

**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

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 In re VESTA INSURANCE GROUP, : Civil Action No. CV 98-BE-1407-S
 INC. SECURITIES LITIGATION :
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NOTICE OF PARTIAL SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS WHO PURCHASED VESTA INSURANCE GROUP, INC. (“VESTA”) COMMON STOCK DURING THE PERIOD JUNE 2, 1995 THROUGH JUNE 1, 1998, INCLUSIVE (“CLASS PERIOD”)

A federal court authorized this notice. This is not a solicitation from a lawyer.

- If approved by the Court, the proposed Settlement will create a \$1,950,000 settlement fund for the benefit of eligible investors who purchased or otherwise acquired the common stock of Vesta during the Class Period and were damaged thereby.
- The Settlement would resolve a class action lawsuit (the “Action”) against the remaining defendant in the case, Torchmark Corporation (“Torchmark”). The class is represented in the Action by the State Board of Administration of Florida (“Lead Plaintiff”).
- If you previously submitted a Proof of Claim form in this Action in connection with the prior settlements with Vesta and certain individual defendants for \$61 million and with KPMG LLP (“KPMG”) for \$17 million, you need not take any further action to participate in the Settlement.
- The Court will review the Settlement at a Settlement Hearing to be held at 1:30 p.m. on December 10, 2008.
- Your legal rights are affected. Please read this notice carefully.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A CLAIM FORM BY DECEMBER 1, 2008	The only way to receive a payment.
OBJECT BY NOVEMBER 24, 2008	Write to the Court about why you do not like the Settlement.
GO TO A HEARING ON DECEMBER 10, 2008	Ask to speak to the Court about the Settlement at the Settlement Hearing.
DO NOTHING	Receive no payment. Give up rights with respect to Torchmark.

These rights and options—and the deadlines to exercise them—are explained in this notice.

- The Court in charge of this case still has to decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and after any appeals are resolved. Please be patient.

SUMMARY OF THIS NOTICE

(a) Statement of Plaintiff Recovery

Pursuant to this proposed Settlement, a Settlement Fund consisting of \$1,950,000 in cash, plus interest as it accrues, has been established. Based on the estimate of the number of shares of common stock entitled to participate in the Settlement prepared by counsel for Lead Plaintiff, and assuming that all such shares entitled to participate do so, Lead Plaintiff estimates that the average recovery per damaged share of Vesta common stock would be approximately \$0.28 per share, before deduction of any court-awarded expenses, including attorneys’ fees and out-of-pocket expenses, the expenses of Lead Plaintiff and expenses relating to notice and administration of the Settlement.

However, Lead Plaintiff notes that two prior settlements were reached in this action, which totaled \$78 million; that settlement money was distributed in 2003. With the addition of this third settlement with Torchmark, members of the Class will have recovered \$79.95 million or 59.92% of the total damages incurred by the Class.

In addition, in the prior two settlements, 2,229 persons received the proceeds of the settlement and remain members of the Class. Assuming that only these 2,229 persons participate in the Settlement with Torchmark, Lead Plaintiff estimates that the average recovery would be \$0.32 per damaged share of Vesta common stock held by these 2,229 persons.

In sum, a Class Member's actual recovery will be a proportion of the Net Settlement Fund determined by comparing his, her or its Recognized Claim to the total Recognized Claims of all Class Members who submit acceptable Proofs of Claim. An individual Class Member's actual recovery will depend on, for example: (1) the total number of claims submitted; (2) when the Class Member purchased Vesta securities during the Class Period; (3) the purchase price paid; and (4) whether those Vesta securities were held at the end of the Class Period or sold during the Class Period (and, if sold, when they were sold and the amount received). See the Plan of Allocation beginning on page 16 for more information on your Recognized Claim.

(b) Statement of Potential Outcome if the Case Continued to Be Litigated

The parties disagree on both liability and damages and do not agree on the average amount of damages, if any, that would be recoverable if Lead Plaintiff were to have prevailed on each claim alleged. The issues on which the parties disagree include, but are not limited to: (a) whether Defendants made any material misstatements or omissions; (b) whether Defendants acted with the required state of mind; (c) the amount by which Vesta securities were allegedly artificially inflated (if at all) during the Class Period; (d) whether any purchasers of Vesta securities have suffered damages as a result of the alleged misstatements and omissions in Vesta's public statements; (e) the extent of such damages, assuming they exist; (f) whether Torchmark controlled Vesta; and (g) whether Torchmark could establish a good faith defense.

