United of Omaha Life Insurance Company

A Wholly Owned Subsidiary of
(Mutual of Omaha Insurance Company)

Statutory Financial Statements as of December 31, 2015 and 2014, and for the Years Ended December 31, 2015, 2014, and 2013, Supplemental Schedules as of and for the Year Ended December 31, 2015, and Independent Auditors' Reports

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

TABLE OF CONTENTS

Deloitte & Touche LLP
First National Tower
1601 Dodge Street, Ste. 3100
Omaha, NE 68102-1649
USA

Tel: +1 402 346 7788
Fax: +1 402 997 7875
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United of Omaha Life Insurance Company
Omaha, Nebraska

We have audited the accompanying statutory-basis financial statements of United of Omaha Life Insurance Company (the "Company") (a wholly owned subsidiary of Mutual of Omaha Insurance Company), which comprise the statutory-basis statements of admitted assets, liabilities, and surplus as of December 31, 2015 and 2014, and the related statutory-basis statements of operations, changes in surplus, and cash flows for each of the three years in the period ended December 31, 2015, and the related notes to the statutory-basis financial statements.

Management's Responsibility for the Statutory-Basis Financial Statements

Management is responsible for the preparation and fair presentation of these statutory-basis financial statements in accordance with the accounting practices prescribed or permitted by the State of Nebraska Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these statutory-basis financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory-basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory-basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory-basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statutory-basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory-basis financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 to the statutory-basis financial statements, the statutory-basis financial statements are prepared by United of Omaha Life Insurance Company using the accounting practices prescribed or permitted by the State of Nebraska Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Nebraska Department of Insurance.

The effects on the statutory-basis financial statements of the variances between the statutory-basis of accounting described in Note 1 to the statutory-basis financial statements and accounting principles generally accepted in the United States of America; although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America paragraph, the statutory-basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of United of Omaha Life Insurance Company as of December 31, 2015 and 2014, or the results of its operations or its cash flows for each of the three years in the period ended December 31, 2015.

Opinion on Statutory Basis of Accounting

In our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of United of Omaha Life Insurance Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in accordance with the accounting practices prescribed or permitted by the State of Nebraska Department of Insurance as described in Note 1 to the statutory-basis financial statements.

Deloitte & Touche LLP

April 12, 2016

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ADMITTED ASSETS		
CASH AND INVESTED ASSETS:		
Bonds	$12,620,714,864	$11,746,955,175
Preferred stocks	48,733,332	28,000,000
Common stocks — unaffiliated	27,107,600	20,670,159
Common stocks — affiliated	110,641,508	117,308,804
Mortgage loans — net	1,828,173,268	1,777,134,195
Real estate occupied by the Company — net of accumulated depreciation of $88,746,511 and $87,705,746, respectively	50,091,007	52,312,315
Real estate held for production of income — net of accumulated depreciation of $87,182 in 2014	-	1,397,297
Real estate held for sale	838,693	1,461,223
Contract loans	180,363,795	182,395,740
Cash and cash equivalents	409,624,386	399,949,063
Short-term investments	89,879,337	99,300,000
Securities lending cash collateral	122,176,373	104,761,128
Other invested assets	316,583,806	356,588,161
Total cash and invested assets	15,804,927,969	14,888,233,260
INVESTMENT INCOME DUE AND ACCRUED	122,654,722	114,551,645
PREMIUMS DEFERRED AND UNCOLLECTED	307,852,957	277,145,655
REINSURANCE RECOVERABLE	68,439,725	55,878,074
NET DEFERRED TAX ASSETS	130,110,747	139,460,717
OTHER ASSETS	13,750,257	18,955,458
SEPARATE ACCOUNT ASSETS	3,174,766,656	3,292,463,596
TOTAL ADMITTED ASSETS	$19,622,503,033	$18,786,688,405
LIABILITIES AND SURPLUS		
LIABILITIES:		
Policy reserves:		
Aggregate reserve for life policies and contracts	$ 9,891,313,798	$ 9,375,226,714
Deposit-type contracts	2,539,786,629	2,315,764,065
Policy and contract claims — life	83,109,676	87,215,369
Policy and contract claims — health	683,191,021	660,916,680
Health and accident active life	74,977,709	62,121,447
Premiums paid in advance	25,253,188	27,306,977
Other	2,833,547	38,077,034
Total policy reserves	13,300,465,568	12,566,628,286
Interest maintenance reserve	20,733,287	22,527,035
Asset valuation reserve	115,360,698	158,406,341
General expenses and taxes due or accrued	63,466,639	43,454,582
Payable to parent, subsidiaries and affiliates — net	101,858,856	119,078,771
Borrowings	268,431,314	196,971,793
Funds held under coinsurance	918,179,349	785,642,194
Other liabilities	217,522,531	178,792,616
Separate account liabilities	3,174,766,656	3,292,463,596
Total liabilities	18,180,784,898	17,363,965,214
SURPLUS:		
Capital stock, $10 par value, 900,000 shares authorized, issued and outstanding	9,000,000	9,000,000
Gross paid-in and contributed surplus	582,558,051	582,558,051
Special surplus	188,293	-
Unassigned surplus	849,971,791	831,165,140
Total surplus	1,441,718,135	1,422,723,191
TOTAL LIABILITIES AND SURPLUS	$19,622,503,033	$18,786,688,405

See notes to statutory financial statements.

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

STATUTORY STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

	2015	2014	2013
INCOME:			
Net premiums and annuity considerations	$ 3,572,460,647	$ 2,712,909,931	$ 3,428,481,203
Net investment income	828,993,447	722,385,875	700,983,421
Commissions and expense allowances on reinsurance ceded	86,792,950	99,216,506	44,226,675
Other income	36,924,199	39,194,399	62,236,531
Total income	4,525,171,243	3,573,706,711	4,235,927,830
BENEFITS AND EXPENSES:			
Policyholder benefits	2,668,812,360	2,692,216,254	2,675,274,158
Increase (decrease) in reserves	499,191,656	(391,205,938)	453,381,106
Commissions	404,720,170	363,125,588	384,986,663
Operating expenses	736,816,890	724,482,999	633,859,728
Total benefits and expenses	4,309,541,076	3,388,618,903	4,147,501,655
NET GAIN FROM OPERATIONS BEFORE FEDERAL INCOME TAX EXPENSE AND NET REALIZED CAPITAL LOSSES	215,630,167	185,087,808	88,426,175
FEDERAL INCOME TAX EXPENSE	38,273,444	2,241,026	355,210
NET GAIN FROM OPERATIONS BEFORE NET REALIZED CAPITAL LOSSES	177,356,723	182,846,782	88,070,965
NET REALIZED CAPITAL LOSSES — Net of taxes of $1,468,554, $170,128 and $1,779,421, and transfers to the interest maintenance reserve of $1,401,547, $2,674,036 and $2,229,455, respectively	(23,716,607)	(18,421,192)	(16,393,040)
NET INCOME	$ 153,640,116	$ 164,425,590	$ 71,677,925

See notes to statutory financial statements.

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

STATUTORY STATEMENTS OF CHANGES IN SURPLUS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

	2015	2014	2013
CAPITAL STOCK	$ 9,000,000	$ 9,000,000	$ 9,000,000
GROSS PAID-IN AND CONTRIBUTED SURPLUS:			
Balance — beginning of year	582,558,051	582,558,051	522,558,051
Capital contribution	-	-	60,000,000
Balance — end of year	582,558,051	582,558,051	582,558,051
SPECIAL SURPLUS:			
Balance — beginning of year	-	-	-
Increase in aggregate write-ins	188,293	-	-
Balance — end of year	188,293	-	-
UNASSIGNED SURPLUS:			
Balance — beginning of year	831,165,140	635,314,505	493,839,980
Net income	153,640,116	164,425,590	71,677,925
Change in:			
Net unrealized capital gains (losses) — net of taxes (benefits) of $(29,204,215), $(6,017,848), and $18,337,774, respectively	(75,903,694)	(137,045,333)	24,983,654
Foreign exchange unrealized capital gains (losses) — net of taxes (benefits) of $885,127, $(505,753) and $(331,674), respectively	1,643,807	(939,256)	(615,966)
Net deferred income taxes (benefits)	(3,344,152)	(89,224,373)	100,956,808
Nonadmitted assets	(43,060,193)	60,275,191	8,553,593
Reserve on account of change in valuation basis	(53,185,427)	(37,221,767)	(53,025,864)
Asset valuation reserve	43,045,643	12,921,800	(9,577,891)
Deferred gain (loss) on reinsurance	(3,841,156)	222,658,783	(1,477,734)
Aggregate write-ins	(188,293)	-	-
Balance — end of year	849,971,791	831,165,140	635,314,505
TOTAL SURPLUS	$ 1,441,718,135	$ 1,422,723,191	$ 1,226,872,556

See notes to statutory financial statements.

