND PAID IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME
	-----	-----	-----
	(DOLLAR AMOUNTS IN MILLIONS EXCEPT SHARE INFORMATION)		
BALANCE, JANUARY 1, 2000.....	\$129	\$2,358	\$266
Net income before dividends on Capital Securities.....	--	537	--
Other comprehensive income.....	--	--	79
Comprehensive income.....	--	(152)	--
Common dividends \$0.96 per share...	--	(25)	--
Preferred dividends.....	12	--	--
Common stock issued.....	(10)	(35)	--
	-----	-----	-----
BALANCE, DECEMBER 31, 2000.....	131	2,683	345
Net income before dividends on Capital Securities.....	--	538	--
Change in fair value of derivative financial instruments, net of income taxes.....	--	--	4
Unrealized gain on available for sale securities, net of income taxes.....	--	--	65
Comprehensive income.....	--	(166)	--
Common dividends \$1.07 per share...	--	(25)	--
Preferred dividends.....	4	--	--
Common stock issued.....			

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Common stock reacquired.....	(11)	(177)	--
Three-for-two common stock split...	64	(64)	--
	----	-----	----
BALANCE, DECEMBER 31, 2001.....	188	2,789	414
Net income before dividends on Capital Securities.....	--	475	--
Change in fair value of derivative financial instruments, net of income taxes.....	--	--	9
Unrealized gain on available for sale securities, net of income taxes.....	--	--	187
Comprehensive income.....			
Common dividends \$1.18 per share...	--	(175)	--
Preferred dividends.....	--	(25)	--
Common stock issued.....	22	--	--
Common stock reacquired.....	(30)	(314)	--
	----	-----	----
BALANCE, DECEMBER 31, 2002.....	\$180	\$2,750	\$610
	=====	=====	=====

See Notes to Consolidated Financial Statements

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	(DOLLAR AMOUNTS IN MILLIONS)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before dividends on Capital Securities.....	\$ 475	\$ 538	\$ 537
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in policy liabilities other than deposits.....	103	79	(21)
Credits to policyholder accounts, net.....	165	172	138
Deferral of policy acquisition costs, net of amortization.....	(277)	(215)	(201)
Change in receivables and asset accruals.....	15	(12)	(87)
Change in payables and expense accruals.....	(127)	234	111
Realized investment losses (gains).....	22	(66)	(102)
Depreciation and amortization.....	(23)	19	29
Amortization of value of business acquired, net.....	77	56	90
Other.....	(2)	(4)	7
	-----	-----	-----
Net cash provided by operating activities.....	428	801	501
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Securities available for sale:			
Sales.....	719	421	1,002
Maturities, calls and redemptions.....	1,848	1,035	718
Purchases.....	(4,214)	(2,303)	(2,261)

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Securities held to maturity:			
Sales.....	86	21	13
Maturities, calls and redemptions.....	425	405	481
Purchases.....	(227)	(658)	(292)
Repayments of mortgage loans.....	188	156	122
Mortgage loans originated.....	(394)	(477)	(350)
Increase (decrease) in policy loans, net.....	2	(19)	(25)
Acquisitions of subsidiaries, net of cash received.....	--	--	(3)
Other investing activities, net.....	(32)	(6)	(16)
	-----	-----	-----
Net cash used in investing activities.....	(1,599)	(1,425)	(611)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Policyholder contract deposits.....	2,867	2,918	2,570
Withdrawals of policyholder contract deposits.....	(1,463)	(1,597)	(2,058)
Borrowings under short-term credit facilities.....	3,643	3,830	3,266
Repayments under short-term credit facilities.....	(3,487)	(3,937)	(3,222)
Net proceeds (payments) from securities sold under repurchase agreements.....	208	(105)	(126)
Repayment of ACES.....	--	--	(146)
Cash dividends paid.....	(198)	(187)	(173)
Common stock transactions, net.....	(321)	(184)	(33)
Other financing activities, net.....	(150)	(1)	(4)
	-----	-----	-----
Net cash provided by financing activities.....	1,099	737	74
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents.....	(72)	113	(36)
Cash and cash equivalents, beginning.....	139	26	62
	-----	-----	-----
Cash and cash equivalents, ending.....	\$ 67	\$ 139	\$ 26
	=====	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION			
Income taxes paid.....	\$ 222	\$ 258	\$ 223
	=====	=====	=====
Interest paid.....	\$ 20	\$ 47	\$ 67
	=====	=====	=====

See Notes to Consolidated Financial Statements

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLAR AMOUNTS IN MILLIONS, EXCEPT SHARE INFORMATION)
DECEMBER 31, 2002

NOTE 1. NATURE OF OPERATIONS AND SIGNIFICANT TRANSACTIONS

NATURE OF OPERATIONS

Jefferson-Pilot Corporation (with its subsidiaries, referred to as the Company) operates in the life insurance and broadcasting industries. Life insurance, annuities, disability and dental insurance are currently marketed to individuals and businesses in the United States through the Company's principal life insurance subsidiaries: Jefferson-Pilot Life Insurance Company (JP Life), and Jefferson Pilot Financial Insurance Company (JPFIC) and its subsidiary, Jefferson Pilot LifeAmerica Insurance Company (JPLA), collectively referred to as JP Financial. Broadcasting operations are conducted by Jefferson-Pilot

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Communications Company (JPCC) and consist of radio and television broadcasting, through facilities located in strategically selected markets in the Southeastern and Western United States, and sports program production.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The insurance subsidiaries also submit financial statements to insurance industry regulatory authorities. Those financial statements are prepared on the basis of statutory accounting practices (SAP) and are significantly different from financial statements prepared in accordance with GAAP. See Note 12.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Jefferson-Pilot Corporation and all of its subsidiaries. We have three immaterial investments in which we own less than 50% but greater than 20%. Neither the carrying value on the balance sheet nor the equity in earnings on the income statement related to these investments is material. We do not exercise control over any of these entities and therefore, do not consolidate these entities in accordance with ARB 51 and SFAS 94. We account for these investments on the equity method in accordance with APB 18. All material intercompany accounts and transactions have been eliminated.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses for the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are fair value of certain invested assets, asset valuation allowances, deferred policy acquisition costs, goodwill, value of business acquired, policy liabilities, and the potential effects of resolving litigated matters.

RECLASSIFICATIONS

Certain amounts in prior years have been reclassified to conform with the current year presentation.

CASH AND CASH EQUIVALENTS

The Company includes with cash and cash equivalents its holdings of highly liquid investments, which mature within three months of the date of acquisition.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

DEBT AND EQUITY SECURITIES

Debt and equity securities are classified as either securities held to maturity, stated at amortized cost, or securities available for sale, stated at fair value with net unrealized gains and losses included in accumulated other

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comprehensive income, net of deferred income taxes and adjustments to deferred policy acquisition costs and value of business acquired.

Amortization of premiums and accrual of discounts on investments in debt securities are reflected in earnings over the contractual terms of the investments in a manner that produces a constant effective yield. Investment securities are regularly reviewed for impairment based on criteria that include the extent to which cost exceeds market value, the duration of the market decline, and the financial health of and specific prospects for the issuer. Unrealized losses that are considered to be other than temporary are recognized in realized gains and losses. Realized gains and losses on dispositions of securities are determined by the specific-identification method.

MORTGAGE AND POLICY LOANS

Mortgage loans on real estate are stated at unpaid balances, net of estimated unrecoverable amounts. In addition to a general estimated allowance, an allowance for unrecoverable amounts is provided when a mortgage loan becomes impaired. Mortgage loans are considered impaired when it becomes probable the Company will be unable to collect the total amounts due, including principal and interest, according to contractual terms. The impairment is measured based upon the present value of expected cash flows discounted at the effective interest rate on both a loan by loan basis and by measuring aggregated loans with similar risk characteristics. Interest on mortgage loans is recorded until collection is deemed improbable. Policy loans are stated at their unpaid balances.

REAL ESTATE AND OTHER INVESTMENTS

Real estate not acquired by foreclosure is stated at cost less accumulated depreciation. Real estate acquired by foreclosure is stated at the lower of depreciated cost or fair value minus estimated costs to sell. Real estate, primarily buildings, is depreciated principally by the straight-line method over estimated useful lives generally ranging from 30 to 40 years. Accumulated depreciation was \$51 and \$47 at December 31, 2002 and 2001. Other investments are stated at equity, or the lower of cost or market, as appropriate.

PROPERTY AND EQUIPMENT

Property and equipment, which is included in other assets, is stated at cost and depreciated principally by the straight-line method over estimated useful lives, generally 30 to 50 years for buildings and approximately 10 years for other property and equipment. Accumulated depreciation was \$180 and \$181 at December 31, 2002 and 2001.

DEFERRED POLICY ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

Costs related to obtaining new and renewal business, including commissions, certain costs of underwriting and issuing policies, certain agency office expenses, and first year bonus interest or day one premium bonuses on annuities, all of which vary with and are primarily related to the production of new and renewal business, have been deferred.

Deferred policy acquisition costs for traditional insurance products are amortized over the premium paying periods of the related contracts using the same assumptions for anticipated premium revenue that are used to compute liabilities for future policy benefits. For fixed universal life and annuity products, these costs are amortized at a constant rate based on the present value of the estimated future gross profits to be realized over the terms of the contracts, not to exceed 25 years.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Value of business acquired represents the actuarially determined present value of anticipated profits to be realized from life insurance and annuity business purchased, using the same assumptions used to value the related liabilities. Amortization of the value of business acquired occurs over the related contract periods, using current crediting rates to accrete interest and a constant amortization rate based on the present value of expected future profits for fixed universal life and annuity products.

Deferred policy acquisition costs and the value of business acquired for variable life and annuity products are amortized utilizing mean reversion techniques. In calculating the estimated gross profits for these products we utilize a long-term total net return on assets of 8.25% and a five-year reversion period. The reversion period is a period over which a short-term return assumption is utilized to maintain the model's overall long-term rate of return. The Company caps the reversion rate of return at 8.25% for one year and 10% for years two through five. Mean reversion techniques have the effect of smoothing out spikes or valleys in the amortization related to variable products.

The carrying amounts of deferred policy acquisition costs and value of business acquired are adjusted for the effect of non-credit related realized gains and losses, credit related gains, and the effects of unrealized gains and losses on debt securities classified as available for sale. Deferred policy acquisition costs and value of business acquired are not adjusted for the effect of credit related losses, rather as a part of the investment income allocation process a charge is made against the investment income allocated to the Individual Products, Annuity and Investment Products, and Benefit Partner segments. This charge is based upon the credit quality of the assets supporting each segment and is meant to replicate the expected credit losses that will emerge over a period of years. Through this mechanism, the Individual Products, Annuity and Investment Products, and Benefit Partner segments pay a relatively level charge to the corporate segment and in return are reimbursed when credit related losses actually occur.

Both deferred policy acquisition costs and value of business acquired are reviewed periodically to determine that the unamortized portion does not exceed the expected recoverable amounts. No impairment adjustments have been reflected in the results of operations for the years presented.

GOODWILL

Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets", which primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. Through December 31, 2001, goodwill was amortized on a straight-line basis over periods of 25 to 40 years. Accumulated amortization was \$41 at December 31, 2002 and 2001. Under SFAS 142, carrying amounts are regularly reviewed for indications of value impairment, with consideration given to financial performance and other relevant factors. In addition, certain events including a significant adverse change in legal factors or the business climate, an adverse action or assessment by a regulator, or unanticipated competition would cause the Company to review carrying amounts of goodwill for impairment. When considered impaired, the carrying amounts are written down using a combination of fair value and discounted cash flows. See further discussion under New Accounting Pronouncements below.