Torchmark denies that it is liable to the Class and denies that the Class has suffered any losses attributable to Torchmark's actions. While Lead Plaintiff believes it and the Class have meritorious claims, it recognizes that there are significant obstacles to be overcome before there could be any recovery.

(c) Statement of Attorneys' Fees and Costs Sought

Lead Plaintiff and the Class are represented by the law firm of Labaton Sucharow LLP ("Class Counsel"). Class Counsel has not received any payment for their services in litigating the action against Torchmark since September 1, 2002, nor have they been reimbursed for their out-of-pocket expenses. Class Counsel intends to make a motion asking the Court to award them attorneys' fees of no more than 15% of the Settlement Fund, which includes interest, and reimbursement from the Settlement Fund of expenses incurred during the litigation of the Action, in an amount not to exceed \$610,000, plus interest. Lead Plaintiff may also request that the Court award it up to \$2,500 for its reasonable costs and expenses (including lost wages) relating to its representation of the Class. If the Court approves the fee and expense motions, the average cost per share of common stock will be approximately \$0.15. The average cost per share will vary depending on the number of acceptable claims submitted. Class Counsel has expended considerable time and effort in the prosecution of this litigation and have advanced the expenses of the litigation, such as the cost of experts, in the expectation that if they were successful in obtaining a recovery for the Class they would be paid from such recovery. In this type of litigation it is customary for counsel to be awarded a percentage of the common fund recovered as their attorneys' fees.

(d) Further Information

Further information regarding the Settlement and this Notice, including the Stipulation of Settlement, may be obtained by contacting the Claims Administrator: The Garden City Group, 1-800-698-7281 or online at www.gardencitygroup.com or Class Counsel: Labaton Sucharow LLP, 212-907-0639 or online at www.labaton.com.

Please Do Not Call The Court or Torchmark With Questions About The Settlement

(e) Reasons for the Settlement

For Lead Plaintiff, the principal reason for the Settlement is the immediate benefit of a cash recovery for the Class. This benefit must be compared to the risk that no recovery or a smaller recovery might be achieved after a contested trial and likely appeal, possibly years into the future.

For Torchmark, who denies all allegations of wrongdoing or liability whatsoever, the principal reason for the Settlement is to eliminate the expense, risks, and uncertain outcome of the litigation.

Questions? Call Toll-Free 1-800-698-7281

BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family may have purchased or otherwise acquired Vesta stock between June 2, 1995 and June 1, 1998, and you may be a Class Member in this action.

The Court directed that this Notice be sent to Class Members because they have a right to know about a proposed settlement of this class action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement. If approved, the Settlement will end all of the Class's claims against the remaining defendant, Torchmark. The Court will review the Settlement at a

Settlement Hearing on December 10, 2008. If the Court approves the Settlement, and after any objections and appeals are resolved, an administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the lawsuit, the Settlement, Class Members' legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Northern District of Alabama, Southern Division, and the case is known as *In re Vesta Insurance Group, Inc. Securities Litigation*, No. CV 98-BE-1407-S. This case is assigned to United States District Judge Karon O. Bowdre.

The State Board of Administration of Florida is the Lead Plaintiff and Class Representative for the Class.

2. What is this lawsuit about and what has happened so far?

In June 1998, various plaintiffs commenced actions alleging violations of the federal securities laws against three groups of defendants: (1) Vesta and certain of its officers and directors; (2) KPMG, Vesta's outside auditor; and (3) Torchmark, the former parent company of Vesta.

The action is premised on Vesta's restatement in August 1998 of its previously issued financial statements. In briefest terms, Lead Plaintiff alleges that Vesta issued materially overstated financial statements to the public, that KPMG improperly issued unqualified audit opinions on those financial statements, and that Torchmark is a control person of Vesta.

Following extensive discovery, Lead Plaintiff reached classwide settlements with Vesta and its officers and directors in the amount of \$61 million and with KPMG in the amount of \$17 million. The Court approved the settlement with Vesta and its officers and directors on December 10, 2001 and approved the settlement with KPMG on September 30, 2002. The money from those settlements was distributed in 2003 to Class Members who submitted a valid Proof of Claim form..

Torchmark is the only remaining defendant in the case.

The Parties have been litigating this action since the initial complaint was filed in June 1998. A summary of the litigation from 1998 through 2002, when Lead Plaintiff settled with KPMG, was set forth in prior class notices and will not be repeated here.