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

STATUTORY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

	2015	2014	2013
CASH FROM (USED FOR) OPERATIONS:			
Net premiums and annuity considerations	$ 3,657,204,398	$ 3,667,470,932	$ 3,569,419,144
Net investment income	729,634,818	698,093,182	666,684,046
Other income	111,460,256	132,733,984	105,800,541
Policyholder benefits	(2,731,036,354)	(2,765,829,922)	(2,897,810,293)
Net transfers to separate accounts	238,575	(194,927)	(410,234)
Commissions and operating expenses	(1,080,267,112)	(1,093,373,693)	(1,005,118,189)
Federal income taxes received from (paid to) parent	(16,880,438)	(3,550,980)	13,394,439
Net cash from operations	670,354,143	635,348,576	451,959,454
CASH FROM (USED FOR) INVESTMENTS:			
Proceeds from investments sold, matured or repaid:			
Bonds	1,670,516,463	1,540,100,992	1,483,617,574
Stocks	16,680,246	11,175,551	2,497,671
Mortgage loans	325,887,167	307,082,681	296,473,732
Real estate	2,128,050	12,642,647	-
Other invested assets	58,044,454	46,473,405	50,509,427
Net gains (losses) on cash, cash equivalents and short-term investments	(985)	(3,880)	1,250
Miscellaneous proceeds	7,072,196	1,208,196	-
Cost of investments acquired:			
Bonds	(2,557,947,905)	(2,220,824,891)	(2,075,905,454)
Stocks	(52,710,400)	(15,243,709)	-
Mortgage loans	(379,111,785)	(179,670,043)	(308,614,641)
Real estate	(737,768)	(1,197,454)	(1,251,714)
Other invested assets	(16,160,935)	(13,080,732)	(8,965,810)
Miscellaneous applications	-	(4,900,783)	(36,860,145)
Net decrease (increase) in contract loans	1,570,779	(1,781,602)	(1,106,881)
Net cash used for investments	(924,770,423)	(518,019,622)	(599,604,991)
CASH FROM (USED FOR) FINANCING AND MISCELLANEOUS SOURCES:			
Capital and paid in surplus	-	-	60,000,000
Borrowed funds received (paid)	54,090,908	(10,909,092)	(36,909,092)
Net increase in deposit-type contracts	216,862,668	40,086,982	207,625,849
Net increase (decrease) in payable to parent	(17,219,916)	60,395,884	57,461,347
Other cash provided (applied)	937,280	21,360,195	(707,166)
Net cash from financing and miscellaneous sources	254,670,940	110,933,969	287,470,938
NET CHANGE IN CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	254,660	228,262,923	139,825,401
CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:			
Beginning of year	499,249,063	270,986,140	131,160,739
End of year	$ 499,503,723	$ 499,249,063	$ 270,986,140

(Continued)

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

STATUTORY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

	2015	2014	2013
NONCASH TRANSACTIONS:			
Capital contribution of securities to Omaha Reinsurance Company	$ -	$ 121,755,856	$ -
Mortgage loans transferred to other invested assets	$ 2,053,911	$ 766,323	$ 3,009,146
Omaha Reinsurance Company ceded premium settled through funds withheld	$ 152,806,118	$ 970,875,425	$ 70,068,166
Omaha Reinsurance Company ceded benefits settled through funds withheld	$ 76,646,063	$ 51,162,080	$ 40,325,345
Omaha Reinsurance Company ceded commissions settled through funds withheld	$ 9,950,282	$ 22,032,933	$ 3,773,763
Mortgage loan conversions	$ 30,407,771	$ -	$ 40,000,000
Stock and bond conversions	$ 116,015,508	$ 67,277,374	$ 62,548,568
Capital distribution — from affiliated LLC	$ 78,655,132	$ 25,420,794	$ 17,877,233
Omaha Reinsurance Company ceded policy loans settled through funds withheld	$ 2,846,503	$ 2,382,684	$ -
Companion assumed premium settled through funds withheld	$ 27,461,888		
Companion assumed benefits settled through funds withheld	$ 18,338,775		
Companion assumed commissions settled through funds withheld	$ 4,486,165		
Companion assumed interest settled through funds withheld	$ 1,319,126		
Omaha Reinsurance Company ceded interest settled through funds withheld	$ 41,287,000		
Capital contribution through payable to subsidiary	$ 5,000,000		
Funds withheld listed as current amounts receivable	$ 6,038,925		

See notes to statutory financial statements. (Concluded)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations—United of Omaha Life Insurance Company (the "Company") is a wholly owned subsidiary of Mutual of Omaha Insurance Company ("Mutual of Omaha"), a mutual health and accident and life insurance company domiciled in the state of Nebraska. The following are wholly owned subsidiaries of the Company as of December 31, 2015: Companion Life Insurance Company ("Companion"); United World Life Insurance Company ("United World"); Omaha Life Insurance Company; UM Holdings, L.L.C.; Omaha Reinsurance Company ("Omaha Re") and Mutual of Omaha Structured Settlement Company. The Company previously owned UM Holdings II, L.L.C., UM Holdings III, L.L.C., and UM Holdings IV, L.L.C. which were dissolved effective December 29, 2014.

The Company provides a wide array of financial products and services to a broad range of institutional and individual customers and is licensed in 49 states, the District of Columbia, Puerto Rico, Guam and the U.S. Virgin Islands. Principal products and services provided include individual health insurance, individual and group life insurance, annuities and retirement plans.

Basis of Presentation—The accompanying statutory financial statements have been prepared in conformity with accounting practices prescribed or permitted by the State of Nebraska Department of Insurance. The State of Nebraska has adopted the National Association of Insurance Commissioners' (NAIC) statutory accounting principles (NAIC SAP) as the basis of its statutory accounting practices. The Commissioner of the State of Nebraska Department of Insurance has the right to permit other specific practices that may deviate from NAIC SAP.

The State of Nebraska employed a prescribed accounting practice for synthetic guaranteed interest contracts (synthetic GICs) that differs from NAIC SAP in how reserves are determined. The following is a reconciliation of the Company's net income and capital and surplus between the prescribed accounting practices and NAIC SAP:

	2015	2014	2013
Net income, Nebraska basis	$ 153,640,116	$ 164,425,590	$ 71,677,925
Nebraska prescribed practice: synthetic GICs	(2,407,501)	126,369	(2,043,020)
Net income, NAIC SAP	$ 151,232,615	$ 164,551,959	$ 69,634,905
Statutory surplus, Nebraska basis	$1,441,718,135	$1,422,723,191	$1,226,872,556
Nebraska prescribed practice: synthetic GICs	7,276,083	9,683,584	9,557,216
Statutory surplus, NAIC SAP	$1,448,994,218	$1,432,406,775	$1,236,429,772

The accompanying statutory financial statements vary in some respects from those that would be presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The most significant differences include:

a. Bonds are generally carried at amortized cost, while under GAAP they are carried at either amortized cost or fair value based upon their classification according to the Company's ability and intent to hold or trade the securities and whether the Company has elected the option to report bonds at fair value.

b. An other-than-temporary impairment (OTTI) exists for NAIC SAP on a loan-backed or structured security if the fair value is less than the amortized cost basis and the Company has the intent to sell, does not have the intent and ability to retain the investment for a period of time sufficient to recover the amortized cost basis, or the Company does not expect to recover the entire amortized cost basis. For all other securities on a NAIC SAP basis, an OTTI is recognized if it is probable that the reporting entity will be unable to collect all amounts due according to the contractual terms of the security in effect at the date of acquisition or since the last OTTI. An OTTI exists for GAAP if a security's fair value is less than amortized cost and if the Company has the intent to sell, it is more likely than not that the Company will be required to sell before the recovery of the amortized cost basis, or if the Company does not expect to recover the entire amortized cost of the security.

c. Investments in preferred stocks are generally carried at amortized cost, while under GAAP preferred stocks are carried at their estimated fair value.

d. Limited partnerships are carried at the underlying audited GAAP equity value with the change in valuation reflected in unassigned surplus on a NAIC SAP basis. Income distributions for the limited partnerships are reported as net investment income on a NAIC SAP basis. Under GAAP the change in valuation as well as the income distributions are reflected in either net investment income or as a realized gain or loss depending on the underlying investments.

e. Under NAIC SAP, derivative instruments that meet the criteria of an effective hedge are valued and reported in a manner that is consistent with the hedged asset or liability. The change in fair value of derivative instruments that do not meet the criteria of an effective hedge are recorded as an unrealized gain or loss in surplus. Under GAAP, all derivatives are reported on the balance sheet at fair value and the effective and ineffective portions of a single hedge are accounted for separately. Changes in fair value of derivatives, to the extent they are effective at offsetting hedged risk, are recorded through either income or equity, depending on the nature of the hedge. The ineffective portion of all changes in fair value is recorded in income.

f. Acquisition costs, such as commissions and other costs directly related to acquiring new business, are charged to operations as incurred, while under GAAP to the extent associated with successful sales and recoverable from future policy revenues they are deferred and amortized to income as premiums are earned or in relation to estimated gross profits.

g. NAIC SAP requires an amount to be recorded for deferred taxes as a component of surplus; however, there are limitations as to the amount of deferred tax assets (DTA) that may be reported as admitted assets, that are not applicable under GAAP. Federal income tax provision is required on a current basis for the statutory statements of operations, the same as for GAAP.