SEPARATE ACCOUNTS

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Separate account assets and liabilities represent funds segregated for the benefit of certain policyholders who bear the investment risk. The separate account assets and liabilities, which are equal, are recorded at fair value. Policyholder account deposits and withdrawals, investment income and realized investment gains and losses are excluded from the amounts reported in the Consolidated Statements of Income. Fees charged on policyholders' deposits are included in other considerations.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

RECOGNITION OF REVENUE

Premiums on traditional life insurance products are reported as revenue when received unless received in advance of the due date.

Premiums on accident and health, disability and dental insurance are reported as earned, over the contract period. A reserve is provided for the portion of premiums written which relates to unexpired coverage terms.

Revenue from universal life-type and annuity products includes charges for the cost of insurance, initiation and administration of the policy and surrender of the policy. Revenue from these products is recognized in the year assessed to the policyholder, except that any portion of an assessment that relates to services to be provided in future years is deferred and recognized over the period during which services are provided.

Concession income of the broker/dealer subsidiaries is recorded as earned and is presented in other revenue.

COMMUNICATION REVENUE, FILM AND PROGRAM RIGHTS

Communications sales are presented net of agency and representative commissions. Film and program rights result from license agreements under which the Company has acquired rights to broadcast certain television program material and are stated at cost less amortization. The cost of rights acquired is recorded as an asset, and an offsetting liability is also recorded when the cost is known or reasonably determinable, and the program material has been accepted and made available for broadcast. Amortization is determined using both straight-line and accelerated methods based on the terms of the license agreements. Carrying amounts are regularly reviewed by management for indications of impairment and are adjusted when appropriate to estimated amounts recoverable from future broadcast of the applicable program material.

RECOGNITION OF BENEFITS AND EXPENSES

Benefits and expenses, other than deferred policy acquisition costs, related to traditional life, accident and health, disability and dental insurance products are recognized when incurred in a manner designed to match them with related premiums and spread income recognition over expected policy lives. For universal life-type and annuity products, benefits include interest credited to policyholders' accounts, which is recognized as it accrues.

FUTURE POLICY BENEFITS

Liabilities for future policy benefits on traditional life and disability insurance are computed by the net level premium valuation method based on assumptions about future investment yield, mortality, morbidity and persistency. Estimates about future circumstances are based principally on historical

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experience and provide for possible adverse deviations.

POLICYHOLDER CONTRACT DEPOSITS

Policyholder contract deposits consist of policy values that accrue to holders of universal life-type contracts and annuities. The liability is determined using the retrospective deposit method and consists of policy values that accrue to the benefit of the policyholder, before deduction of surrender charges.

POLICY AND CONTRACT CLAIMS

The liability for policy and contract claims consists of the estimated amount payable for claims reported but not yet settled and an estimate of claims incurred but not reported, which is based on historical experience, adjusted for trends and circumstances. Management believes that the recorded liability is sufficient to provide for claims incurred through the balance sheet date and the associated claims adjustment expenses.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

REINSURANCE BALANCES AND TRANSACTIONS

Reinsurance receivables include amounts related to paid benefits and estimated amounts related to unpaid policy and contract claims, future policy benefits and policyholder contract deposits. The cost of reinsurance is accounted for over the terms of the underlying reinsured policies using assumptions consistent with those used to account for the policies.

STOCK BASED COMPENSATION

The Company accounts for stock incentive awards in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees", and accordingly, recognizes no compensation expense for stock option awards to employees or directors when the option price is not less than the market value of the stock at the date of award. The Company recognizes expense utilizing the fair value method in accordance with SFAS 123 for stock options granted to non-employees, specifically agents.

SFAS 123 requires the presentation of pro forma information as if the Company had accounted for its employee and director stock options granted after December 31, 1994 under the fair value method of that Statement.

The following is a reconciliation of reported net income and proforma information as if the Company had adopted SFAS 123 for its employee and director stock option awards.

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
Net income, as reported.....	\$ 450	\$ 513	\$ 512
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects.....	11	11	8

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	----- \$ 439 =====	----- \$ 502 =====	----- \$ 504 =====
Pro forma net income available to common stockholders.....	\$ 439	\$ 502	\$ 504
Earnings per share available to common stockholders, as reported.....	\$3.07	\$3.38	\$3.31
Pro forma earnings per share available to common stockholders.....	\$2.99	\$3.30	\$3.26
Earnings per share available to common stockholders -- assuming dilution, as reported.....	\$3.04	\$3.34	\$3.28
Pro forma earnings per share available to common stockholders -- assuming dilution.....	\$2.96	\$3.27	\$3.23

INCOME TAXES

The Company and most of its subsidiaries file a consolidated life/nonlife federal income tax return. Currently, JP Financial files a separate consolidated return with its respective subsidiaries. Deferred income taxes are recorded on the differences between the tax bases of assets and liabilities and the amounts at which they are reported in the consolidated financial statements. Recorded amounts are adjusted to reflect changes in income tax rates and other tax law provisions as they become enacted.

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141) and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires that all business combinations initiated after June 30, 2001, be accounted for under the purchase method of accounting and establishes specific criteria for the recognition of intangible assets separately from goodwill. SFAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. In accordance with the statements, the Company no longer amortizes goodwill nor certain other intangible assets (primarily Federal Communication Commission

JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Licenses), but rather tests these intangible assets for impairment at least on an annual basis. During 2001, the Company recognized \$13 of amortization expense related to these assets. The Company did not recognize any impairment losses upon adoption of SFAS 142. Further, the Company completed its annual test of impairment in the second quarter of 2002 and concluded that there had been no impairments. No subsequent events have occurred that would have led to impairment of goodwill and other intangibles.

Following is a reconciliation of reported earnings to adjusted earnings as if SFAS 142 had been in effect for all periods presented. In connection with the implementation of SFAS 142, the Company did not change the life on any intangible that was subject to amortization:

FOR THE YEAR ENDED DECEMBER 31,		
----- 2002 -----	----- 2001 -----	----- 2000 -----

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Reported net income available to common stockholders.....	\$ 450	\$ 513	\$ 512
Add back: Goodwill amortization.....	--	11	11
Add back: FCC Licenses amortization.....	--	2	2
	-----	-----	-----
Adjusted net income available to common stockholders.....	\$ 450	\$ 526	\$ 525
	=====	=====	=====
 Basic Earnings Per Share of Common Stock:			
Reported net income available to common stockholders.....	\$3.07	\$3.38	\$3.31
Add back: Goodwill amortization.....	--	0.07	0.07
Add back: FCC Licenses amortization.....	--	0.01	0.01
	-----	-----	-----
Adjusted net income available to common stockholders.....	\$3.07	\$3.46	\$3.39
	=====	=====	=====
 Earnings Per Share of Common Stock -- Assuming Dilution:			
Reported net income available to common stockholders.....	\$3.04	\$3.34	\$3.28
Add back: Goodwill amortization.....	--	0.07	0.07
Add back: FCC Licenses amortization.....	--	0.01	0.01
	-----	-----	-----
Adjusted net income available to common stockholders.....	\$3.04	\$3.42	\$3.36
	=====	=====	=====

In July 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146), which is effective for exit or disposal activities that are initiated after December 31, 2002. The Company currently is not engaging in any exit or disposal activities.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (Interpretation No. 45). The disclosure requirements of Interpretation No. 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. Adoption of Interpretation No. 45 had no impact on the Company's financial statement disclosure for 2002. The initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and are not expected to have a significant impact on the Company's financial position or results of operations.

In December 2002, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" (SFAS 148), which is effective for fiscal years ending after December 15, 2002. The Statement provides alternative methods of transition to SFAS 123's fair value method of accounting for stock-based employee compensation, if the Company had selected that method. SFAS 148 also increased the disclosure for companies' not electing to implement SFAS 123.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 3. INCOME PER SHARE OF COMMON STOCK

The following table sets forth the computation of earnings per share before cumulative effect of change in accounting principle and earnings per share assuming dilution before cumulative effect of change in accounting principle. On February 12, 2001, the Board authorized a three-for-two stock split which was

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effected as a 50% stock dividend distributed on April 9, 2001 to shareholders of record as of March 19, 2001 (see Note 10). All share and per share amounts have been restated to give retroactive effect to the stock split:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
NUMERATOR:			
Net income before dividends on Capital Securities and cumulative effect of change in accounting principle.....	\$ 475	\$ 537	\$ 537
Dividends on Capital Securities.....	25	25	25

Numerator for net income per share and net income per share -- assuming dilution -- Net income available to common stockholders, before cumulative effect of change in accounting principle.....	\$ 450	\$ 512	\$ 512
=====			
DENOMINATOR:			
Denominator for net income per share -- weighted-average shares outstanding.....	146,846,698	151,914,983	154,575,633
Effect of dilutive securities:			
Employee, director, and agent stock options.....	1,375,644	1,496,187	1,345,802

Denominator for net income per share -- assuming dilution -- adjusted weighted-average shares outstanding.....	148,222,342	153,411,170	155,921,435
=====			
NET INCOME PER SHARE, BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE...	\$ 3.07	\$ 3.37	\$ 3.31
=====			
NET INCOME PER SHARE -- ASSUMING DILUTION, BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE.....	\$ 3.04	\$ 3.33	\$ 3.28
=====			

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 4. INVESTMENTS

SUMMARY COST AND FAIR VALUE INFORMATION

Aggregate amortized cost, aggregate fair value and gross unrealized gains and losses are as follows:

DECEMBER 31, 2002

GROSS GROSS

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	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED (LOSSES)	F V
AVAILABLE FOR SALE CARRIED AT FAIR VALUE				
U.S. Treasury obligations and direct obligations of U.S. Government agencies.....	\$ 340	\$ 27	\$ --	\$
Federal agency issued mortgage backed securities (including collateralized mortgage obligations).....	3,225	224	--	
Obligations of states and political subdivisions.....	79	5	--	
Corporate obligations.....	10,094	746	(237)	1
Corporate private-labeled mortgage backed securities (including collateralized mortgage obligations).....	1,829	113	(4)	
Redeemable preferred stocks.....	24	1	(1)	
Subtotal, debt securities.....	15,591	1,116	(242)	1
Equity securities.....	46	366	(3)	
Securities available for sale.....	\$15,637	\$1,482	\$ (245)	\$1
HELD TO MATURITY CARRIED AT AMORTIZED COST				
Obligations of state and political subdivisions.....	\$ 11	\$ 1	\$ --	\$
Corporate obligations.....	3,025	233	(45)	
Debt securities held to maturity.....	\$ 3,036	\$ 234	\$ (45)	\$

	DECEMBER 31, 2001			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED (LOSSES)	F V
AVAILABLE FOR SALE CARRIED AT FAIR VALUE				
U. S. Treasury obligations and direct obligations of U.S. Government agencies.....	\$ 128	\$ 12	\$ --	\$
Federal agency issued mortgage backed securities (including collateralized mortgage obligations).....	3,116	141	(3)	
Obligations of states and political subdivisions.....	30	1	(1)	
Corporate obligations.....	8,348	281	(285)	
Corporate private-labeled mortgage backed securities (including collateralized mortgage obligations).....	2,253	95	(18)	
Redeemable preferred stocks.....	29	1	--	
Subtotal, debt securities.....	13,904	531	(307)	1
Equity securities.....	29	483	(1)	
Securities available for sale.....	\$13,933	\$1,014	\$ (308)	\$1
HELD TO MATURITY CARRIED AT AMORTIZED COST				
Obligations of state and political subdivisions.....	\$ 15	\$ --	\$ --	\$
Corporate obligations.....	3,324	100	(61)	
Debt securities held to maturity.....	\$ 3,339	\$ 100	\$ (61)	\$

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONTRACTUAL MATURITIES

Aggregate amortized cost and aggregate fair value of debt securities as of December 31, 2002, according to contractual maturity date, are as indicated below. Actual future maturities may differ from the contractual maturities shown because the issuers of certain debt securities have the right to call or prepay the amounts due the Company, with or without penalty.