Following the denial of Torchmark's motion for summary judgment in 2003, this action was stayed for approximately two years while Torchmark pursued claims against KPMG in Alabama state court. The litigation between Lead Plaintiff and Torchmark recommenced in the Spring of 2006. From that time through August of 2008, Lead Plaintiff reviewed more than 10,000 pages of documents and the Parties conducted 16 depositions, served six expert reports, engaged in extensive motion practice and prepared for trial. A trial was scheduled to be held on September 8, 2008.

Torchmark denies all allegations of misconduct contained in the Amended Complaint, and denies that it is liable. The Settlement should not be construed or seen as evidence of an admission or concession on the part of Torchmark with respect to any claim or of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that Torchmark has asserted.

3. Why is there a settlement?

The Court did not finally decide in favor of Lead Plaintiff or Torchmark. The Settlement resulted after the Parties engaged in extensive litigation efforts and fact and expert discovery, including depositions of current and former Torchmark employees, and extensive arm's-length negotiations about a potential resolution. Several settlement discussions took place. These discussions ultimately resulted in an agreement to settle the claims asserted in this action. The Settlement will avoid the risks and cost of a trial, and the people affected will get compensation immediately, rather than after the time it would take to have a trial and exhaust all appeals. Lead Plaintiff and Class Counsel think the Settlement is in the best interest of Class Members.

WHO IS IN THE SETTLEMENT

To see if you will get money from this Settlement, you first have to decide if you are a Class Member.

4. How do I know if I am part of the Settlement?

On July 22, 2008, the Court amended the class definition in this Action and ordered that everyone who fits the following description is a Class Member:

All persons who acquired the publicly traded equity securities of Vesta Insurance Group, Inc., between June 2, 1995 and June 1, 1998, inclusive, (the "Class Period"). Excluded from the class are defendants, defendants' families, any entity in which a defendant has a controlling interest, and their legal representatives, heirs, successors, and assignees.

Receipt of this Notice does not mean that you are a Class Member. Please check your records to see if you purchased or acquired Vesta common stock or options during the Class Period.

5. What if I am still not sure if I am included?

If you are still not sure whether you are included, you can ask for free help from the Claims Administrator. You can call **1-800-698-7281** or visit **www.gardencitygroup.com** for more information. Or you can fill out and return the Proof of Claim form ("Proof of Claim") described on page 16, in question 10, to see if you qualify.

THE SETTLEMENT BENEFITS—WHAT YOU GET

6. What does the Settlement provide?

In exchange for the Settlement and dismissal of this action, Torchmark has agreed to fund a \$1.95 million (before interest) account to be divided, after deduction of Court-awarded attorneys' fees and expenses, Lead Plaintiff's expenses, settlement administration costs, and any applicable taxes, among all Class Members who timely submit valid Proof of Claim forms.

7. How much will my payment be?

Your share of the fund will depend on several things, including: (1) the total amount of Recognized Claims sent in by other Class Members; (2) how many Vesta securities you bought; (3) how much you paid for them; (4) when you bought them; (5) whether or when you sold them (and, if so, for how much you sold them).

Your Recognized Claim will be calculated according to the formula shown below in the Plan of Allocation. It is unlikely that you will get a payment for your entire Recognized Claim, given the number of potential Class Members. After all Class Members have sent in their Proof of Claim forms, the payment you get will be a portion of the Net Settlement Fund equal to your Recognized Loss divided by the total of all Class Members' Recognized Losses and multiplied by the total amount in the Net Settlement Fund. See the Plan of Allocation beginning on page 16 for more information on your Recognized Claim.

Once all the Proofs of Claim are processed and claims are calculated, Class Counsel, without further notice to the Class, will apply to the Court for an order distributing the Net Settlement Fund to the members of the Class. Counsel will also ask the Court to approve payment of the Claims Administrator's fees and expenses incurred in connection with administering the Settlement that have not already been reimbursed.

HOW YOU GET A PAYMENT—SUBMITTING A PROOF OF CLAIM FORM

8. How can I get a payment?

To qualify for a payment, you must timely send in a completed Proof of Claim form with supporting documents (DO NOT SEND ORIGINALS). A Proof of Claim form is being circulated with this Notice. You may also get a Proof of Claim form on the Internet at the websites for the Claims Administrator or Class Counsel: **www.gardencitygroup.com** or **www.labaton.com**. Please read the instructions carefully, fill out the Proof of Claim form, include all the documents the form asks for, sign it, and mail it to the Claims Administrator by first class mail, postmarked no later than **December 1, 2008**. *The Claims Administrator needs all of the information requested in the Proof of Claim in order to determine what you may be entitled to.*

If you previously submitted a Proof of Claim form, you do not have to complete and submit another one.