h. NAIC SAP policy reserves for life insurance and annuities are based on mortality, lapse and interest assumptions prescribed or permitted by state statutes. For health insurance, mortality and interest are prescribed, and morbidity and lapse assumptions are Company estimates with statutory limitations. The effect on reserves, if any, due to a change in valuation basis is recorded directly to unassigned surplus rather than included in the determination of net gain (loss) from operations. GAAP policy reserves are based on the Company's estimates of morbidity, mortality, interest and withdrawals.

i. The asset valuation reserves (AVR) and interest maintenance reserves (IMR) are established only in the statutory financial statements.

j. Assets are reported under NAIC SAP at admitted asset value and nonadmitted assets are excluded through a charge to surplus, while under GAAP nonadmitted assets are reinstated to the balance sheet, net of any valuation allowance.

k. Premium receipts and benefits on universal life-type contracts and deferred annuities are recorded as income and expense under NAIC SAP. Under GAAP, revenues on universal life-type contracts and deferred annuities are comprised of contract charges and fees that are recognized when assessed against the policyholder account balance. In addition, certain of the revenue as defined under deposit accounting is deferred and amortized to income over the expected life of the contract using the product's estimated gross profits, similar to acquisition costs. Premium receipts and benefits paid are considered deposits and withdrawals, respectively, and are recorded as or against interest-bearing liabilities.

l. Reinsurance recoverables on unpaid losses are reported as a reduction of policy reserves, while under GAAP they are reported as an asset.

m. Comprehensive income and its components are not presented in the statutory financial statements.

n. Subsidiaries are included as common stock carried under the equity method, with the equity in the operating results of subsidiaries credited or charged directly to the Company's surplus for NAIC SAP. Dividends received from subsidiaries are recorded in net investment income. GAAP requires either consolidation or equity method reporting with operating results of subsidiaries reflected in the statutory statements of operations.

o. For loss contingencies, when no amount within management's estimate of a range is a better estimate than any other amount, the midpoint of the range is accrued. Under GAAP, the minimum amount in the range is accrued.

p. Gains on economic transactions, defined as arm's-length transactions which results in the transfer of the risks and rewards of ownership, with related parties are recognized and deferred in surplus under NAIC SAP rather than deferred until the assets are sold to third parties as required under GAAP.

Use of Estimates—The preparation of financial statements in accordance with NAIC SAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions include those used in determining investment valuation in the absence of quoted market values, impairments, aggregate reserves for policies and contracts, policy and contract claims, and deferred taxes. Actual results could differ from those estimates.

The process of determining the fair value and recoverability of an asset relies on projections of future cash flows, operating results, and market data. Considerable judgment is required in making such projections. Accordingly, actual results may differ materially from projections used in estimating fair value and recoverability. As a result, the Company's asset valuations are susceptible to the risk inherent in making such projections.

Due to the length and complexity of annuity and life insurance contracts and the risks involved, policy reserves calculated using regulatory prescribed methods and assumptions are often not closely related to the economic liability for the benefits and options promised to policyholders. Reserves are determined using prescribed mortality tables and interest rate assumptions. Prescribed lapse assumptions are permitted on certain universal life contracts. Certain guarantees embedded in the contracts are defined formulaically. Actual mortality, lapse, and interest rates, and the nature of the guarantees, will differ from prescribed assumptions and definitions.

Due to the nature of health and accident contracts and the risks involved, health and accident active life reserves are estimates. These reserves are calculated using morbidity mortality, and interest rate assumptions. Voluntary lapse assumptions are permitted in certain situations subject to limitations for certain products. Actual morbidity, mortality, interest rates, and voluntary lapse rates may differ from valuation assumptions.

Policy and contract claims are estimated based upon the Company's historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends, and risk management programs. Revisions of these estimates are reflected in operations in the year they are made.

Investments—Investments are reported according to valuation procedures prescribed by the NAIC. Bonds are stated at amortized cost using the effective yield method, except for bonds with an NAIC designation of 6, which are stated at lower of amortized cost or fair value. The use of fair value may cause some of the loan-backed securities previously designated as NAIC 6 to be reassigned to a different designation.

Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective or prospective method based on anticipated prepayments from the date of purchase. Prepayment assumptions are based on information obtained from brokers or internal estimates based on original term sheets, offer memoranda, historical performance or other forecasts. Changes in estimated cash flows due to changes in estimated prepayments are accounted for using the prospective method for impaired securities and the retrospective method for all other securities.

Preferred stocks redeemable and perpetual, are stated at amortized cost; except for preferred stocks that are NAIC rated 4 through 6, which are stated at lower of amortized cost or fair value.

With the exception of the Company's Federal Home Loan Bank of Topeka (FHLB) common stocks, which are carried at cost, common stocks of unaffiliated companies are stated at fair value and common stocks of affiliated insurance companies are carried at the underlying statutory equity value while affiliated non-insurance companies are carried at the GAAP equity value. Changes in the carrying values are recorded as a change in net unrealized capital gains (losses), a component of surplus. Dividends are reported in net investment income.

Mortgage loans held for investment are carried at the aggregate unpaid principal balance adjusted for unamortized premium or discount, except impaired loans. Such loans are carried at the lower of the principal balance, or the fair value of the loan determined by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral less cost to sell if collateral dependent. Interest income is accrued on the unpaid principal balance based on the loan's contractual interest rate. The Company records a reserve for losses on mortgage loans as part of the AVR.

Contract loans are carried at unpaid principal balances.

The Company calculates specific reserves on loans identified individually as impaired. Loans evaluated individually are considered impaired when, based on current information and events, it is probable that the Company will be unable to collect principal or interest amounts according to the contractual terms of the loan agreement. Interest income earned on impaired loans is accrued on the principal amount of the loan based on the loan's contractual interest rate until the loan is placed on nonaccrual status.

Loan losses are charged against the allowance for loan losses when the uncollectibility of a loan balance is confirmed. Loans are reviewed on an individual basis to identify charge-offs. Charge-offs, net of recoveries, are deducted from the allowance. Mortgage loans are considered past due if the required principal and interest payments have not been received when contractually due. All mortgage loans are in nonaccrual status either when it becomes probable that the borrower will not be able to make all principal and interest payments as scheduled. Mortgage loans are returned to accrual status when all the principal and interest amounts contractually due have been brought current and future payments are reasonably assured.

A mortgage loan is considered a troubled debt restructuring (TDR) if the borrower is experiencing financial difficulties and the Company has granted a concession it would not otherwise consider. A TDR typically involves a modification of terms such as a change of the interest rate to a below market rate, a forgiveness of principal or interest, an extended repayment period (maturity date) at a contractual interest rate lower than the current interest rate for new debt with similar risk, or capitalization and deferral of interest payments.

Real estate, excluding real estate held for sale, is valued at cost, less accumulated depreciation. Real estate held for the production of income is comprised of real estate owned by the Company that is primarily leased to non-affiliated third parties. Depreciation is provided on the straight-line method over the estimated useful lives, generally forty years, of the related assets. Real estate held for sale is valued at the lower of depreciated cost or fair value less estimated costs to sell. Real estate held for sale consists of collateral received on foreclosed mortgage loans.

Cash equivalents are highly liquid debt securities purchased with an original maturity of less than three months. Cash equivalents are carried at cost, which approximates fair value.

Short-term investments include investments whose original maturities at the time of purchase are three months to one year and are stated at cost, which approximates fair value.

The Company has securities lending agreements whereby unrelated parties, primarily major brokerage firms, borrow securities from the Company. The Company requires a minimum of 102% and 105% of the fair value of the domestic and foreign securities, respectively, loaned at the outset of the contract as collateral. The Company continues to retain control over and receive interest on loaned securities, and accordingly, the loaned securities continue to be reported as bonds. The securities loaned are on open terms and can be returned to the Company on the next business day requiring a return of the collateral. Collateral received is invested in cash equivalents and short-term securities with a corresponding liability for funds held for securities on loan included in borrowings in the statutory financial statements. The Company cannot access the collateral unless the borrower fails to deliver the loaned securities. To further minimize the credit risks related to this securities lending program, the Company regularly monitors the financial condition of counterparties to these agreements and also receives an indemnification from the financial intermediary who structures the transactions.

Other invested assets include investments in limited partnerships, receivables for securities, and an approximately 80% ownership of Fulcrum Growth Partners, L.L.C. and Fulcrum Growth Partners III L.L.C (collectively “Fulcrum”). The Company currently recognizes 80% of the contributions and distributions of Fulcrum in its investment in Fulcrum and 72% of net income (losses) based on the partnership agreement provisions. Limited partnerships and the investment in Fulcrum are carried at their underlying GAAP equity, which approximates fair value, with a one quarter lag adjusted for all capital distributions, cash distributions, and impairment charges for the quarter with changes recorded in unrealized gains (losses) through surplus. Distributions of income from these investments are recorded in net investment income.