	AVAILABLE FOR SALE		HELD TO MATURITY	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Due in one year or less.....	\$ 455	\$ 463	\$ 371	\$ 371
Due after one year through five years.....	2,630	2,790	927	927
Due after five years through ten years.....	5,156	5,499	1,073	1,073
Due after ten years through twenty years.....	2,251	2,309	515	515
Due after twenty years.....	4,992	5,309	149	149
Amounts not due at a single maturity date.....	83	71	1	1
	-----	-----	-----	-----
	15,567	16,441	3,036	3,036
Redeemable preferred stocks.....	24	24	--	--
	-----	-----	-----	-----
	\$15,591	\$16,465	\$3,036	\$3,036
	=====	=====	=====	=====

INVESTMENT CONCENTRATION, RISK AND IMPAIRMENT

Investments in debt and equity securities include 1,747 issuers, with no one corporate issuer representing more than one percent of investments. Debt and equity securities include investments in Bank of America of \$368 and \$584 as of December 31, 2002 and 2001.

The Company's mortgage loan portfolio is comprised of conventional real estate mortgages collateralized primarily by retail (32%), industrial (20%), office (18%), apartment (17%), and hotel (11%) properties. Mortgage loan underwriting standards emphasize the credit status of a prospective borrower, quality of the underlying collateral and conservative loan-to-value relationships. Approximately 34% of stated mortgage loan balances as of December 31, 2002 are due from borrowers in South Atlantic states, approximately 21% are due from borrowers in West South Central states and approximately 12% are due from borrowers in Pacific states. No other geographic region represents as much as 10% of December 31, 2002 mortgage loans.

At December 31, 2002 and 2001, the recorded investment in mortgage loans that are considered to be impaired was \$66 and \$81. Delinquent loans outstanding as of December 31, 2002 and 2001 totaled \$12 and \$0. The related allowance for credit losses on all mortgage loans was \$36 at December 31, 2002 and \$29 at December 31, 2001. The average recorded investment in impaired loans was \$77, \$67 and \$57 during the years ended December 31, 2002, 2001 and 2000, on which interest income of \$6, \$7 and \$3 was recognized.

The Company uses repurchase agreements to meet various cash requirements.

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At December 31, 2002 and 2001, the amounts held in debt securities available for sale pledged as collateral for these borrowings were \$532 and \$306.

SECURITIES LENDING

In its securities lending program, the Company generally receives cash collateral in an amount that is in excess of the market value of the securities loaned. Market values of securities loaned and collateral are monitored daily, and additional collateral is obtained as necessary. The market value of securities loaned and collateral received amounted to \$533 and \$555 at December 31, 2002 and \$248 and \$258 at December 31, 2001.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CHANGES IN NET UNREALIZED GAINS ON SECURITIES

Changes in amounts affecting net unrealized gains included in other comprehensive income, reduced by deferred income taxes, are as follows:

	NET UNREALIZED GAINS (LOSSES)		
	DEBT SECURITIES	EQUITY SECURITIES	TOTAL
Net unrealized gains on securities available for sale as of December 31, 1999.....	\$ (146)	\$ 412	\$ 266
Change during year ended December 31, 2000:			
Increase (decrease) in stated amount of securities.....	460	(152)	308
Decrease in value of business acquired and deferred policy acquisition costs.....	(190)	--	(190)
Increase in carrying value of Exchangeable Securities (Note 8).....	--	4	4
Decrease (increase) in deferred income tax liabilities....	(95)	52	(43)
	-----	-----	-----
Increase (decrease) in net unrealized gains included in other comprehensive income.....	175	(96)	79
	-----	-----	-----
Net unrealized gains on securities available for sale as of December 31, 2000.....	29	316	345
Change during year ended December 31, 2001:			
Increase (decrease) in stated amount of securities.....	165	(5)	160
Decrease in value of business acquired and deferred policy acquisition costs.....	(48)	--	(48)
Decrease in carrying value of Exchangeable Securities (Note 8).....	--	(11)	(11)
Increase in derivative financial instruments.....	6	--	6
Decrease (increase) in deferred income tax liabilities....	(40)	2	(38)
	-----	-----	-----
Increase (decrease) in net unrealized gains included in other comprehensive income.....	83	(14)	69
	-----	-----	-----
Net unrealized gains on securities available for sale as of December 31, 2001.....	112	302	414
Change during year ended December 31, 2002:			
Increase (decrease) in stated amount of securities.....	650	(119)	531

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Decrease in value of business acquired and deferred policy acquisition costs.....	(238)	--	(238)
Increase in derivative financial instruments.....	9	--	9
Decrease (increase) in deferred income tax liabilities....	(144)	38	(106)
	-----	-----	-----
Increase (decrease) in net unrealized gains included in other comprehensive income.....	277	(81)	196
	-----	-----	-----
Net unrealized gains on securities available for sale as of December 31, 2002.....	\$ 389	\$ 221	\$ 610
	=====	=====	=====

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NET INVESTMENT INCOME

The details of investment income, net of investment expenses, follow:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
Interest on debt securities.....	\$1,325	\$1,270	\$1,202
Investment income on equity securities.....	18	23	27
Interest on mortgage loans.....	250	234	212
Interest on policy loans.....	52	48	49
Other investment income.....	23	29	34
	-----	-----	-----
Gross investment income.....	1,668	1,604	1,524
Investment expenses.....	(45)	(71)	(94)
	-----	-----	-----
Net investment income.....	\$1,623	\$1,533	\$1,430
	=====	=====	=====

Investment expenses include interest, salaries, expenses of maintaining and operating investment real estate, real estate depreciation and other allocated costs of investment management and administration.

REALIZED GAINS AND LOSSES

The details of realized investment gains (losses) including other than temporary impairments follow:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
Common stocks.....	\$ 160	\$146	\$120
Debt securities.....	(167)	(80)	(22)
	-----	-----	-----

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Total securities.....	(7)	66	98
Real estate.....	(2)	1	1
Other.....	(8)	(2)	1
Amortization of deferred policy acquisition costs and value of business acquired.....	(5)	1	2
	-----	-----	-----
Realized investment (losses) gains.....	\$ (22)	\$ 66	\$102
	=====	=====	=====

Information about total gross realized gains and losses including other than temporary impairments on securities transactions follows:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
Gross realized:			
Gains.....	\$ 196	\$160	\$136
Losses.....	(203)	(94)	(38)
	-----	-----	-----
Net realized (losses) gains on total securities.....	\$ (7)	\$ 66	\$ 98
	=====	=====	=====

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Information about gross realized gains and losses including other than temporary impairments on available for sale securities transactions follows:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
Gross realized:			
Gains.....	\$ 191	\$156	\$266
Losses.....	(182)	(75)	(23)
	-----	-----	-----
Net realized gains on available for sale securities.....	\$ 9	\$ 81	\$243
	=====	=====	=====

OTHER INFORMATION

The Company sold certain securities that had been classified as held to maturity, due to significant declines in credit worthiness. The net carrying amounts of sold securities were \$86, \$27, and \$17 for 2002, 2001, and 2000. The realized gains/(losses) on the securities were \$0, \$(6), and \$(4) for 2002, 2001, and 2000.

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

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SFAS 133 requires companies to recognize all derivative instruments as either assets or liabilities in the balance sheet at fair value. The fair values of the Company's derivative instruments of \$18 and \$10 at December 31, 2002 and 2001, are included in other investments in the accompanying balance sheet. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge related to foreign currency exposure. The Company accounts for changes in fair values of derivatives that are not part of a hedge or do not qualify for hedge accounting through current earnings during the period of the change. For derivatives that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction impacts earnings. The remaining gain or loss on these derivative instruments is recognized in current earnings during the period of the change. Effectiveness of the Company's hedge relationships is assessed and measured on a quarterly basis. The Company has no fair value hedges or hedges of net investments in foreign operations.

CASH FLOW HEDGING STRATEGY

The Company uses interest rate swaps to convert floating rate investments to fixed rate investments. Interest is exchanged periodically on the notional value, with the Company receiving the fixed rate and paying various short-term LIBOR rates on a net exchange basis. For the year ended December 31, 2002 and 2001 the ineffective portion of the Company's cash flow hedging instruments, which is recognized in realized investment gains, was not significant. At December 31, 2002 and 2001 the maximum term of interest rate swaps that hedge floating rate investments were ten years and eleven years.

The Company also uses interest rate swaps to hedge anticipated purchases of assets that support the annuity line of business. As assets are purchased, the interest rate swap is unwound resulting in a realized gain/(loss) which effectively offsets the change in the cost of the assets purchased to back annuities issued. The gain/(loss) is amortized into income over time, resulting in an overall yield that is consistent with the companies' pricing assumptions.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Certain swaps serve as economic hedges but do not qualify for hedge accounting under SFAS 133. These swaps are marked to market through realized gains. For the year ended December 31, 2002 and 2001, the Company's realized investment gains were insignificant.

For the year ended December 31, 2002 and 2001, the Company recognized other comprehensive income related to cash flow hedges of \$5 and \$3.

For the year ended December 31, 2002 and 2001, the Company did not reclassify any significant gains or losses into earnings as a result of the discontinuance of its cash flow hedges. Further, the Company does not expect to reclassify a significant amount of net gains (losses) on derivative instruments from accumulated other comprehensive income to earnings during the next twelve months.

OTHER DERIVATIVES

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The Company markets equity-indexed annuities as the result of its purchase of The Guarantee Life Companies Inc. and its subsidiaries, including Guarantee Life Insurance Company, collectively referred to as Guarantee. These contracts have an equity market component, where interest credited to the contracts is linked to the performance of the S&P 500(R) index. The Company has historically managed this risk by purchasing call options that mirrored the interest credited to the contracts. These call options act as an economic hedge, as changes in their fair values are recognized in net investment income. For the year ended December 31, 2002 and 2001, activity reflected in net investment income related to these options was not significant.

The Company also invests in debt securities with embedded options, which are considered to be derivative instruments under SFAS 133. These derivatives are marked to market through realized investment gains and were insignificant for the year ended December 31, 2002 and 2001.

Counterparties to derivative instruments expose the Company to credit risk in the event of non-performance. The Company limits this exposure by diversifying among counterparties with high credit ratings.

The Company's credit risk exposure on swaps is limited to the fair value of swap agreements that it has recorded as an asset. The Company does not expect any counterparty to fail to meet its obligation. Currently, non-performance by a counterparty would not have a material adverse effect on the Company's financial position or results of operations. The Company's exposure to market risk is mitigated by the offsetting effects of changes in the value of swap agreements and the related direct investments and credited interest on annuities.

NOTE 6. DEFERRED POLICY ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

DEFERRED POLICY ACQUISITION COSTS

Information about deferred policy acquisition costs follows:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
Beginning balance.....	\$1,410	\$1,219	\$1,091
Deferral:			
Commissions.....	357	284	274
Other.....	122	100	80
	-----	-----	-----
	479	384	354
Amortization.....	(202)	(169)	(153)
Adjustment related to unrealized (gains) on debt securities available for sale.....	(159)	(24)	(75)
Adjustment related to realized losses (gains) on debt securities.....	(3)	--	2
	-----	-----	-----
Ending balance.....	\$1,525	\$1,410	\$1,219
	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

VALUE OF BUSINESS ACQUIRED

Information about value of business acquired follows:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
Beginning balance.....	\$660	\$740	\$ 949
Deferral of commissions and accretion of interest.....	7	12	18
Amortization.....	(84)	(68)	(108)
Adjustment related to unrealized (gains) losses on debt securities available for sale.....	(79)	(25)	(115)
Adjustment related to realized (gains) losses on debt securities.....	(2)	1	--
Adjustment related to purchase accounting.....	--	--	(4)
	----	----	----
Ending balance.....	\$502	\$660	\$ 740
	====	====	====

During 2000, the Company finalized its purchase accounting for the acquisition of Guarantee, resulting in an adjustment to decrease the value of business acquired by \$4.