9. When would I get my payment?

The Court will hold a hearing on December 10, 2008, to decide whether to approve the Settlement. If the Court approves the Settlement, there may still be appeals, which can take time to resolve, perhaps more than a year.

10. What am I giving up to get a payment and by staying in the Class?

If you are a member of the Class, it means that once the Settlement becomes effective (the "Effective Date"), you will forever release all "Settled Claims" (as defined below) against the "Released Persons" (as defined below). You will not be able to bring a case like this against the Released Persons in the future.

As defined in the Settlement, "Released Claims" means all claims, demands, rights, liabilities, damages, expenses, costs, attorneys' fees, actions and causes of action of every nature and description, whether known or unknown, whether in contract, tort, equity or otherwise, whether concealed or hidden, asserted or that might have been asserted, including, but not limited to, claims for negligence, gross negligence, recklessness, gross recklessness, severe recklessness, indemnification, breach of duty of care and/or breach of duty of loyalty, fraud, breach of fiduciary duty, or violations of any federal or state statutes, rules or regulations, by Lead Plaintiff or any Class Member against the Released Persons that are based upon, relate to or arise from both the purchase or other acquisition, sale or other disposition of Vesta common stock by any Class Member during the Class Period and the facts, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act that were or could have been alleged in the action or any other forum, based upon, relating to or arising from the facts that were alleged.

As defined in the Settlement, "Unknown Claims" means any Released Claims that Lead Plaintiff or any Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons that if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement or not to exclude himself, herself or itself from the Class. With respect to any and all Released Claims, the Settling

Parties stipulate and agree that, upon the Effective Date, Lead Plaintiff shall expressly and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights and benefits of Cal. Civ. Code §1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Lead Plaintiff shall expressly and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, that is similar, comparable or equivalent to Cal. Civ. Code §1542. Lead Plaintiff and Class Members may hereafter discover facts in addition to or different from those that any of them now knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiff shall expressly and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, that now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiff acknowledges, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

As defined in the Settlement, "Released Persons" means Torchmark and its present or former officers, directors, partners, employees, agents, attorneys, financial advisors, commercial bank lenders, investment bankers, underwriters, insurers, representatives, affiliates, associates, parents, subsidiaries, general and limited partners and partnerships, heirs, executors, administrators, successors and assigns.

THE LAWYERS REPRESENTING YOU

11. Do I have a lawyer in this case?

The Court appointed the law firm of Labaton Sucharow LLP in New York, New York to represent all Class Members. These lawyers are called Class Counsel. You will not be separately charged for these lawyers. The Court will determine the amount of Class Counsel's fees and expenses, which will be paid from the Settlement Fund if they are approved. If you want to be represented by your own lawyer, you may hire one at your own expense.

12. How will the lawyers be paid?

Class Counsel has not received any payment since October 2002 for their services in pursuing the claims against Torchmark on behalf of the Class, nor have they been reimbursed for their out-of-pocket expenses since that time. At the Settlement Hearing described below, or at such other time as the Court may order, Class Counsel will ask the Court to award them, from the Settlement Fund, attorneys' fees of no more than 15% of the Settlement Fund, including interest, and to reimburse them for their out-of-pocket expenses, such as the cost of experts, that they have incurred in litigating the Action, in an amount that will not exceed \$610,000, plus interest on the expenses at the same rate as may be earned by the Settlement Fund.

The fee requested by Class Counsel would compensate them for their efforts in achieving the Settlement for the benefit of the Class and for the risk in undertaking this action on a contingency basis. The fee that will be requested is within the range of fees awarded under similar circumstances in litigation of this type. The Court will determine the amount of the award.

OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the Settlement or some part of it.

13. How do I tell the Court that I do not like the proposed Settlement?

If you are a Class Member you can object to the Settlement or any of its terms, the proposed Plan of Allocation, the application for expenses by Lead Plaintiff and/or the application by Class Counsel for attorneys' fees and expenses. You must write to the Court setting out your objection, giving reasons why you think the Court should not approve any part or all of the Settlement terms or arrangements. The Court will consider your views if you file a proper objection within the deadline and according to the following procedures.