Fulcrum was established for the purpose of investing in nontraditional assets, including private equities, public equities, special situation real estate equities and mezzanine debt. Fulcrum is capitalized through the contributions of the Company and one other owner. Contributions are no longer accepted by Fulcrum. Significant distributions were returned to the partners in 2015 due to investment wind-down activities. The Company’s investment in Fulcrum in the statements of admitted assets, liabilities and surplus and net investment income in the statutory statements of operations was as follows:

	2015	**2014**	**2013**
As of and for the year ended December 31:			
Investment in Fulcrum	$ 61,694,454	$ 172,095,065	$ 181,293,395
Net investment income	$ 127,035,073	$ 32,100,581	$ 8,264,221

Fulcrum’s assets, liabilities and results of operations as of and for the nine months ended September 30, were as follows:

	2015	**2014**	**2013**
Assets	$ 107,369,016	$ 242,991,173	$ 252,167,685
Liabilities	$ 126,979	$ 116,010	$ 117,069
Net income	$ 17,522,640	$ 30,759,855	$ 50,373,731

The Company uses derivative financial instruments to reduce exposure to market volatility associated with assets held or liabilities incurred and to change the characteristics of the Company’s asset/liability mix, consistent with the Company’s risk management activities..

As of December 31, 2015 and December 31, 2014, derivatives included foreign currency swaps, swaptions and interest rate swaps. When derivative financial instruments meet specific criteria they may be designated as accounting hedges and accounted for on an amortized cost basis, in a manner consistent with the item hedged. Derivative financial instruments that are not designated as accounting hedges are accounted for on a fair value basis with changes recorded as a change in net unrealized capital gains (losses) within the statutory statement of changes in surplus. Net settlement amounts on interest rate swaps are recorded as adjustments to net investment income on an accrual basis over the life of the swap. Interest on currency swaps is included in net investment income.

The Company designates certain of its interest rate swaps as fair value hedges when they are highly effective in offsetting the risk of changes in the fair value of the hedged item. The Company designates certain of its foreign currency swaps as cash flow hedges when they are highly effective in offsetting the exposure of variations in cash flows for the hedged item. For interest rate swaps, the Company is exposed to credit-related losses in the amount of the net interest differential in the event of nonperformance by the swap counterparty. For currency swaps and forwards, the Company is exposed to credit-related losses in the amount of the net currency differential in the event of nonperformance by the swap counterparty. The Company has strict policies regarding the financial stability and credit standing of its counterparties. The Company attempts to limit its credit risk by dealing with creditworthy counterparties and obtaining collateral where appropriate.

The Company uses swaptions to mitigate interest rate risk. Under a swaption, the Company pays a one-time premium to the counterparty while the counterparty agrees to deliver at expiration the value of the underlying swap if that value is positive. The Company's swaptions are not highly correlated or effective so they do not qualify for hedge accounting. Changes in the fair value of the swaptions are included in net unrealized capital gains (losses) within the statutory statement of changes in surplus.

Investment income consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded as earned at the ex-dividend date. Interest income on mortgage-backed securities (MBS) and asset-backed securities (ABS) is determined on the effective yield method based on estimated principal repayments. Accrual of income is suspended when securities are in default or when the receipt of interest payments is in doubt. Realized capital gains and losses on the sale of investments are determined on the specific identification basis.

Investment income due or accrued for which it is probable the balance is uncollectible is written off and charged against investment income. Investment income due or accrued deemed collectible that is more than 90 days past due is nonadmitted, except for mortgage loans in default which are nonadmitted when they are 180 days past due.

Property—Property is carried at cost less accumulated depreciation and amortization and is included in other assets. The Company provides for depreciation of property using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures are generally depreciated over three to twenty years. There was $7,865,131 in fully depreciated write-offs of home office property no longer in use in 2015. The Company had no write-offs of home office property no longer in use in 2014 or 2013. Depreciation and amortization expense was $4,292,526, $4,472,260, and $4,323,888 for the years ended December 31, 2015, 2014, and 2013, respectively.

Separate Accounts—The assets of the separate accounts in the statutory statements of admitted assets, liabilities and surplus are carried at fair value and consist primarily of common stock and mutual funds held by the Company for the benefit of contract holders under specific individual annuity and life insurance contracts and group annuity contracts. Separate account assets are segregated and are not subject to claims that arise out of any other business of the Company. Deposits and premiums received from and benefits paid to separate account contract holders are reflected in the statutory statements of operations net of reinsurance, but are offset by transfers to and from the separate account. Mortality, policy administration and surrender charges from all separate accounts are included in other income.

Policy Reserves—Policy reserves, which provide amounts adequate to discharge estimated future obligations in excess of estimated future premiums on policies in force, include life and annuity reserves, active life reserves, disabled life reserves, unearned premium, and claim reserves.

Life insurance reserves are valued using the net level premium method, the Commissions' Reserve Valuation Method (CRVM), or other modified reserve methods. Interest rate assumptions ranged from 2.50% to 6.00% for the years ending December 31, 2015 and 2014. Reserves for individual variable annuities are held in accordance with Actuarial Guideline 43. Reserves for individual fixed annuities and supplementary contracts in payout status with life contingencies are maintained using net level premium method or Commissioners' Annuity Reserve Valuation Method, with appropriate statutory interest and mortality assumptions computed on the basis of interest ranging from 2.50% to 9.25% for the years ended December 31, 2015 and 2014. Group annuity reserves are valued using the net single premium method with statutory interest and mortality assumptions computed on the basis of interest ranging from 3.50% to 11.25% for the years ended December 31, 2015 and 2014.

Active life reserves for health contracts are based on statutory mortality, morbidity and interest assumptions. Such reserves are calculated on a net-level premium method or on a one or two-year preliminary term basis. Disabled life reserves are based on statutory mortality, morbidity and interest assumptions.

Reserves for deposit-type contracts are equal to deposits received and interest credited to the benefit of contract holders, less withdrawals that represent a return to the contract holder. Reserves for annuities certain and supplementary contracts in payout status without life contingencies are determined using a Net Level Premium method. Tabular interest on deposit-type contracts is calculated by formula as described in the NAIC instructions.

Policy and contract claims represent the amounts estimated for claims that have been reported but not settled and estimates for claims incurred but not reported. Policy and contract claims are estimated based upon the Company's historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs. Revisions of these estimates are reflected in operations in the year they are made. Claim adjustment expenses are accrued and included in operating expenses.

Reinsurance—In the normal course of business, the Company assumes and cedes insurance business in order to limit its maximum loss, provide greater diversification of risk, minimize exposures on larger risks and expand certain business lines. The ceding of insurance business does not discharge an insurer from its primary legal liability to a policyholder. The Company remains liable to the extent that a reinsurer is unable to meet its obligations. Amounts recoverable from reinsurers are reviewed for collectability on a quarterly basis. All amounts deemed uncollectible are written off through a charge to the statutory statements of operations when the uncollectibility of amounts recoverable from reinsurers is confirmed. Balances are included in the statutory statements of admitted assets, liabilities and surplus and the statutory statements of operations, net of reinsurance, except for commissions and expense allowances on reinsurance ceded which are shown as income.

Amounts recoverable from reinsurers are based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Management believes the amounts recoverable are appropriately established.

Federal Income Taxes—The provision for income taxes includes amounts currently paid and accrued. The Company is subject to income tax in the United States and several state jurisdictions. Significant judgments and estimates are required in the determination of the Company's income tax expense and deferred tax assets (DTAs) and deferred tax liabilities (DTLs).

Deferred taxes are recognized to the extent there are differences between the statutory and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in surplus in the period that includes the enactment date. Deferred taxes are also recognized for carryforward items including net operating loss, capital loss, and charitable contributions. NAIC SAP requires that temporary differences and carryforward items be identified and measured. Deductible temporary differences and carryforward amounts that generate tax benefits when they reverse or are utilized are tax affected in determining the DTA. Taxable temporary differences include items that will generate tax expense when they reverse and are tax affected in determining the DTL.

In the determination of the amount of the DTA that can be recognized and admitted, the NAIC SAP requires that DTAs be limited to an amount that is expected to be realized in the future based on a qualitative analysis of the Company's temporary differences, past financial history and future earnings projections. The net admitted DTA shall not exceed the excess of the adjusted gross DTA over the gross DTL. The adjusted gross DTA shall be admitted based upon three components including: the amount of the income tax benefit from future deductions that can be carried back to prior years; an amount that is limited to the lesser of future deductible temporary differences and carryforward amounts that are expected to be realized within three years from the reporting date, or 15% of adjusted capital and surplus (defined as capital and surplus net of the admitted DTA, electronic data processing equipment and operating software), and; the adjusted gross DTA in an amount equal to the DTL.

The Company records uncertain tax positions in accordance with NAIC SAP on the basis of a two-step process in which (1) it determines whether a tax loss contingency meets a more-likely-than-not threshold (a likelihood of more than 50%) on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes 100% of the tax loss contingency. The Company recognizes interest accrued related to uncertain tax positions and penalties as income tax expense. The liability for uncertain tax positions and the associated interest liability are included in Federal income tax liability in the balance sheets.

Asset Valuation Reserve and Interest Maintenance Reserve—The Company establishes certain reserves as promulgated by the NAIC. The AVR is determined by formula and is based on the Company's investments in bonds, preferred stocks, common stocks, mortgage loans, real estate, short-term investments and other invested assets. This valuation reserve requires appropriation of surplus to provide for possible losses on these investments. Realized and unrealized capital gains (losses), other than those resulting from interest rate changes, are credited or charged to the AVR.