Expected approximate amortization percentages relating to the value of business acquired for the next five years are as follows:

YEAR	AMORTIZATION PERCENTAGE
----	-----
2003.....	11.5%
2004.....	9.8%
2005.....	8.4%
2006.....	7.9%
2007.....	7.7%

NOTE 7. POLICY LIABILITIES INFORMATION

INTEREST RATE ASSUMPTIONS

The liability for future policy benefits associated with ordinary life insurance policies has been determined using initial interest rate assumptions ranging from 2.0% to 11.5% and, when applicable, uniform grading over 10 to 30 years to ultimate rates ranging from 2.0% to 6.5%. Interest rate assumptions for weekly premium, monthly debit and term life insurance products generally fall within the same ranges as those pertaining to ordinary life insurance policies.

Credited interest rates for universal life-type products ranged from 4.0% to 7.5% in 2002 and 2001, and 4.1% to 6.7% in 2000. The average credited interest rates for universal life-type products were 5.6% each of the last three years. For annuity products, credited interest rates generally ranged from 3.0% to 7.8% in 2002, 4.0% to 9.8% in 2001 and 4.0% to 9.0% in 2000.

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MORTALITY AND WITHDRAWAL ASSUMPTIONS

Assumed mortality rates are generally based on experience multiples applied to select and ultimate tables commonly used in the industry. Withdrawal assumptions for individual life insurance policies are based on historical company experience and vary by issue age, type of coverage and policy duration.

For structured settlements issued prior to 1987, mortality assumptions are based on blends of the 1971 Individual Annuity Mortality Table and the 1969-71 U. S. Life Tables. For similar products issued between 1987 and 1999, mortality assumptions are based on blends of the 1983a and 1979-81 U.S. Life Tables. For similar products issued after 1999, mortality assumptions are based on the Annuity 2000 Mortality Table.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

For immediate annuities, the 1971 IAM is used for issues prior to 1992, the 83a table is used for issues between 1992 and 1999, and issues after 1999 use the 2000a table.

ACCIDENT AND HEALTH AND DISABILITY INSURANCE LIABILITIES ACTIVITY

Activity in the liabilities for accident and health and disability benefits, including reserves for future policy benefits and unpaid claims and claim adjustment expenses, is summarized below:

	2002	2001	2000
	----	----	----
Balance as of January 1.....	\$540	\$552	\$524
Less reinsurance recoverables.....	135	146	130
	----	----	----
Net balance as of January 1.....	405	406	394
	----	----	----
Amount incurred:			
Current year.....	366	304	270
Prior years.....	(38)	(44)	(15)
	----	----	----
	328	260	255
	----	----	----
Less amount paid:			
Current year.....	211	174	148
Prior years.....	90	87	95
	----	----	----
	301	261	243
	----	----	----
Net balance as of December 31.....	432	405	406
Plus reinsurance recoverables.....	132	135	146
	----	----	----
Balance as of December 31.....	\$564	\$540	\$552
	=====	=====	=====
Balance as of December 31 included with:			
Future policy benefits.....	\$530	\$498	\$485
Policy and contract claims.....	34	42	67
	----	----	----

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\$564	\$540	\$552
=====	=====	=====

The Company uses conservative estimates for determining its liability for accident and health and disability benefits, which are based on historical claim payment patterns and attempt to provide for potential adverse changes in claim patterns and severity. Lower than anticipated claims resulted in adjustments to liabilities in each year.

NOTE 8. DEBT AND EXCHANGEABLE SECURITIES

COMMERCIAL PAPER AND REVOLVING CREDIT BORROWINGS

The Company has entered into a bank credit agreement for unsecured revolving credit, under which the Company has the option to borrow at various interest rates. In May 2002, the Company replaced an expiring \$375 bank agreement with new unsecured revolving credit agreements, currently aggregating \$525, half available for five years and half available for 364 days. The credit agreements principally support our issuance of commercial paper. As of December 31, 2002, outstanding commercial paper had various maturities, with none in excess of 120 days. The Company can issue commercial paper with maturities of up to 270 days. In the event the Company is not able to remarket commercial paper at maturity, the Company has sufficient liquidity, consisting of the bank credit agreement, liquid assets, such as equity securities, and other resources to retire these obligations. The

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

weighted-average interest rates for commercial paper borrowings outstanding of \$453 and \$297 at December 31, 2002 and 2001 were 1.44% and 3.72%.

EXCHANGEABLE SECURITIES

The Mandatorily Exchangeable Debt Securities (MEDS) and Automatic Common Exchange Securities (ACES) are collectively referred to as Exchangeable Securities.

MEDS

On January 10, 2002, the Company repaid the MEDS for \$150 in cash, representing the original principal of the debt, plus accrued interest.

ACES

On January 21, 2000, the Company repaid the ACES for \$146 in cash, plus accrued interest.

INTEREST

Interest expense totaled \$15, \$44, and \$67 for 2002, 2001 and 2000, respectively.

NOTE 9. CAPITAL SECURITIES

In January and March 1997, respectively, the Company privately placed \$200 of 8.14% Capital Securities, Series A and \$100 of 8.285% Capital Securities, Series B. The Capital Securities mature in the year 2046, but are redeemable prior to maturity at the option of the Company beginning January 15, 2007. The

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Capital Securities are supported by subordinated indebtedness of the Company.

NOTE 10. STOCKHOLDERS' EQUITY

COMMON STOCK

Changes in the number of shares outstanding are as follows:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
Shares outstanding, beginning.....	150,006,582	154,305,846	155,017,028
Shares issued under stock option plans.....	673,486	141,075	391,590
Shares reacquired.....	(7,881,300)	(4,440,339)	(1,102,772)
Shares outstanding, ending.....	142,798,768	150,006,582	154,305,846

On February 12, 2001, the Board authorized a three-for-two common stock split which became effective as a 50% stock dividend distributed on April 9, 2001 to shareholders of record as of March 19, 2001. The split-adjusted value of fractional shares was paid in cash. The par value of additional shares issued, which totaled \$64, was reclassified from retained earnings to common stock. All share and per share information gives retroactive effect to the stock split.

SHAREHOLDERS' RIGHTS PLAN

Under a shareholders' rights plan, one common share purchase right is attached to each share of the Company's common stock. The plan becomes operative in certain events involving an offer for or the acquisition of 15% or more of the Company's common stock by any person or group. Following such an event, each right, unless redeemed by the Company's Board, entitles the holder (other than the acquiring person or group) to purchase for an exercise price of \$156.67 an amount of common stock of the Company (or in the discretion of the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Board, preferred stock, debt securities, or cash), or in certain circumstances stock of the acquiring company, having a market value of twice the exercise price. Approximately 143 million shares of common stock are currently reserved for the amended rights plan. The rights expire on February 8, 2009 unless extended by the Board, and are redeemable by the Board at a price of 0.30 cents per right at any time before they become exercisable.

PREFERRED STOCK

The Company has 20,000,000 shares of preferred stock authorized (none issued) with the par value, dividend rights and other terms to be fixed by the Board of Directors, subject to certain limitations on voting rights.

NOTE 11. STOCK INCENTIVE PLANS

LONG TERM STOCK INCENTIVE PLAN

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Under the Long Term Stock Incentive Plan, a Committee of independent directors may award nonqualified or incentive stock options and stock appreciation rights, and make grants of the Company's stock, to employees of the Company and to life insurance agents. Stock grants may be either restricted stock or unrestricted stock distributed upon the achievement of performance goals established by the Committee.

A total of 13,616,841 shares are available for issuance pursuant to outstanding or future awards as of December 31, 2002. The option price may not be less than the market value of the Company's common stock on the award date. Options are exercisable for periods determined by the Committee, not to exceed ten years from the award date, and vest immediately or over periods as determined by the Committee. Restricted and unrestricted stock grants are limited to 10% of the total shares reserved for the Plan. This plan will terminate as to further awards on May 3, 2009, unless earlier terminated by the Board.

NON-EMPLOYEE DIRECTORS' PLAN

Under the Non-Employee Directors' Stock Option Plan, 758,721 shares of the Company's common stock are reserved for issuance pursuant to outstanding or future awards as of December 31, 2002. Nonqualified stock options are automatically awarded, at market prices on specified award dates. The options vest over a period of one to three years, and terminate ten years from the date of award, but are subject to earlier vesting or termination under certain circumstances. This plan will terminate as to further awards on March 31, 2003.

SUMMARY STOCK OPTION ACTIVITY

Summarized information about the Company's stock option activity follows:

	2002		2001		2000
	OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE PER SHARE	OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE PER SHARE	OPTIONS
Outstanding beginning of year...	9,492,389	\$34.82	7,644,441	\$31.32	6,847,190
Granted.....	1,436,361	47.71	2,222,163	46.39	1,329,225
Exercised.....	(707,740)	26.63	(132,948)	21.43	(386,091)
Forfeited.....	(268,204)	44.15	(241,267)	37.79	(145,883)
Outstanding end of year.....	9,952,806	\$37.01	9,492,389	\$34.82	7,644,441
Exercisable at end of year.....	7,576,734	\$34.23	6,070,322	\$30.82	5,337,104
Weighted-average fair value of options granted during the year.....	\$ 10.73		\$ 11.27		\$ 8.96

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The following table summarizes certain stock option information at December 31, 2002:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE
	NUMBER OF SHARES	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	
\$13.37 - \$16.59.....	914,684	1.6	\$15.41	914,684
\$20.78 - \$25.72.....	1,677,928	3.6	24.80	1,677,928
\$32.33 - \$35.96.....	1,908,294	5.3	35.12	1,664,450
\$36.00 - \$46.17.....	2,066,852	5.2	41.84	2,006,685
\$46.55 - \$51.04.....	3,385,048	7.9	47.02	1,312,987
	-----		-----	-----
	9,952,806		\$37.01	7,576,734
	=====		=====	=====

These tables include 551,346 outstanding and 421,594 exercisable stock options held by life insurance agents. These are five year options with most vesting based on future production and forfeitures have been much higher than on other options. They are expensed upon vesting in accordance with SFAS 123.

The fair value was estimated at grant date using a Black-Scholes option pricing model with the following weighted-average assumptions for 2002, 2001 and 2000: risk-free interest rates of 5.0%, 5.2% and 6.7%; volatility factors of the expected market price of the Company's common stock of 0.22, 0.22 and 0.20; and a weighted-average expected life of the options of 7.9 years for 2002, 8.1 years for 2001 and 8.6 years for 2000. Dividends were assumed to increase by 10% annually.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not provide a reliable single measure of the fair value of the options.

NOTE 12. STATUTORY FINANCIAL INFORMATION

The Company's life insurance subsidiaries prepare financial statements on the basis of statutory accounting practices (SAP) prescribed or permitted by the insurance departments of their states of domicile. Prescribed SAP includes the Accounting Practices and Procedures Manual of the National Association of Insurance Commissioners (NAIC) as well as state laws, regulations and administrative rules. Permitted SAP encompasses all accounting practices not so prescribed. None of the life insurance subsidiaries utilize permitted practices in the preparation of their statutory financial statements.