To object, you must send a signed letter stating that you object to the proposed settlement in *In re Vesta Insurance Group, Inc. Securities Litigation*, No. CV 98-BE-1407-S. You must include your name, address, telephone number, and your signature, identify the date(s), price(s), and number(s) of shares of all purchases, acquisitions, and sales of Vesta securities you made during the Class Period, and state the reasons why you object to the Settlement. This information is needed to demonstrate your membership in the Class.

Unless otherwise ordered by the Court, any Class Member who does not object in the manner described in this Notice will be deemed to have waived any objection and will not be able to make any objection to the Settlement in the future.

Your objection must be filed with the Court and delivered or mailed first class (with a corresponding postmark) by November 24, 2008 to all the following:

COURT:

Clerk of the Court
 United States District Court for the
 Northern District of Alabama
 Hugo L. Black U.S. Courthouse
 1729 Fifth Avenue North
 Birmingham, AL 35203

CLASS COUNSEL:

Thomas A. Dubbs
 James W. Johnson
 Labaton Sucharow LLP
 140 Broadway
 New York, New York 10005

DEFENDANT'S COUNSEL:

Charles A. Dauphin
 Baxley, Dillard, Dauphin,
 McKnight & Barclift
 2008 Third Avenue South
 Birmingham, AL 35233

THE COURT'S SETTLEMENT HEARING

The Court will hold a hearing to decide whether to approve the proposed Settlement. You may attend, and you may ask to speak, but you do not have to do so.

14. When and where will the Court decide whether to approve the proposed Settlement?

The Court will hold a Settlement Hearing at 1:30 p.m. on December 10, 2008, at the United States District Court for the Northern District of Alabama, Hugo L. Black U.S. Courthouse, 1729 Fifth Avenue North, Birmingham, AL 35203. At this hearing the Court will consider whether the Settlement is fair, reasonable and adequate. The Court also will consider the proposed Plan of Allocation for the proceeds of the Settlement, the application of Class Counsel for attorneys' fees and the applications of Class Counsel and Lead Plaintiff for reimbursement of expenses. The Court will take into consideration any written objections filed in accordance with the instructions set out in question 11 above. The Court also may listen to people who have properly indicated, within the deadline identified above, an intention to speak at the hearing, but decisions regarding the conduct of the hearing will be made by the Court.

You should also be aware that the Court may change the date and time of the Settlement Hearing without another notice being sent. If you want to come to the hearing, you should check with Class Counsel before coming to be sure that the date and/or time has not changed.

15. Do I have to come to the hearing?

No. Class Counsel will answer questions the Court may have. But you are welcome to come at your own expense. If you submit an objection, you do not have to come to Court to talk about it. As long as you filed and sent your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

GETTING MORE INFORMATION

16. Are there more details about the proposed settlement and the lawsuit?

This notice summarizes the proposed Settlement. More details are in the Stipulation and Agreement of Settlement dated September 15, 2008 (the "Stipulation"). You may review the Stipulation filed with the Court and all documents filed in the Action during business hours at the Office of the Clerk of the United States District Court for the Northern District of Alabama, Hugo L. Black Courthouse, 1729 Fifth Avenue North, Birmingham, AL 35203.

You also can call the Claims Administrator toll free at 1-800-698-7281; call Class Counsel at 1-212-907-0639; or visit the websites at www.gardencitygroup.com or www.labaton.com, where you can find answers to common questions about the Settlement, download copies of the Stipulation or Proof of Claim form, and locate other information.

Please Do Not Call The Court or Torchmark With Questions About The Settlement

PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid that percentage of the Net Settlement Fund that each Authorized Claimant's claim is of the total of the claims of all Authorized Claimants. A "claim" will be computed as follows:

For shares of Vesta common stock that were purchased from June 2, 1995 through June 1, 1998, and

- (a) sold on or before June 1, 1998, the claim per share is \$0;
- (b) sold on June 2, 1998 through June 29, 1998, the claim per share is the lesser of: (i) \$24.88 per share; or (ii) the purchase price less \$27.75 per share;
- (c) sold on June 30, 1998, the claim per share is the lesser of: (i) \$31.20 per share; or (ii) the purchase price less the sales price per share; and
- (d) retained at the close of trading on June 30, 1998, the claim per share is the lesser of: (i) \$31.20 per share; or (ii) the purchase price less \$19.00 per share.

Dated: September 26, 2008

By Order of the Court
 CLERK OF THE COURT