The IMR is used to defer realized capital gains and losses, net of tax, on sales of bonds and certain other investments that result from interest rate changes. These gains and losses are then amortized into investment income over what would have been the remaining years to maturity of the underlying investments.

Premiums and Annuity Considerations and Related Commissions—Life premiums are recognized as income over the premium-paying period of the policies. Health and accident premiums are recognized as income over the terms of the policies. Annuity considerations are recognized as income when received. Considerations received on deposit-type funds, which do not contain any life contingencies, are recorded directly to the related liability. Commissions and other expenses related to the acquisition of policies are charged to operations as incurred.

Vulnerability Due to Certain Risks and Concentrations—The following is a description of the most significant risks facing life and health insurers and how the Company manages those risks:

Legal/regulatory risk is the risk that changes in the legal or regulatory environment in which an insurer operates will occur and create additional costs or expenses not anticipated by the insurer in pricing its products. The Company mitigates this risk by operating throughout the United States, thus reducing its exposure to any single jurisdiction, and by diversifying its products. The Company monitors economic and regulatory developments that have the potential to impact its business.

Interest rate risk is the risk that interest rates will change and cause a decrease in the value of an insurer's investments or cause changes in policyholder behavior resulting in changes in asset or liability cash flows. The Company mitigates this risk through various asset-liability management techniques, including duration matching and matching the maturity schedules of its assets with the expected payouts of its liabilities. To the extent that liabilities come due more quickly than assets mature, the Company may have to sell assets prior to maturity and recognize a gain or loss.

Credit risk is the risk that issuers of securities owned by the Company will default, or that other parties, including reinsurers who owe the Company money, will not pay. The Company has strict policies regarding the financial stability and credit standing of its counterparties. The Company attempts to limit its credit risk by dealing with creditworthy counterparties and obtaining collateral where appropriate.

Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss, generate cash to meet funding requirements, or make a required profit. The Company has established an appropriate liquidity risk management framework to evaluate current and future funding and liquidity requirements. Future liquidity requirements are projected on a regular basis as part of the financial planning process.

Fair Value—Financial assets and liabilities have been categorized into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are as follows:

Level 1—Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2—Fair value is based on significant inputs that are observable for the asset or liability, either directly or indirectly, through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities and other market observable inputs. Valuations are generally obtained from third party pricing services for identical or comparable assets or liabilities and validated or determined through use of valuation methodologies using observable market inputs.

Level 3—Fair value is based on significant unobservable inputs for the asset or liability. These inputs reflect assumptions about what market participants would use in pricing the asset or liability. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques.

Other-Than-Temporary Declines in Fair Value—The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value, the Company's intent to sell the investment at the reporting date, and the financial condition and prospects of the issuer.

The Company recognizes OTTI of bonds not backed by loans when it is either probable that the Company will not collect all amounts due according to the contractual terms of the bond in effect at the date of acquisition or when the Company has made a decision to sell the bond prior to its maturity at an amount below its amortized cost. When an OTTI is recognized, the bond is written down to fair value and the amount of the write down is recorded as a realized capital loss in the statutory statements of operations.

For loan-backed securities where the Company has the intent to sell or lacks the intent and ability to retain the investment until recovery, OTTI are recognized when the fair value is less than the amortized cost basis. If the Company does not have the intent to sell and has the intent and ability to retain the investment until recovery, OTTI are recognized when the present value of future cash flows discounted at the security's effective interest rate is less than the amortized cost basis. When an OTTI is recognized the amount of the write-down is recorded as a realized capital loss in the statutory statements of operations.

The Company recognizes OTTI of stocks for declines in value that are other-than-temporary and reports those adjustments as a realized capital loss in the statutory statements of operations.

The Company recognizes OTTI of limited partnerships generally when the underlying GAAP equity of the partnership is less than 80% of amortized cost or the limited partnership reports realized capital losses on their financial statements or shows other indicators of loss. When an OTTI is recognized, the limited partnership is written down to fair value and the amount of the impairment is recorded as a realized capital loss in the statutory statements of operations.

The Company performs a monthly analysis of the prices received from third parties to assess if the prices represent a reasonable estimate of fair value. This process involves quantitative and qualitative analysis and is overseen by investment and accounting professionals.

Accounting Pronouncements—In March 2015, the NAIC issued revisions to Statement of Statutory Accounting Principles (SSAP) 69, *Statement of Cash Flow* (SSAP 69). These revisions clarify that items included in the cash flow statements should be limited to those that include cash, cash equivalents and short-term investments, and expands disclosures to include non-cash operating items. See the Statutory Statements of Cash Flows for the required disclosures.

In November 2015, the NAIC issued further revisions to SSAP 97, *Investments in Subsidiary, Controlled or Affiliated Entities* to clarify the requirements for adjusting non-insurance Subsidiary, Controlled, or Affiliated entities' (SCA) audited GAAP equity value; require disclosure of any permitted or prescribed practices used for reported investments in U.S. insurance SCAs; clarify statutory adjustments to the valuation of non-insurance SCAs meeting certain revenue and activity tests; and require disclosure of the balance sheet value of all non-insurance SCAs together with the information received from the NAIC in response to the SCA filing. See Note 7 for the required disclosures.

2. INVESTMENTS

Bonds—The carrying value and estimated fair value of investments in bonds, including loan-backed securities, by type, and redeemable preferred stocks, as of December 31, were as follows:

2015	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government	$ 111,859,933	$ 8,199,721	$ 619,569	$ 119,440,085
States, territories, and possessions	35,350,735	3,040,697	155,583	38,235,849
Special revenue	148,546,812	1,855,990	693,291	149,709,511
Foreign corporate	2,305,714,156	108,913,657	31,947,828	2,382,679,985
U.S. and Canadian corporate	6,473,761,029	260,825,255	148,657,227	6,585,929,057
Commercial MBS	985,433,084	61,619,860	3,458,260	1,043,594,684
Residential MBS	898,250,456	52,878,905	4,583,858	946,545,503
Other ABS	1,661,798,659	34,137,103	11,199,890	1,684,735,872
Total bonds	12,620,714,864	531,471,188	201,315,506	12,950,870,546
Redeemable preferred stocks	48,733,332	4,145,054	-	52,878,386
Total	$ 12,669,448,196	$ 535,616,242	$ 201,315,506	$ 13,003,748,932

2014	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government	$ 39,716,634	$ 9,598,730	$ -	$ 49,315,364
States, territories, and possessions	35,923,108	3,693,890	121,004	39,495,994
Special revenue	57,628,379	3,917,920	-	61,546,299
Foreign corporate	2,234,300,162	185,855,869	4,942,094	2,415,213,937
U.S. and Canadian corporate	5,694,496,120	482,199,965	14,084,898	6,162,611,187
Commercial MBS	1,136,536,102	94,541,670	1,780,280	1,229,297,492
Residential MBS	871,743,967	58,542,757	2,090,103	928,196,621
Other ABS	1,676,610,703	64,899,542	4,373,754	1,737,136,491
Total bonds	11,746,955,175	903,250,343	27,392,133	12,622,813,385
Redeemable preferred stocks	28,000,000	2,253,240	-	30,253,240
Total	$ 11,774,955,175	$ 905,503,583	$ 27,392,133	$ 12,653,066,625

Bonds with an NAIC designation of 6 of $16,210,484 and $6,774,421 as of December 31, 2015 and 2014, respectively, were carried at the lower of amortized cost or fair value.

The Company's bond portfolio was primarily comprised of investment grade securities. Based upon designations by the NAIC, investment grade bonds comprised 95.1% and 95.6% of the Company's total bond portfolio as of December 31, 2015 and 2014.

Information regarding the Company’s investments in structured notes as of December 31, 2015 was as follows:

CUSIP	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security
38141GFA7	$ 5,012,500	$ 5,000,000	$ 5,007,486	No

The carrying value and estimated fair value of bonds and redeemable preferred stock as of December 31, 2015, by contractual maturity, are shown below. Actual maturities may differ as a result of prepayments by the issuer. MBS and other ABS provide for periodic payments throughout their lives so they are listed in a separate category.