The principal differences between SAP and GAAP are: 1) policy acquisition costs are expensed as incurred under SAP, but are deferred and amortized under GAAP; 2) the value of business acquired is not capitalized under SAP but is

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under GAAP; 3) amounts collected from holders of universal life-type and annuity products are recognized as premiums when collected under SAP, but are initially recorded as contract deposits under GAAP, with cost of insurance recognized as revenue when assessed and other contract charges recognized over the periods for which services are provided; 4) the classification and carrying amounts of investments in certain securities are different under SAP than under GAAP; 5) the criteria for providing asset valuation allowances, and the methodologies used to determine the amounts thereof, are different under SAP than under GAAP; 6) the timing of establishing certain reserves, and the methodologies used to determine the amounts thereof, are different under SAP than under GAAP; and 7) certain assets are not admitted for purposes of determining surplus under SAP.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Effective January 1, 2001, the NAIC revised the Accounting Practices and Procedures Manual in a process referred to as Codification. The domiciliary states of the Company's insurance subsidiaries have adopted the provisions of the revised manual with certain exceptions. Codification has changed, to some extent, prescribed statutory accounting practices and resulted in changes to the accounting practices that the Company's insurance subsidiaries use to prepare their statutory basis financial statements. The effect of the adoption of Codification was to increase statutory surplus by \$42 in 2001, primarily through the addition of deferred income taxes.

A comparison of net income and statutory capital and surplus of the life insurance subsidiaries determined on the basis of SAP to net income and stockholder's equity of these life insurance subsidiaries on the basis of GAAP is as follows:

	2002 -----	2001 -----	2000 -----
STATUTORY ACCOUNTING PRACTICES			
Net income for the year ended December 31.....	\$ 240	\$ 353	\$ 561
	=====	=====	=====
Statutory capital and surplus as of December 31.....	\$1,555	\$1,547	\$1,529
	=====	=====	=====
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES			
Net income for the year ended December 31.....	\$ 323	\$ 400	\$ 577
	=====	=====	=====
Stockholder's equity as of December 31.....	\$4,023	\$3,720	\$3,561
	=====	=====	=====

Prior to its acquisition, Guarantee converted from a mutual form to a stock life company. In connection with that conversion, Guarantee agreed to segregate certain assets to provide for dividends on participating policies using dividend scales in effect at the time of the conversion, providing that the experience underlying such scales continued. The assets, including revenue therefrom, allocated to the participating policies will accrue solely to the benefit of those policies. The assets and liabilities relating to these participating policies amounted to \$336 and \$364 at December 31, 2002 and \$342 and \$369 at December 31, 2001. The excess of liabilities over the assets represents the total estimated future earnings expected to emerge from these participating policies.

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Risk-Based Capital ("RBC") requirements promulgated by the NAIC require life insurers to maintain minimum capitalization levels that are determined based on formulas incorporating credit risk, insurance risk, interest rate risk and general business risk. As of December 31, 2002, the life insurance subsidiaries' adjusted capital and surplus exceeded their authorized control level RBC.

The insurance statutes of the states of domicile limit the amount of dividends that the life insurance subsidiaries may pay annually without first obtaining regulatory approval. Generally, the limitations are based on a combination of statutory net gain from operations for the preceding year, 10% of statutory surplus at the end of the preceding year, and dividends and distributions made within the preceding twelve months. Depending on the timing of payments, approximately \$114 of dividends could be paid to the ultimate parent by the life insurance subsidiaries in 2003 without regulatory approval.

Some states require life insurers to maintain a certain value of securities on deposit with the state in order to conduct business in that state. Our insurance subsidiaries had securities totaling \$27 million on deposit with various states in 2002 and 2001.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 13. INCOME TAXES

Income taxes reported are as follows:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
Current expense.....	\$238	\$222	\$215
Deferred expense.....	(3)	41	62
Cumulative effect of change in accounting for derivative instruments.....	--	1	--
	-----	-----	-----
Total income tax expense.....	\$235	\$264	\$277
	=====	=====	=====

A reconciliation of the federal income tax rate to the Company's effective income tax rate follows:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
Federal income tax rate.....	35.0%	35.0%	35.0%
Reconciling items:			
Tax exempt interest and dividends received deduction.....	(1.4)	(0.8)	(1.0)
Other decreases, net.....	(0.5)	(1.2)	--

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Effective income tax rate.....	33.1%	33.0%	34.0%
	====	====	====

The tax effects of temporary differences that result in significant deferred tax assets and deferred tax liabilities are as follows:

	DECEMBER 31,	
	2002	2001
	-----	-----
Deferred tax assets:		
Difference in policy liabilities.....	\$402	\$380
Obligation for postretirement benefits.....	6	6
Deferred compensation.....	4	25
Differences in investment basis.....	(24)	--
Other deferred tax assets.....	45	87
	----	----
Gross deferred tax assets.....	433	498
	----	----
Deferred tax liabilities:		
Net unrealized gains on securities.....	327	221
Deferral of policy acquisition costs and value of business acquired.....	407	355
Deferred gain recognition for income tax purposes.....	16	16
Differences in investment bases.....	--	23
Depreciation differences.....	18	15
Other deferred tax liabilities.....	50	159
	----	----
Gross deferred tax liabilities.....	818	789
	----	----
Net deferred income tax liability.....	\$385	\$291
	====	====

Federal income tax returns for all years through 1994 are closed. The Internal Revenue Service has examined tax years 1995, 1996, 1997 and 1998, and assessments totaling \$33.5 million have been proposed. The assessments pertain to issues related to timing differences between tax accounting and accounting principles generally accepted in the United States. The Company has contested the proposed assessments. The 1999 tax year is currently under examination by the Internal Revenue Service, and no assessments have been proposed to date.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In the opinion of management, recorded income tax liabilities adequately provide for these pending assessments as well as all remaining open years.

Under prior federal income tax law, one-half of the excess of a life insurance company's income from operations over its taxable investment income was not taxed, but was set aside in a special tax account designated as "Policyholders' Surplus." The Company has approximately \$107 of untaxed "Policyholders' Surplus" on which no payment of federal income taxes will be required unless it is distributed as a dividend, or under other specified

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conditions. No related deferred tax liability has been recognized for the potential tax, which would approximate \$37 million.

NOTE 14. RETIREMENT BENEFIT PLANS

PENSION PLANS

The Company and its subsidiaries have defined benefit pension plans, which are funded through group annuity contracts with JP Life. The assets of the plans are those of the related contracts, and are primarily held in separate accounts of JP Life. Information regarding pension plans is as follows:

	YEAR ENDED DECEMBER 31,	
	2002	2001
Change in benefit obligation:		
Benefit obligation at beginning of year.....	\$267	\$240
Service cost.....	11	12
Interest cost.....	20	19
Actuarial loss.....	42	16
Benefits paid.....	(18)	(20)
	322	267
Change in plan assets:		
Fair value of assets at beginning of year.....	361	385
Actual return on plan assets.....	(13)	(3)
Transfer in.....	1	(1)
Benefits paid.....	(18)	(20)
	331	361
Fair value of assets at end of year.....	331	361
Funded status of the plans.....	9	94
Unrecognized net gain.....	9	(80)
Unrecognized transition net asset.....	(4)	(6)
Unrecognized prior service cost.....	1	4
	\$ 15	\$ 12
Prepaid benefit cost.....	\$ 15	\$ 12

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
Weighted-average assumptions as of December 31:			
Discount rate.....	6.8%	7.0%	7.5%
Expected return on plan assets.....	8.0%	8.0%	8.0%

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Rate of compensation increase.....	4.0%	5.0%	5.5%
Components of net periodic benefit cost:			
Service cost, benefits earned during the year.....	\$ 11	\$ 12	\$ 11
Interest cost on projected benefit obligation.....	20	19	19
Expected return on plan assets.....	(30)	(30)	(27)
Net amortization and deferral.....	(4)	(5)	(6)
	-----	-----	-----
Benefit cost.....	\$ (3)	\$ (4)	\$ (3)
	=====	=====	=====

OTHER POSTRETIREMENT BENEFIT PLANS

The Company sponsors contributory health care and life insurance benefit plans for eligible retired employees, qualifying retired agents and certain surviving spouses. The Company contributes to a welfare benefit trust from which future benefits will be paid. The Company accrues the cost of providing postretirement benefits other than pensions during the employees' active service period. The non-pension postretirement expense was \$2 in 2002, and \$1 in 2001 and 2000.

DEFINED CONTRIBUTION PLANS

Defined contribution retirement plans cover most employees and full time agents. The Company matches a portion of participant contributions and makes profit sharing contributions to a fund that acquires and holds shares of the Company's common stock. Most plan assets are invested under a group variable annuity contract issued by JP Life. Expenses were \$4, \$4 and \$3 during 2002, 2001 and 2000.

NOTE 15. REINSURANCE

The insurance subsidiaries attempt to reduce exposure to significant individual claims by reinsuring portions of certain individual life insurance policies and annuity contracts written. They reinsure the portion of an individual life insurance risk in excess of their retention, which ranges from \$0.4 to \$2.0 for various individual life and annuity products. They also attempt to reduce exposure to losses that may result from unfavorable events or circumstances by reinsuring certain levels and types of accident and health insurance risks underwritten. They assume portions of the life and accident and health risks underwritten by certain other insurers on a limited basis, but amounts related to assumed reinsurance are not significant to the consolidated financial statements.

JPFIC reinsures 74% of the Periodic Payment Annuities (PPA) and 100% COLI and Affiliated credit insurance business written prior to 1995 with affiliates of Household International, Inc. on a coinsurance basis. Balances are settled monthly, and the reinsurers compensate JPFIC for administrative services related to the reinsured business. The amount due from reinsurers in the consolidated balance sheets includes \$889 and \$914 due from the Household affiliates at December 31, 2002 and 2001.

Assets related to the reinsured PPA and COLI business have been placed in irrevocable trusts formed to hold the assets for the benefit of JPFIC and are subject to investment guidelines which identify (1) the types and quality standards of securities in which new investments are permitted, (2) prohibited new investments, (3) individual credit exposure limits and (4) portfolio characteristics. Household has unconditionally and irrevocably guaranteed, as primary obligor, full payment and performance by its affiliated reinsurers. JPFIC has the right to terminate the PPA and COLI reinsurance agreements by recapture of the related assets and liabilities if Household does not take a required action under the guarantee agreements within 90 days of a triggering

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event.

JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

JPFIC has the option to terminate the PPA and COLI reinsurance agreements on the seventh anniversary of the acquisition, by recapturing the related assets and liabilities at an agreed-upon price or their then current fair values as independently determined.

As of December 31, 2002 and 2001, JPFIC had reinsurance recoverable of \$79 and \$81 from a single reinsurer, pursuant to a 50% coinsurance agreement. JPFIC and the reinsurer are joint and equal owners in \$144 and \$162 of securities and short-term investments as of December 31, 2002 and 2001, 50% of which is included in investments in the accompanying consolidated balance sheets.

Reinsurance contracts do not relieve an insurer from its primary obligation to policyholders. Therefore, the failure of a reinsurer to discharge its reinsurance obligations could result in a loss to the subsidiaries. The subsidiaries regularly evaluate the financial condition of their reinsurers and monitor concentrations of credit risk related to reinsurance activities. No credit losses have resulted from the reinsurance activities of the subsidiaries during the three years ended December 31, 2002.

The effects of reinsurance on total premiums and other considerations and total benefits are as follows:

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
Premiums and other considerations, before effect of reinsurance ceded.....	\$1,758	\$1,601	\$1,571
Less premiums and other considerations ceded.....	194	177	206
Net premiums and other considerations.....	\$1,564	\$1,424	\$1,365
Benefits, before reinsurance recoveries.....	\$2,360	\$2,024	\$1,922
Less reinsurance recoveries.....	361	228	262
Net benefits.....	\$1,999	\$1,796	\$1,660

NOTE 16. SEGMENT INFORMATION

The Company has five reportable segments, which are defined based on the nature of the products and services offered: Individual Products, Annuity and Investment Products (AIP), Benefit Partners, Communications, and Corporate and Other. The Benefit Partners segment was created in the first quarter of 2000, as a result of the acquisition of Guarantee. Within the Individual Products segment, the Company offers a wide array of individual life insurance products including variable life insurance. AIP offers both fixed and variable annuities, as well as other investment products. As mentioned above, Benefit Partners offers group non-medical products such as term life, disability and dental insurance to the employer marketplace. Various insurance and investment products

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are currently marketed to individuals and businesses in the United States. The Communications segment consists principally of radio and television broadcasting operations located in strategically selected markets in the Southeastern and Western United States, and sports program production. The Corporate and Other segment includes activities of the parent company and passive investment affiliates, surplus of the life insurance subsidiaries not allocated to other reportable segments including earnings thereon, financing expenses on Corporate debt and debt securities including Capital Securities, federal and state income taxes not otherwise allocated to other reportable segments, and all of the Company's realized gains and losses. Surplus is allocated to the Individual Products, AIP, and Benefit Partners reportable segments based on risk-based capital formulae which give consideration to asset/liability and general business risks, as well as the Company's strategies for managing those risks. Various distribution channels and/or product classes related to the Company's individual life, annuity and investment products and group insurance have been aggregated in the Individual Products, AIP, and Benefit Partners reporting segments.

The segments are managed separately because of the different products, distribution channels and marketing strategies each employs. The Company evaluates performance based on several factors, of which the primary financial measure is reportable segment results, which excludes realized gains and losses. The accounting policies

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

of the business segments are the same as those described in Note 2. Substantially all revenue is derived from sales in the United States, and foreign assets are not material. The following table summarizes financial information of the reportable segments:

	DECEMBER 31,	
	2002	2001
	-----	-----
ASSETS		
Individual Products.....	\$16,671	\$16,155
AIP.....	9,397	8,765
Benefit Partners.....	909	791
Communications.....	204	202
Corporate & other.....	3,428	3,083
	-----	-----
Total assets.....	\$30,609	\$28,996
	=====	=====

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
REVENUES			
Individual Products.....	\$1,822	\$1,721	\$1,684

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AIP.....	686	647	629
Benefit Partners.....	698	602	537
Communications.....	208	195	206
Corporate & other.....	88	99	80
	-----	-----	-----
	3,502	3,264	3,136
Realized investment gains, before tax.....	(22)	66	102
	-----	-----	-----
Total revenues, before cumulative effect of change in accounting principle.....	\$3,480	\$3,330	\$3,238
	=====	=====	=====
TOTAL REPORTABLE SEGMENT RESULTS AND RECONCILIATION TO NET INCOME AVAILABLE TO COMMON STOCKHOLDERS			
Individual Products.....	\$ 293	\$ 295	\$ 287
AIP.....	80	75	78
Benefit Partners.....	48	44	33
Communications.....	40	34	41
Corporate & other.....	4	20	6
	-----	-----	-----
Total reportable segment results, before cumulative effect of change in accounting principle.....	465	468	445
Realized investment gains/(losses), net of tax.....	(15)	44	67
	-----	-----	-----
Net income available to common stockholders, before cumulative effect of change in accounting principle.....	450	512	512
Cumulative effect of change in accounting for derivative instruments, net of income taxes.....	--	1	--
	-----	-----	-----
Net income available to common stockholders.....	\$ 450	\$ 513	\$ 512
	=====	=====	=====

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	YEAR ENDED DECEMBER 31,		
	2002	2001	2000
	-----	-----	-----
NET INVESTMENT INCOME (EXPENSE)			
Individual Products.....	\$ 924	\$ 877	\$ 840
AIP.....	577	530	482
Benefit Partners.....	60	55	51
Communications.....	(3)	(4)	(5)
Corporate & other.....	65	75	62
	-----	-----	-----
Total net investment income.....	\$1,623	\$1,533	\$1,430
	=====	=====	=====
AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED			
Individual Products.....	\$ 167	\$ 144	\$ 158
AIP.....	38	38	46
Benefit Partners.....	81	55	57
	-----	-----	-----

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Amortization reflected in total reportable segment results.....	286	237	261
Amortization on realized investment (losses) gains.....	5	(1)	(2)
	-----	-----	-----
Amortization of deferred policy acquisition costs and value of business acquired.....	\$ 291	\$ 236	\$ 259
	=====	=====	=====
INCOME TAX EXPENSE (BENEFIT)			
Individual Products.....	\$ 158	\$ 158	\$ 153
AIP.....	43	41	42
Benefit Partners.....	26	24	18
Communications.....	26	22	27
Corporate & other.....	(11)	(4)	2
	-----	-----	-----
Total operating income tax expense.....	242	241	242
Income tax (benefit) expense on realized investment gains...	(7)	22	35
	-----	-----	-----
Total income tax expense.....	\$ 235	\$ 263	\$ 277
	=====	=====	=====

The Company allocates depreciation expense to Individual Products, AIP and Benefit Partners, but the related fixed assets are contained in the Corporate and Other segment.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income, along with related tax effects, are as follows:

	UNREALIZED GAINS ON AVAILABLE- FOR-SALE SECURITIES	DERIVATIVE FINANCIAL INSTRUMENTS GAINS/ (LOSSES)	TOTAL
	-----	-----	-----
BALANCE AT DECEMBER 31, 1999.....	\$266	\$--	\$266
Unrealized holding gains arising during period, net of \$128 tax expense.....	237	--	237
Less: reclassification adjustment			
Gains realized in net income, net of \$85 tax expense.....	158	--	158
	----	----	----
BALANCE AT DECEMBER 31, 2000.....	345	--	345
Unrealized holding gains arising during period, net of \$64 tax expense.....	118	--	118
Change in fair value of derivatives, net of \$2 tax expense.....	--	4	4
Less: reclassification adjustment			
Gains realized in net income, net of \$28 tax expense.....	53	--	53
	----	----	----
BALANCE AT DECEMBER 31, 2001.....	410	4	414

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Unrealized holding gains arising during period, net of \$104 tax expense.....	193	--	193
Change in fair value of derivatives, net of \$5 tax expense.....	--	9	9
Less: reclassification adjustment			
Gains realized in net income, net of \$3 tax expense...	6	--	6
	----	---	----
BALANCE AT DECEMBER 31, 2002.....	\$597	\$13	\$610
	====	===	====

NOTE 18. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values and fair values of financial instruments as of December 31 are summarized as follows:

	2002		2001	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
FINANCIAL ASSETS				
Debt securities available for sale.....	\$16,465	\$16,465	\$14,128	\$14,128
Debt securities held to maturity.....	3,036	3,225	3,339	3,378
Equity securities available for sale.....	409	409	511	511
Mortgage loans.....	3,294	3,608	3,094	3,254
Policy loans.....	909	1,010	911	1,011
Derivative financial instruments.....	18	18	10	10
FINANCIAL LIABILITIES				
Annuity contract liabilities in accumulation phase.....	7,622	7,295	6,837	6,585
Commercial paper and revolving credit borrowings.....	453	453	297	297
Exchangeable Securities.....	--	--	150	150
Securities sold under repurchase agreements.....	499	499	292	292
Capital Securities.....	300	300	300	309

The fair values of cash, cash equivalents, balances due on account from agents, reinsurers and others, and accounts payable approximate their carrying amounts in the consolidated balance sheets due to their short-term

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

maturity or availability. Assets and liabilities related to separate accounts are reported at fair value in the consolidated balance sheets.

The fair values of debt and equity securities and derivative financial instruments have been determined from nationally quoted market prices and by using values supplied by independent pricing services and discounted cash flow techniques.

The fair value of the mortgage loan portfolio has been estimated by discounting expected future cash flows using the interest rate currently offered for similar loans.

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The fair value of policy loans outstanding for traditional life products has been estimated using a current risk-free interest rate applied to expected future loan repayments projected based on historical repayment patterns. The fair values of policy loans on universal life-type and annuity products approximate carrying values due to the variable interest rates charged on those loans.

Annuity contracts do not generally have defined maturities. Therefore, fair values of the liabilities under annuity contracts, the carrying amounts of which are included with policyholder contract deposits in the consolidated balance sheets, are estimated to equal the cash surrender values of the contracts.

The fair values of commercial paper and revolving credit borrowings approximate their carrying amounts due to their short-term nature. Similarly, the fair value of the liability for securities sold under repurchase agreements approximates its carrying amount, which includes accrued interest.

The fair value of the Capital Securities was determined based on market quotes for the securities.

NOTE 19. COMMITMENTS AND CONTINGENT LIABILITIES

The Company routinely enters into commitments to extend credit in the form of mortgage loans and to purchase certain debt instruments for its investment portfolio in private placement transactions. The fair value of outstanding commitments to fund mortgage loans and to acquire debt securities in private placement transactions, which are not reflected in the consolidated balance sheet, approximates \$73 at December 31, 2002.

The Company leases electronic data processing equipment and field office space under noncancelable operating lease agreements. The lease terms generally range from three to five years. Neither annual rent nor future rental commitments are significant.

In connection with a previous acquisition, the Company acquired a closed block of business that was financed by a loan program collateralized by pledged mutual fund shares of the Company's policyholders. In late 1997, the acquired company entered into an agreement with an unaffiliated third party that provides for the initial and periodic purchase of the majority of its collateralized loans receivable. This agreement is renewable on an annual basis. If the agreement is not renewed, JP can issue debt to fund the amounts or terminate the entire program. The amount of loans outstanding at December 31, 2002 was \$16. JP has no other off balance sheet arrangements of a financing nature.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

JPCC has commitments for purchases of syndicated television programming and commitments on other contracts, and future sports programming rights as of December 31, 2001. The Company also has commitments to sell a portion of the sports programming rights to other entities, over the same period. They are as follows:

COMMITMENTS	REVENUES	NET
-----	-----	-----

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2003.....	\$ 57	\$ 25	\$ 32
2004.....	57	26	31
2005.....	52	26	26
2006.....	47	26	21
2007.....	45	28	17
Thereafter.....	160	127	33
	----	----	----
Total.....	\$418	\$258	\$160
	====	====	====

These commitments are not reflected as an asset or liability in the accompanying consolidated balance sheet because the programs are not currently available for use.

The Company and certain life insurance subsidiaries have been defendants in two separate proposed class action suits. The plaintiffs' fundamental claim in the first suit is that policy illustrations were misleading to consumers. The second suit alleges that a predecessor company, decades ago, unfairly discriminated in the sale of certain small face amount life insurance policies, and unreasonably priced these policies. In 2002, the Company increased its litigation accrual by \$23.1 taking into consideration the status of pending litigation for class action suits and other cases. On March 10, 2003, the Company announced that a North Carolina judge had authorized us to send a notice to participating class policyholders that an agreement had been reached with plaintiff's counsel to settle one of the existing class action suits. In the settlement, the Company has denied any wrongdoing but believes that the settlement provides benefits to the policyholder class, and to the Company by resolving and eliminating the need for corporate resources to be spent on a lawsuit that has been pending for seven years. In the second suit, management believes that the Company's practices have complied with state insurance laws and intends to vigorously defend the claims asserted.

In the normal course of business, the Company and its subsidiaries are parties to various lawsuits. Because of the considerable uncertainties that exist, the Company cannot predict the outcome of pending or future litigation. However, management believes that the resolution of pending legal proceedings will not have a material adverse effect on the Company's financial position or liquidity, although it could have a material adverse effect on the results of operations for a specific period.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

We incorporate by reference the background information under the heading "Proposals I and II -- Election of Directors" in the Registrant's definitive Proxy Statement for the Annual Meeting to be held on May 5, 2003 (Proxy Statement). Executive Officers are described in Part I above.

We incorporate by reference the information under the heading "Stock Ownership -- Section 16(a) beneficial ownership reporting compliance" in the Proxy Statement relating to the absence of any delinquent filers under Section 16(a) of the Securities Exchange Act of 1934.

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ITEM 11. EXECUTIVE COMPENSATION

We incorporate by reference the information under the heading "Executive Compensation" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We incorporate by reference the information under the headings "Stock Ownership" and "Equity Compensation Plan Information" in the Proxy Statement. We have no equity compensation plans that have not been approved by shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We incorporate by reference the information under the heading "Is the Compensation Committee Independent?" in the Proxy Statement.