	Carrying Value	Estimated Fair Value
Due in one year or less	$ 483,778,117	$ 491,799,718
Due after one year through five years	2,270,196,094	2,373,150,539
Due after five years through ten years	2,585,170,518	2,680,143,703
Due after ten years	3,784,821,268	3,783,778,913
	9,123,965,997	9,328,872,873
MBS and other ABS	3,545,482,199	3,674,876,059
Total	$ 12,669,448,196	$ 13,003,748,932

Aging of unrealized losses on the Company's investments in bonds and redeemable preferred stock as of December 31, was as follows:

	Less than One Year		One Year or More		Total	
2015	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
U.S. Government	$ 70,524,916	$ 619,569	$ -	$ -	$ 70,524,916	$ 619,569
States, territories, and possessions	6,804,065	155,583	-	-	6,804,065	155,583
Special revenue	103,969,874	326,767	7,708,247	366,524	111,678,121	693,291
Foreign corporate	604,993,248	27,337,158	29,481,898	4,610,670	634,475,146	31,947,828
U.S. and Canadian corporate	2,515,694,131	135,323,388	75,725,779	13,333,839	2,591,419,910	148,657,227
Commercial MBS	110,841,956	3,207,940	46,687,301	250,320	157,529,257	3,458,260
Residential MBS	276,157,599	3,642,873	21,024,384	940,985	297,181,983	4,583,858
Other ABS	497,898,982	7,602,431	137,910,609	3,597,459	635,809,591	11,199,890
Total	$4,186,884,771	$178,215,709	$318,538,218	$23,099,797	$4,505,422,989	$201,315,506

	Less than One Year		One Year or More		Total	
2014	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
States, territories, and possessions	$ 295,404	$ 8,147	$ 6,720,300	$ 112,857	$ 7,015,704	$ 121,004
Foreign corporate	78,915,236	1,356,016	32,689,560	3,586,078	111,604,796	4,942,094
U.S. and Canadian corporate	389,554,277	10,270,708	160,266,845	3,814,190	549,821,122	14,084,898
Commercial MBS	75,292,952	1,718,629	1,788,825	61,651	77,081,777	1,780,280
Residential MBS	85,988,896	201,201	81,248,789	1,888,902	167,237,685	2,090,103
Other ABS	220,299,946	2,498,015	113,348,477	1,875,739	333,648,423	4,373,754
Total	$ 850,346,711	$ 16,052,716	$396,062,796	$11,339,417	$1,246,409,507	$ 27,392,133

As described in Note 1, the Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other-than-temporary.

Information and concentrations related to bonds in an unrealized loss position are included below. The tables below include the number of securities in an unrealized loss position for greater than and less than twelve months, the number with an unrealized loss of less than 10% or more than 20% of amortized cost, the average price, the average credit rating, and the percentage of these securities that were investment grade based on NAIC designations as of December 31, 2015.

	Number of Securities					
Unrealized Losses > 12 Months	**Total**	**Less than 10% Amortized Cost**	**Greater than 20% Amortized Cost**	**Average Price ($)**	**Average Credit Rating**	**Percent Investment Grade**
Special revenue	1	1	-	133	Baa1	100 %
Foreign corporate	4	3	1	93	Baa2	73
U.S. and Canadian corporate	38	9	19	93	Baa2	89
Commercial MBS	5	5	-	100	Aaa	100
Residential MBS	2	2	-	96	Aaa	100
Other ABS	15	15	-	95	A1	100
Total securities	65	35	20			

	Number of Securities					
Unrealized Losses < 12 Months	**Total**	**Less than 10% Amortized Cost**	**Greater than 20% Amortized Cost**	**Average Price ($)**	**Average Credit Rating**	**Percent Investment Grade**
U.S. Government	6	6	-	100	Aaa	100 %
States, territories, and possessions	2	2	-	130	A1	100
Special revenue	5	5	-	101	Aaa	100
Foreign corporate	82	74	1	97	Baa1	91
U.S. and Canadian corporate	489	404	28	100	A3	95
Commercial MBS	14	13	1	94	A2	86
Residential MBS	20	20	-	101	Aaa	100
Other ABS	63	62	1	98	A2	99
Total securities	681	586	31			

The unrealized losses in the tables above were due to changes in interest rates, credit ratings, and credit spreads. Foreign corporate fixed maturities were composed of securities from 25 industries, of which 19% were metals and mining and 15% were real estate. U.S. and Canadian corporate fixed maturities were composed of securities from 35 industries, of which 17% were oil and gas, 17% were pipelines and terminals and 11% were electric utilities. The Company's MBS were comprised of both residential and commercial mortgage loans. The other ABS were comprised primarily of collateralized loan obligations, collateralized bond obligations and securitized trademarks and license agreements.

Gross unrealized losses for MBS and other ABS as of December 31, 2015 by vintage were as follows:

		Non-Agency				
	Agency	**2012 and Prior**	**2013**	**2014**	**2015**	**Total**
Commercial MBS	$ 259,963	$2,228,047	$18,150	$442,975	$509,125	$ 3,458,260
Residential MBS	4,478,381	50,056	-	55,421	-	4,583,858
Other ABS	11,199,890	-	-	-	-	11,199,890
	$15,938,234	$2,278,103	$18,150	$498,396	$509,125	$19,242,008

Within its investments in ABS in the home equity sector, the Company has an exposure to subprime and Alt-A mortgage loans, which it manages in several ways. The Company monitors its exposure level to ABS against its annual investment authorization level approved by the Board of Directors. Restrictions include exposure at the aggregate level to ABS, along with exposure to ratings classes, subsectors, issuers and specific assets. The Company also continually tracks securities backed by subprime mortgage loans for factors including credit performance, rating agency actions, prepayment trends, and de-levering. Loans with trends that may indicate underperformance are monitored closely for any further deterioration that may result in action by the Company. The Company's subprime and Alt-A mortgage loans as of December 31, 2015 and 2014 have a carrying value of $6,420,322 and $9,231,524, respectively, and the fair value of these loans exceeded the cost basis as of December 31, 2015.

Proceeds from sales or disposals of bonds and stocks and the components of bond and stock net capital gains (losses) for the years ended December 31, were as follows:

	2015	2014	2013
Proceeds from sales or disposals:			
Bonds	$ 99,745,778	$ 167,697,486	$ 72,749,369
Stocks	$ 3,413,577	$ 11,175,551	$ 997,670
Net realized capital gains (losses) on bonds and stocks:			
Bonds:			
Gross realized capital gains from sales or other disposals	$ 4,016,949	$ 7,323,102	$ 6,959,904
Gross realized capital losses from sales or other disposals	(2,562,614)	(9,553,243)	(450,063)
OTTI losses	(18,025,089)	(1,267,020)	(11,235,313)
Net realized capital losses	$ (16,570,754)	$ (3,497,161)	$ (4,725,472)
Stocks:			
Gross realized capital gains from sales or other disposals	$ 932,231	$ 1,765,178	$ 35,656
Gross realized capital losses from sales or other disposals	-	(61,322)	(12,345)
Net realized capital gains	$ 932,231	$ 1,703,856	$ 23,311

Bond income due and accrued of $437,154 and $655,606 related to bonds in default was excluded from investment income during the years ended December 31, 2015 and 2014, respectively.

Mortgage Loans—The Company invests in mortgage loans collateralized principally by commercial real estate throughout the United States. All of the Company's mortgage loans are managed as one class and portfolio segment: commercial loans. During 2015, the minimum and maximum lending rates for mortgage loans were 1.98% and 4.45%, respectively. The maximum percentage of any one loan to the value of the collateral security at the time of the loan, exclusive of insured, guaranteed or purchase money mortgages, acquired during 2015 was 87%. Mutual of Omaha and Companion participate in certain of the Company's mortgage loans.

Net realized capital losses for the years ended December 31, 2015, 2014, and 2013 include losses of $535,919, $772,428, and $3,547,111, respectively, resulting from impairments of mortgage loans.

Mortgage loan participations purchased from one loan originator comprise 42% of the portfolio in 2015 and 52% in 2014. The properties collateralizing mortgage loans are geographically dispersed throughout the United States, with the largest concentration in California with concentrations of 22% and 24% as of December 31, 2015 and 2014, respectively.

Credit Quality Indicators—For purposes of monitoring the credit quality and risk characteristics, the Company considers the current debt service coverage, loan to value ratios, leasing status, average rollover, loan performance, guarantees, and current rents in relation to current markets. The debt service coverage ratio compares a property's cash flow to amounts needed to service principal and interest due under the loan. The credit quality indicators are updated annually or more frequently if conditions warrant based on the Company's credit monitoring process.

The Company's investment in mortgage loans, by credit quality profile, as of December 31, was as follows:

	Debt Service Coverage Ratios			
2015	**>1.20x**	**1.00x-1.20x**	**<1.00x**	**Total**
Loan-to-value ratios:				
Less than 65%	$ 1,274,612,515	$ 206,689,976	$ 77,131,188	$ 1,558,433,679
65% to 75%	175,780,511	44,221,783	1,542,477	221,544,771
76% to 80%	664,431	-	2,460,041	3,124,472
Greater than 80%	1,868,596	3,883,495	39,318,255	45,070,346
Total	$ 1,452,926,053	$ 254,795,254	$ 120,451,961	$ 1,828,173,268

	Debt Service Coverage Ratios			
2014	**>1.20x**	**1.00x-1.20x**	**<1.00x**	**Total**
Loan-to-value ratios:				
Less than 65%	$ 1,229,631,523	$ 179,317,515	$ 83,700,365	$ 1,492,649,403
65% to 75%	189,272,297	29,059,124	4,330,104	222,661,525
76% to 80%	-	12,879,866	747,215	13,627,081
Greater than 80%	1,903,871	1,957,377	44,334,938	48,196,186
Total	$ 1,420,807,691	$ 223,213,882	$ 133,112,622	$ 1,777,134,195

Non-Accrual and Past Due Loans—The Company's investment in loans that were 60–89 days past due was $617,400 as of December 31, 2015. The Company had no loans that were 60-89 days past due as of December 31, 2014. The Company's investment in loans that were 30–59 days past due were $860,589 and $268,129 as of December 31, 2015 and 2014, respectively. The Company's loans in current status were $1,826,136,300 and $1,775,204,966 as of December 31, 2015 and 2014, respectively.