ITEM 14. CONTROLS AND PROCEDURES

Within the 90 days prior to the filing date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Securities Exchange Act of 1934 Rule 13a-15. Based upon that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There have been no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the date we carried out this evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) This portion of Item 15 appears in a separate section of this report. See the index on page F-1. The List and Index of Exhibits appears on pages E-1 - E-2 of this report.

(b) No Form 8-K was filed in the fourth quarter 2002.

(c) Exhibits appear in a separate section of this report. See page E-1.

(d) Financial Statement Schedules -- This portion of Item 15 appears in a separate section of this report. See the index on page F-1.

UNDERTAKINGS

For the purposes of complying with the amendments to the rules governing Form S-8 under the Securities Act of 1933, the undersigned registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into registrant's Registration Statements on Form S-8 Nos. 2-36778 (filed March 23, 1970) and 2-56410 (filed May 12, 1976) and 33-30530 (filed August 15, 1989), and

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in outstanding effective registration statements on Form S-16 included in such S-8 filings:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JEFFERSON-PILOT CORPORATION
(Registrant)

BY (SIGNATURE)
(NAME AND TITLE)

/s/ David A. Stonecipher

David A. Stonecipher
Chairman and Chief Executive Officer
(also signing as Principal Executive
and Director)

DATE

March 26, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

BY (SIGNATURE)

/s/ THERESA M. STONE

NAME AND TITLE)

Theresa M. Stone
Executive Vice President,
Chief Financial Officer and Treasurer
(Principal Financial Officer)

DATE

March 26, 2003

BY (SIGNATURE)

/s/ REGGIE D. ADAMSON

(NAME AND TITLE)

Reggie D. Adamson
Senior Vice President, Financial Operations
(Principal Accounting Officer)

DATE

March 26, 2003

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BY (SIGNATURE) /s/ EDWIN B. BORDEN*

(NAME AND TITLE) Edwin B. Borden, Director
DATE March 26, 2003

BY (SIGNATURE) /s/ WILLIAM H. CUNNINGHAM*

(NAME AND TITLE) William H. Cunningham, Director
DATE March 26, 2003

BY (SIGNATURE) /s/ ROBERT G. GREER*

(NAME AND TITLE) Robert G. Greer, Director
DATE March 26, 2003

BY (SIGNATURE) /s/ GEORGE W. HENDERSON, III*

(NAME AND TITLE) George W. Henderson, III
DATE March 26, 2003

BY (SIGNATURE) /s/ ELIZABETH VALK LONG*

(NAME AND TITLE) Elizabeth Valk Long
DATE March 26, 2003

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BY (SIGNATURE) /s/ E. S. MELVIN*

(NAME AND TITLE) E. S. Melvin, Director
DATE March 26, 2003

BY (SIGNATURE) /s/ KENNETH C. MLEKUSH

(NAME AND TITLE) Kenneth C. Mlekush, Director
DATE March 26, 2003

BY (SIGNATURE) /s/ WILLIAM P. PAYNE*

(NAME AND TITLE) William P. Payne, Director
DATE March 26, 2003

BY (SIGNATURE) /s/ PATRICK S. PITTARD*

(NAME AND TITLE) Patrick S. Pittard, Director
DATE March 26, 2003

BY (SIGNATURE) /s/ DONALD S. RUSSELL, JR.*

(NAME AND TITLE) Donald S. Russell, Jr., Director
DATE March 26, 2003

*By /s/ ROBERT A. REED

Robert A. Reed, Attorney-in-Fact
March 26, 2003

CERTIFICATIONS

I, David A. Stonecipher, certify that:

1. I have reviewed this annual report on Form 10-K of Jefferson-Pilot Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ DAVID A. STONECIPHER

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David A. Stonecipher
Chief Executive Officer

March 26, 2003

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I, Theresa M. Stone, certify that:

1. I have reviewed this annual report on Form 10-K of Jefferson-Pilot Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(d) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(e) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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/s/ THERESA M. STONE

Theresa M. Stone
Chief Financial Officer

March 26, 2003

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LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements of Jefferson-Pilot Corporation and subsidiaries are included in Item 8.

Consolidated Balance Sheets -- December 31, 2002 and 2001

Consolidated Statements of Income -- Years Ended December 31, 2002, 2001 and 2000

Consolidated Statements of Stockholders' Equity -- Years Ended December 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows -- Years Ended December 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements -- December 31, 2002

The following consolidated financial statement schedules of Jefferson-Pilot Corporation and subsidiaries are included in Item 15(d).

	PAGE

Schedule I -- Summary of Investments -- Other Than Investments in Related Parties.....	F-2
Schedule II -- Financial Statements of Jefferson-Pilot Corporation:	
Condensed Balance Sheets as of December 31, 2002 and 2001.....	F-3
Condensed Statements of Income for the Years Ended December 31, 2002, 2001 and 2000.....	F-4
Condensed Statements of Cash Flows for the Years Ended December 31, 2002, 2001 and 2000.....	F-5
Note to Condensed Financial Statements.....	F-6
Schedule III -- Supplementary Insurance Information.....	F-7
Schedule IV -- Reinsurance for the Years Indicated.....	F-8
Schedule V -- Valuation and Qualifying Accounts.....	F-8
List and Index of Exhibits.....	E-1-E-2

All other schedules required by Article 7 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted.

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SCHEDULE I -- SUMMARY OF INVESTMENTS --
OTHER THAN INVESTMENTS IN RELATED PARTIES
DECEMBER 31, 2002
IN MILLIONS

COLUMN A ----- TYPE OF INVESTMENT -----	COLUMN B ----- COST (A) -----	COLUMN C ----- FAIR VALUE -----	COLUMN D ----- AMOUNT AT WHICH SHOWN IN THE CONSOLIDATED BALANCE SHEET -----
Debt securities:			
Bonds and other debt instruments:			
United States Treasury obligations and direct obligations of U. S. Government agencies.....	\$ 340	\$ 367	\$ 367
Federal agency issued collateralized mortgage obligations.....	3,225	3,449	3,449
Obligations of states, municipalities and political subdivisions (b).....	90	96	95
Obligations of public utilities (b).....	2,446	2,538	2,510
Corporate obligations (b).....	10,673	11,278	11,118
Corporate private-labeled collateralized mortgage obligations.....	1,829	1,938	1,938
Redeemable preferred stocks.....	24	24	24
Total debt securities.....	----- 18,627 -----	----- 19,690 =====	----- 19,501 -----
Equity securities:			
Common stocks:			
Public utilities.....	11	12	12
Banks, trust and insurance companies.....	21	382	382
Industrial and all other.....	12	13	13
Nonredeemable preferred stocks.....	2	2	2
Total equity securities.....	----- 46 -----	----- 409 =====	----- 409 -----
Mortgage loans on real estate (c).....	3,330		3,294
Other real estate held for investment.....	133		133
Policy loans.....	909		909
Other long-term investments.....	33		33
Total investments.....	----- \$23,078 =====		----- \$24,279 =====

-
- a. Cost of debt securities is original cost, reduced by repayments and other-than-temporary impairments and adjusted for amortization of premiums accrual of discounts. Cost of equity securities is original cost. Cost of mortgage loans on real estate and policy loans represents aggregate outstanding balances. Cost of real estate acquired by foreclosure is the originally capitalized amount, reduced by applicable depreciation. Cost of other real estate held for investment is depreciated original cost.
- b. Differences between amounts reflected in Column B or Column C and amounts at which shown in the consolidated balance sheet reflected in Column D result

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from the application of SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities". A portion of bonds and debt securities are recorded as investments held to maturity at amortized cost and a portion are recorded as investments available for sale at fair value.

- c. Differences between cost reflected in Column B and amounts at which shown in the consolidated balance sheet reflected in Column D result from valuation allowances.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

SCHEDULE II -- CONDENSED BALANCE SHEETS OF JEFFERSON-PILOT CORPORATION IN MILLIONS (EXCEPT SHARE INFORMATION)

	DECEMBER 31,	
	2002	2001
	-----	-----
ASSETS		
Cash and investments:		
Cash and cash equivalents (overdrafts).....	\$ (265)	\$ (43)
Investment in subsidiaries.....	4,972	4,675
Other investments.....	5	11
	-----	-----
Total cash and investments.....	4,712	4,643
Other assets.....	93	9
	-----	-----
	\$4,805	\$4,652
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Notes payable, short-term.....	\$ 453	\$ 297
Exchangeable Securities.....	--	150
Notes payable, subsidiaries.....	706	721
Payables and accruals.....	57	44
Dividends payable.....	43	41
Income taxes payable.....	11	13
Deferred income tax assets.....	(5)	(5)
	-----	-----
Total liabilities.....	1,265	1,261
	-----	-----
Commitments & contingent liabilities		
Stockholders' equity:		
Common stock, par value \$1.25 per share, authorized 2002 and 2001: -- 350,000,000; issued: 2002 -- 142,798,768 shares; 2001 -- 150,006,582 shares.....	180	188
Retained earnings, including equity in undistributed net income of subsidiaries 2002 -- \$2,210, 2001 -- \$2,112.....	2,750	2,789
Accumulated other comprehensive income -- net unrealized gains on securities.....	610	414
	-----	-----
Total stockholders' equity.....	3,540	3,391
	-----	-----
	\$4,805	\$4,652
	=====	=====

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See Note to Condensed Financial Statements.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

SCHEDULE II -- CONDENSED STATEMENTS OF INCOME OF JEFFERSON-PILOT CORPORATION IN MILLIONS

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
Income:			
Dividends from subsidiaries:			
Jefferson-Pilot Life Insurance Company.....	\$ 20	\$160	\$360
Jefferson Pilot Financial Insurance Company.....	216	128	244
Jefferson-Pilot Communications Company.....	33	26	44
Other subsidiaries.....	133	68	1
	-----	-----	-----
	402	382	649
Other investment income, including interest from subsidiaries, net.....	1	5	4
Realized investment losses.....	(7)	(6)	--
	-----	-----	-----
Total income.....	396	381	653
Financing costs.....	47	71	89
Other expenses.....	24	23	25
	-----	-----	-----
Income before income taxes and equity in undistributed net income (loss) of subsidiaries.....	325	287	539
Income tax benefits.....	(27)	(33)	(33)
	-----	-----	-----
Income before equity in undistributed net income (loss) of subsidiaries.....	352	320	572
	-----	-----	-----
Equity in undistributed net income (loss) of subsidiaries:			
Jefferson-Pilot Life Insurance Company.....	138	16	(22)
Jefferson Pilot Financial Insurance Company.....	(104)	64	(22)
Jefferson-Pilot Communications Company.....	7	7	(3)
Other subsidiaries, net.....	57	106	(13)
	-----	-----	-----
	98	193	(60)
	-----	-----	-----
Net income available to common stockholders.....	\$ 450	\$513	\$512
	=====	=====	=====

See Note to Condensed Financial Statements.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

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SCHEDULE II -- CONDENSED STATEMENTS OF CASH FLOWS OF JEFFERSON-PILOT CORPORATION IN MILLIONS

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
Cash Flows from Operating Activities:			
Net income.....	\$ 450	\$ 513	\$ 512
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of subsidiaries.....	(97)	(193)	60
Realized investment losses.....	7	6	--
Change in accrued items and other adjustments, net.....	(76)	33	3
	-----	-----	-----
Net cash provided by operating activities.....	284	359	575
	-----	-----	-----
Cash Flows from Investing Activities:			
Purchases of investments.....	--	(15)	--
Acquisition of subsidiaries.....	2	2	--
Other investments in subsidiaries.....	(7)	--	(184)
	-----	-----	-----
Net cash used in investing activities.....	(5)	(13)	(184)
	-----	-----	-----
Cash Flows from Financing Activities:			
Cash dividends.....	(174)	(163)	(148)
Common stock transactions, net.....	(321)	(184)	(33)
Proceeds from external borrowings.....	3,643	3,829	3,266
Repayments of external borrowings.....	(3,637)	(3,937)	(3,368)
Borrowings from subsidiaries, net.....	(12)	66	(156)
	-----	-----	-----
Net cash used in financing activities.....	(501)	(389)	(439)
	-----	-----	-----
Net decrease in cash and cash equivalents.....	(222)	(43)	(48)
Cash and cash equivalents (overdrafts):			
Beginning.....	(43)	--	48
	-----	-----	-----
Ending.....	\$ (265)	\$ (43)	\$ --
	=====	=====	=====

See Note to Condensed Financial Statements.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

SCHEDULE II -- NOTE TO CONDENSED FINANCIAL STATEMENTS OF JEFFERSON-PILOT CORPORATION

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements comprise a condensed presentation of financial position, results of operations, and cash flows of Jefferson-Pilot Corporation (the "Company") on a separate-company basis. These condensed financial statements do not include the accounts of the Company's majority-owned subsidiaries, but instead include the Company's investment in those

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subsidiaries, stated at amounts which are substantially equal to the Company's equity in the subsidiaries' net assets. Therefore the accompanying financial statements are not those of the primary reporting entity. The consolidated financial statements of the Company and its subsidiaries are included in the Form 10-K for the year ended December 31, 2002.