The Company's investment in loans that were in nonaccrual status was $558,980 and $1,661,100 as of December 31, 2015 and 2014, respectively.

Impaired Loans—Information related to impaired loans for the Company during 2015 and 2014 was as follows:

As of December 31,	**2015**	**2014**
Impaired mortgage loans	$ 15,820,723	$ 17,550,656

For the Year Ended December 31,	**2015**	**2014**
Average recorded investment	$ 15,910,731	$ 11,938,228
Interest income recognized	1,301,583	785,173
Interest received	1,288,946	740,390

The Company had no allowance for credit losses as of December 31, 2015 and 2014.

Troubled Debt Restructured Loans—The Company's investment in TDR loans was $9,545,529 as of December 31, 2015. The Company did not have any realized capital losses related to these loans as of December 31, 2015. The Company's investment in TDR loans was $8,886,908 as of December 31, 2014. Of this amount, $7,452,806 was received by the Company through capital distributions from UM Holdings, L.L.C., UM Holdings II, L.L.C., and UM Holdings IV, L.L.C. The Company's realized capital losses related to these loans were $640,579 as of December 31, 2014.

During the year ended December 31, 2015, the Company modified two loans with a combined principal balance of $1,516,847 in a TDR. During the year ended December 31, 2014, the Company modified three loans with a combined principal balance of $1,434,102 in a TDR. The Company did not have any mortgage loans that were restructured within the previous twelve months and subsequently defaulted on their restructured terms during the period. No additional funds were committed to debtors whose terms have been modified in the years ended December 31, 2015 and 2014.

Common Stock — Unaffiliated—Included within common stock — unaffiliated as of December 31, 2015 and 2014 is FHLB capital stock of $27,037,227 and $20,643,530, respectively. As of December 31, 2015 and 2014, $25,536,961 and $19,889,546, respectively, was classified as required stock and the remaining $1,500,266 and $753,984, respectively, was classified as excess stock.

Limited Partnerships—Net realized capital losses for the years ended December 31, 2015, 2014, and 2013 include losses of $2,251,137, $4,622,785, and $5,638,991, respectively, resulting from other-than-temporary declines in fair value of limited partnerships due to market conditions.

Restricted Assets—Information related to the Company's investment in restricted assets as of December 31, was as follows:

			Percentage	
2015	**Gross Restricted Assets**	**Total Admitted Restricted Assets**	**Gross Restricted to Total Assets**	**Admitted Restricted to Total Admitted Assets**
Collateral held under security lending agreements	$122,176,373	$122,176,373	0.62 %	0.62 %
FHLB capital stock	27,037,227	27,037,227	0.14	0.14
On deposit with states	5,102,117	5,102,117	0.03	0.03
Pledged collateral to FHLB (including assets backing funding agreements)	808,245,679	808,245,679	4.09	4.12
Total	$962,561,396	$962,561,396	4.88 %	4.91 %

			Percentage	
2014	**Gross Restricted Assets**	**Total Admitted Restricted Assets**	**Gross Restricted to Total Assets**	**Admitted Restricted to Total Admitted Assets**
Collateral held under security lending agreements	$104,761,128	$104,761,128	0.56 %	0.56 %
FHLB capital stock	20,643,530	20,643,530	0.11	0.11
On deposit with states	5,094,021	5,094,021	0.03	0.03
Pledged collateral to FHLB (including assets backing funding agreements)	663,313,792	663,313,792	3.52	3.53
Total	$793,812,471	$793,812,471	4.21 %	4.23 %

Net Investment Income—The sources of net investment income for the years ended December 31, were as follows:

	2015	**2014**	**2013**
Bonds	$579,831,400	$568,983,705	$565,524,008
Preferred stocks	1,873,234	1,196,450	1,288,700
Common stocks — unaffiliated	614	209	406
Mortgage loans	99,706,945	101,478,588	110,468,382
Real estate	16,295,891	4,717,209	6,741,459
Contract loans	12,264,684	12,277,592	12,507,394
Cash and cash equivalents	1,007,900	917,402	217,416
Short-term investments	1,286,783	1,267,342	1,114,520
Other invested assets	147,698,267	54,630,115	29,821,169
	859,965,718	745,468,612	727,683,454
Amortization of interest maintenance reserve	3,195,294	3,553,182	4,070,391
Investment expenses	(34,167,565)	(26,635,919)	(30,770,424)
Net investment income	$828,993,447	$722,385,875	$700,983,421

3. STRUCTURED SECURITIES

The carrying value and estimated fair value of structured securities, by type, as of December 31, were as follows:

2015	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
MBS:				
Commercial	$ 985,433,084	$ 61,619,860	$ 3,458,260	$ 1,043,594,684
Residential	898,250,456	52,878,905	4,583,858	946,545,503
	1,883,683,540	114,498,765	8,042,118	1,990,140,187
Other ABS	1,661,798,659	34,137,103	11,199,890	1,684,735,872
Total	$ 3,545,482,199	$ 148,635,868	$ 19,242,008	$ 3,674,876,059

2014	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
MBS:				
Commercial	$ 1,136,536,102	$ 94,541,670	$ 1,780,280	$ 1,229,297,492
Residential	871,743,967	58,542,757	2,090,103	928,196,621
	2,008,280,069	153,084,427	3,870,383	2,157,494,113
Other ABS	1,676,610,703	64,899,542	4,373,754	1,737,136,491
Total	$ 3,684,890,772	$ 217,983,969	$ 8,244,137	$ 3,894,630,604

Aging of unrealized losses on the Company's structured securities as of December 31, were as follows:

	Less than One Year		One Year or More		Total	
2015	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
MBS:						
Commercial	$ 110,841,956	$ 3,207,940	$ 46,687,301	$ 250,320	$ 157,529,257	$ 3,458,260
Residential	276,157,599	3,642,873	21,024,384	940,985	297,181,983	4,583,858
	386,999,555	6,850,813	67,711,685	1,191,305	454,711,240	8,042,118
Other ABS	497,898,982	7,602,431	137,910,609	3,597,459	635,809,591	11,199,890
Total	$ 884,898,537	$14,453,244	$ 205,622,294	$4,788,764	$1,090,520,831	$19,242,008

	Less than One Year		One Year or More		Total	
2014	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**	**Estimated Fair Value**	**Gross Unrealized Losses**
MBS:						
Commercial	$ 75,292,952	$ 1,718,629	$ 1,788,825	$ 61,651	$ 77,081,777	$ 1,780,280
Residential	85,988,896	201,201	81,248,789	1,888,902	167,237,685	2,090,103
	161,281,848	1,919,830	83,037,614	1,950,553	244,319,462	3,870,383
Other ABS	220,299,946	2,498,015	113,348,477	1,875,739	333,648,423	4,373,754
Total	$ 381,581,794	$ 4,417,845	$ 196,386,091	$3,826,292	$ 577,967,885	$ 8,244,137

OTTI are recognized based on the Company's intent to sell, inability to hold to maturity, and when the present value of future cash flows is expected to be less than the amortized cost of the security. There were no OTTI on loan-backed and structured securities related to intent to sell or inability to hold to maturity during 2015 or 2014. All of the Company's OTTI on loan-backed and structured securities during 2015 and 2014 were based on the present value of future cash flows expected to be less than the amortized cost of the security as shown in the following tables:

2015	Amortized Cost Basis Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost Basis After OTTI	Fair Value at the Date of Impairment	Date of Financial Statement Where Reported
CUSIP:						
22545DAH0	$ 4,537,406	$4,505,706	$ 31,700	$4,505,706	$2,526,100	3/31/2015
46625MDB2	5,977,363	896,250	5,081,113	896,250	896,250	3/31/2015
929766MZ3	1,504,694	1,459,302	45,391	1,459,302	1,259,940	3/31/2015
22545DAH0	4,547,022	-	4,547,022	-	-	6/30/2015
50180LAP5	3,745,700	380,975	3,364,725	380,975	368,830	6/30/2015
50180LAR1	1,755,172	191,611	1,563,562	191,611	187,096	6/30/2015
929766MZ3	1,102,764	1,051,640	51,124	1,051,640	990,582	6/30/2015
929766NA7	79,048	49,635	29,413	49,635	28,202	6/30/2015
50180LAP5	187,604	-	187,604	-	-	9/30/2015
929766MZ3	972,230	937,303	34,927	937,303	937,303	12/31/2015
	$24,409,003	$9,472,422	$14,936,581	$9,472,422	$7,194,303	