Additional information about: 1) accounting policies pertaining to investments and other significant accounting policies applied by the Company and its subsidiaries; 2) debt; and 3) commitments and contingent liabilities are as set forth in Notes 2, 8 and 19, respectively, to the consolidated financial statements of Jefferson-Pilot Corporation and subsidiaries which are included in the Form 10-K for the year ended December 31, 2002.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

SCHEDULE III -- SUPPLEMENTARY INSURANCE INFORMATION
FOR THE YEARS INDICATED -- IN MILLIONS

COLUMN A	COLUMN B	COLUMN C	COLUMN D
----- SEGMENT -----	DEFERRED POLICY ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED -----	FUTURE POLICY BENEFITS AND POLICYHOLDER CONTRACT DEPOSITS -----	DEFERRED REVENUE AND PREMIUMS COLLECTED IN ADVANCE -----
As of or Year Ended December 31, 2002			
Individual products.....	\$1,668	\$12,458	\$225
AIP.....	310	9,350	--
Benefit partners.....	47	308	5
Corporate and other.....	2	21	--
	-----	-----	-----
Total.....	\$2,027	\$22,137	\$230
	=====	=====	=====
As of or Year Ended December 31, 2001			
Individual products.....	\$1,711	\$11,704	\$140
AIP.....	318	8,588	--
Benefit partners.....	39	268	3
Corporate and other.....	2	22	--
	-----	-----	-----
Total.....	\$2,070	\$20,582	\$143
	=====	=====	=====
As of or Year Ended December 31, 2000			
Individual products.....	\$1,648	\$11,394	\$ 58
AIP.....	284	7,544	--
Benefit partners.....	25	246	--
Corporate and other.....	2	26	--
	-----	-----	-----
Total.....	\$1,959	\$19,210	\$ 58
	=====	=====	=====

COLUMN A

COLUMN G

COLUMN H

COLUMN

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SEGMENT -----	NET INVESTMENT INCOME -----	BENEFITS, CLAIMS, LOSSES AND SETTLEMENT EXPENSES -----	AMORTIZAT OF DEFERR POLICY ACQUISITI COSTS AN VALUE O BUSINES ACQUIRE -----
As of or Year Ended December 31, 2002			
Individual products.....	\$ 924	\$1,074	\$167
AIP.....	577	425	38
Benefit partners.....	60	478	81
Communications.....	(3)	--	--
Corporate and other.....	65	22	--
	-----	-----	-----
Total.....	\$1,623	\$1,999	\$286
	=====	=====	=====
As of or Year Ended December 31, 2001			
Individual products.....	\$ 877	\$ 983	\$143
AIP.....	530	385	38
Benefit partners.....	55	404	56
Communications.....	(4)	--	--
Corporate and other.....	75	24	--
	-----	-----	-----
Total.....	\$1,533	\$1,796	\$237
	=====	=====	=====
As of or Year Ended December 31, 2000			
Individual products.....	\$ 840	\$ 940	\$158
AIP.....	482	342	46
Benefit partners.....	51	360	57
Communications.....	(5)	--	--
Corporate and other.....	62	18	--
	-----	-----	-----
Total.....	\$1,430	\$1,660	\$261
	=====	=====	=====

-
- a. Other policy claims and benefits payable include dividend accumulations and other policyholder funds on deposit, policy and contract claims (life and annuity and accident and health), dividends for policyholders and other policy liabilities.
 - b. Expenses related to the management and administration of investments have been netted with investment income in the determination of net investment income. Such expenses amounted to \$45 in 2002, \$71 in 2001, and \$94 in 2000.

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JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES

SCHEDULE IV -- REINSURANCE FOR THE YEARS INDICATED
IN MILLIONS

COLUMN A -----	COLUMN B -----	COLUMN C -----	COLUMN D -----	COLUMN F -----	CO -----
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	GROSS AMOUNT	CEDED TO OTHER COMPANIES	ASSUMED FROM OTHER COMPANIES	NET AMOUNT
Year Ended December 31, 2002:				
Life insurance in force at end of year.....	\$257,463	\$58,607	\$1,501	\$200,357
Premiums and other considerations:				
(a).....	\$ 1,753	\$ 194	\$ 5	\$ 1,564
Year Ended December 31, 2001:				
Life insurance in force at end of year.....	\$216,717	\$55,857	\$ 962	\$161,822
Premiums and other considerations:				
(a).....	\$ 1,591	\$ 177	\$ 10	\$ 1,424
Year Ended December 31, 2000:				
Life insurance in force at end of year.....	\$231,903	\$55,884	\$1,201	\$177,220
Premiums and other considerations:				
(a).....	\$ 1,555	\$ 206	\$ 16	\$ 1,365

-
- (a) Included with life insurance premiums are premiums on ordinary life insurance products and policy charges on interest-sensitive products.
- (b) Percentage of amount assumed to net is computed by dividing the amount in Column D by the amount in Column E.

JEFFERSON-PILOT CORPORATION AND SUBSIDIARIES
 SCHEDULE V - VALUATION AND QUALIFYING ACCOUNTS
 DECEMBER 31, 2002
 IN MILLIONS

COLUMN A	COLUMN B	COLUMN C		COLUMN D
		ADDITIONS		
	BALANCE AT BEGINNING OF PERIOD	CHARGED TO REALIZED INVESTMENT GAINS	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS
2002:				
Valuation allowance for mortgage loans on real estate.....	\$29	\$ 7	\$--	\$--
Valuation allowance for uncollectible agents balances.....	1	--	--	--
Total.....	\$30	\$ 7	\$--	\$--
	===	===	===	===
2001:				
Valuation allowance for mortgage loans on real estate.....	\$29	\$--	\$--	\$--

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Valuation allowance for uncollectible agents balances.....	--	--	1	--
	---	---	---	---
Total.....	\$29	\$--	\$ 1	\$--
	===	===	===	===
2000:				
Valuation allowance for mortgage loans on real estate.....	\$30	\$--	\$--	\$ 1
	===	===	===	===

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LIST AND INDEX OF EXHIBITS

REFERENCE PER EXHIBIT TABLE	DESCRIPTION OF EXHIBIT	PAGE
-----	-----	----
(2)	(i) Stock Purchase Agreement by and among Household Group, Inc., Household International, Inc., Alexander Hamilton Life Insurance Company of America, and Jefferson-Pilot Corporation dated August 9, 1995, is incorporated by reference to Form 8-K for October 6, 1995 (confidential treatment requested with respect to certain portions thereof). Exhibits set forth in the Stock Purchase Agreement have been omitted and will be furnished supplementally to the Commission upon request.....	--
	(ii) Stock Purchase Agreement dated as of February 23, 1997 between Jefferson-Pilot Corporation and The Chubb Corporation (confidential treatment was granted with respect to certain portions thereof), is incorporated by reference to Form 10-K/A for 1996. Exhibits and Schedules to the Stock Purchase Agreement were omitted and were furnished supplementally to the Commission.....	--
(3)	(i) Articles of Incorporation and amendments that have been approved by shareholders are incorporated by reference to Form 10-Q for the first quarter 1996.....	--
	(ii) By-laws as amended February 10, 2003 are provided in the electronic filing.....	--
(4)	(i) Amended and Restated Rights Agreement dated November 7, 1994 between Jefferson-Pilot Corporation and First Union National Bank, as Rights Agent, was included in Form 8-K for November 7, 1994, and Amendment to Rights Agreement dated February 8, 1999 was included in Form 8-K for February 8, 1999; both are incorporated by reference.....	--
	(ii) Credit Agreement and 364 Day Credit Agreement, each dated as of May 7, 2002 among the Registrant and the banks named therein, and Bank of America, N.A., as Administrative Agent, are not being filed because the total amount of borrowings available under the agreements does not exceed 10% of total consolidated assets. The Registrant agrees to furnish a copy of the Agreements to the Commission upon request.....	--
(10)	The following contracts and plans:	
	(i) Employment agreement between the Registrant and David A.	

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	Stonecipher, an executive officer, effective September 15, 1997, the 1999 amendment thereto, and the February 2002 letter extending this agreement are incorporated by reference to Form 10-Q for the third quarter 1997 and Form 10-K for 1999 and for 2001, respectively. The new employment agreement signed in December 2002 and effective to March 31, 2005 is being provided in the electronic filing.....	--
(ii)	Employment Agreement between the Registrant and Robert D. Bates, an executive officer, effective December 30, 1999 for three years, is incorporated by reference to Form 10-K for 1999. The letter agreement covering Mr. Bates' employment to year-end 2003 is incorporated by reference to Form 10-K for 2001.....	--
(iii)	Long Term Stock Incentive Plan, as amended, is incorporated by reference to Form 10-K for 1998; the summaries of the long term incentive compensation awards and payments (LTIP) on pages 9 and 13, and of the Special Incentive Awards on page 9 and in note 2 on page 12, of the Registrant's 2003 Proxy Statement are incorporated by reference.....	--

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REFERENCE
PER EXHIBIT
TABLE

	DESCRIPTION OF EXHIBIT	PAGE
(iv)	Non-Employee Directors' Stock Option Plan, as amended, is incorporated by reference to Form 10-K for 1998.....	--
(v)	Jefferson-Pilot Corporation Supplemental Benefit Plan, as amended, is incorporated by reference to Form 10-K for 1999; the Executive Special Supplemental Benefit Plan, which now operates under this Plan, is incorporated by reference to Form 10-K for 1994. The Special Retirement Benefit Adjustment for Kenneth Mlekush is incorporated by reference to Form 10-K for 2001.....	--
(vi)	Management Incentive Compensation Plan for Jefferson-Pilot Corporation and its insurance subsidiaries is being provided in the electronic filing.....	--
(vii)	Deferred Fee Plan for Non-Employee Directors, as amended, is incorporated by reference to Form 10-K for 1998.....	--
(vii)	Executive Change in Control Severance Plan and the 1999 amendment thereto are incorporated by reference to Forms 10-K for 1998 and 1999, respectively.....	--
(viii)	Employment arrangement letter between the Registrant and Warren H. May, an executive officer, is incorporated by reference to Form 10-Q for the third quarter 2002.....	--
(21)	Subsidiaries of the Registrant.....	--
(23)	Consent of Independent Auditors.....	--
(24)	Power of Attorney form is provided in the electronic filing.....	--
(99)	Written Statement Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (accompanying but not filed as part of this report) is being provided in the electronic filing.....	--

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(JEFFERSON PILOT FINANCIAL LOGO)

JPC-03547

3/03