2014	Amortized Cost Basis Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost Basis After OTTI	Fair Value at the Date of Impairment	Date of Financial Statement Where Reported
CUSIP:						
929766NA7	$ 773,106	$ 731,521	$ 41,585	$ 731,521	$ 83,859	3/31/2014
22545DAH0	4,496,030	4,468,194	27,836	4,468,194	2,539,772	9/30/2014
46630VAP7	1,049,345	241,920	807,425	241,920	241,920	9/30/2014
929766NA7	422,169	149,697	272,472	149,697	20,593	9/30/2014
46625MUG2	600,903	529,130	71,773	529,130	366,429	12/31/2014
929766NA7	146,317	100,388	45,929	100,388	14,055	12/31/2014
	$ 7,487,870	$6,220,850	$ 1,267,020	$6,220,850	$3,266,628	

4. FAIR VALUE MEASUREMENTS

The categorization of fair value measurements determined on a recurring basis, by input level, as of December 31, was as follows:

2015	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
States, territories, and possessions	$ -	$ 247,084	$ -	$ 247,084
Commercial MBS	-	-	26,775	26,775
Other ABS	-	-	1,551,451	1,551,451
Common stock	-	70,374	-	70,374
Cash equivalents	3,856,721	-	-	3,856,721
Securities lending cash collateral	122,176,373	-	-	122,176,373
Derivative cash collateral	24,587,000	-	-	24,587,000
Derivative assets	-	27,051,800	-	27,051,800
Derivative liabilities	-	812,541	-	812,541
Total without separate accounts	150,620,094	28,181,799	1,578,226	180,380,119
Separate accounts	1,918,277,133	1,254,031,688	-	3,172,308,821
Total	$2,068,897,227	$1,282,213,487	$1,578,226	$3,352,688,940

2014	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Commercial MBS	$ -	$ 5,182,295	$ -	$ 5,182,295
Common stock	-	26,630	-	26,630
Cash equivalents	104,456,200	-	-	104,456,200
Securities lending cash collateral	104,761,128	-	-	104,761,128
Derivative cash collateral	9,527,000	-	-	9,527,000
Derivative assets	-	10,891,953	-	10,891,953
Derivative liabilities	-	1,339,171	-	1,339,171
Total without separate accounts	218,744,328	17,440,049	-	236,184,377
Separate accounts	1,998,939,720	1,293,523,876	-	3,292,463,596
Total	$2,217,684,048	$1,310,963,925	$ -	$3,528,647,973

Transfers between Levels 1 and 2—Transfers in and/or out of any level are assumed to occur at the beginning of the period. During the year ended December 31, 2015, there were no transfers between Level 1 and Level 2.

A description of the significant inputs and valuation techniques used to determine estimated fair value for assets and liabilities on a recurring basis is as follows:

Level 1 Measurements

Cash Equivalents and Securities Lending Cash Collateral—Comprised of money market instruments, commercial paper and all highly-liquid debt securities purchased with an original maturity of less than three months. Money market instruments are generally valued using unadjusted quoted prices in active markets that are accessible for identical assets and are primarily classified as Level 1.

Short-Term Investments—Valuation is based on unadjusted quoted prices in active markets that are readily and regularly available.

Separate Accounts—Separate accounts are comprised primarily of money market instruments, mutual funds, collective investment trusts, exchange trades funds and common stock. Valuation is based on actively traded money market instruments, mutual funds, collective investment trusts, exchange trades funds and common stock that have daily quoted net asset values for identical assets that the Company can access.

Level 2 Measurements

States, Territories, and Possessions—These securities are principally valued using the market approach. The valuation of these securities is based primarily on quoted prices in active markets or through the use of matrix pricing or other similar techniques using standard market observable inputs such as the benchmark U.S. Treasury yield curve, the spread from the U.S. Treasury curve for the identical security and comparable securities that are actively traded.

Commercial MBS—These securities are principally valued using either the market approach or the income approach. The valuation of these securities is based primarily on matrix pricing or other similar techniques using standard market inputs, including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios, and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance, and vintage of loans.

Common Stock—These securities are principally valued using the market approach. The valuation of these securities is based principally on observable inputs including quoted prices in markets that are not considered active.

Derivative Assets and Liabilities—These derivatives include swaptions, interest rate swaps and foreign currency swaps and are principally valued using an income approach. Valuations are based on present value techniques on option pricing models.

Separate Accounts—Separate accounts are comprised primarily of common collective trusts which are valued based on independent pricing services and non-binding broker quotations. The pricing services, in general, employ a market approach to valuing portfolio investments using market prices from exchanges or matrix pricing when quoted prices are not available and other relevant data inputs as necessary. When current market prices or pricing service quotations are not available, the trustees use contractual cash flows and other inputs to value the funds.

Level 3 Measurements

In general, investments classified within Level 3 use many of the same valuation techniques and inputs as described above. However, if key inputs are unobservable, or if the investments are illiquid and there is very limited trading activity, the investments are generally classified as Level 3. The use of independent non-binding broker quotations to value investments generally indicates there is a lack of liquidity or the general lack of transparency to develop the valuation estimates, causing these investments to be classified in Level 3.

Structured Securities comprised of Commercial MBS and Other ABS—These securities are principally valued using the market approach. The valuation of these securities is based primarily on matrix pricing or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, or are based on independent non-binding broker quotations.

Changes in assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2015 were as follows:

		Gains (Losses)						
	Balance January 1, 2015	Included in Realized Gains (Losses)	Included in Surplus	Purchases	Sales and Repayments	Net Transfers Into Level 3	Net Transfers Out of Level 3	Balance December 31, 2015
Commercial MBS	$ -	$ (29,413)	$ 64,767	$ -	$ (22,634)	$ 14,055	$ -	$ 26,775
Other ABS	-	-	(15,267)	-	(428,397)	1,995,115	-	1,551,451
Total	$ -	$ (29,413)	$ 49,500	$ -	$ (451,031)	$ 2,009,170	$ -	$ 1,578,226

There were no investments fair valued on a recurring basis classified within Level 3 as of December 31, 2014.

Fair Value of Financial Instruments—The carrying values, estimated fair values, and the level within the fair value hierarchy in which the Company's financial instruments fall as of December 31, were as follows:

2015	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Financial assets:						
Bonds	$12,620,714,864	$12,950,870,546	$ -	$12,191,192,605	$ 759,677,941	$ -
Preferred stocks	48,733,332	52,878,386	-	52,878,386	-	-
Common stocks — unaffiliated	27,107,600	27,107,600	-	70,374	-	27,037,226
Mortgage loans	1,828,173,268	1,896,037,194	-	-	1,896,037,194	-
Contract loans	180,363,795	180,363,795	-	-	-	180,363,795
Cash and cash equivalents	409,624,386	409,624,386	409,624,386	-	-	-
Short-term investments	89,879,337	90,001,227	72,879,337	17,121,890	-	-
Securities lending cash collateral	122,176,373	122,176,373	122,176,373	-	-	-
Derivative assets	27,051,800	27,051,800	-	27,051,800	-	-
Financial liabilities:						
Deposit-type contracts liabilities	2,539,786,629	2,302,724,477	-	-	2,302,724,477	-
Securities lending cash collateral	122,176,373	122,176,373	122,176,373	-	-	-
Derivative cash collateral	24,587,000	24,587,000	24,587,000	-	-	-
Derivative liabilities	812,541	812,541	-	812,541	-	-
Borrowings	146,254,941	155,325,808	65,000,000	90,325,808	-	-

2014	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Financial assets:						
Bonds	$11,746,955,175	$12,622,813,385	$ -	$12,048,482,820	$ 574,330,565	$ -
Preferred stocks	28,000,000	30,253,240	-	30,253,240	-	-
Common stocks — unaffiliated	20,670,159	20,670,159	-	26,630	-	20,643,530
Mortgage loans	1,777,134,195	1,878,845,500	-	-	1,878,845,500	-
Contract loans	182,395,740	182,395,740	-	-	-	182,395,740
Cash and cash equivalents	399,949,063	399,949,063	399,949,063	-	-	-
Short-term investments	99,300,000	99,300,000	-	99,300,000	-	-
Securities lending cash collateral	104,761,128	104,761,128	104,761,128	-	-	-
Derivative assets	10,891,954	10,891,954	-	10,891,954	-	-
Financial liabilities:						
Deposit-type contracts liabilities	2,315,764,065	2,300,280,565	-	-	2,300,280,565	-
Securities lending cash collateral	104,761,128	104,761,128	104,761,128	-	-	-
Derivative cash collateral	9,527,000	9,527,000	9,527,000	-	-	-
Derivative liabilities	1,339,171	1,339,171	-	1,339,171	-	-
Borrowings	92,210,665	95,120,078	-	95,120,078	-	-

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

The fair values of cash equivalents, short-term investments, cash collateral and derivative financial instruments are estimated as discussed above.

Bonds—The fair values for bonds, including loan-backed securities, are based on quoted market prices, where available. For bonds for which market values are not readily available, fair values were estimated by the Company using projected future cash flows, current market rates, credit quality and maturity date.

Preferred Stocks—The fair values for preferred stocks are based on market value, where available. For preferred stocks for which market values are not available, fair values were estimated by the Company using projected future cash flows, current market rates, credit quality and maturity date.

Common Stocks — Unaffiliated—With the exception of the Company's investment in the FHLB stock, the fair values for unaffiliated common stocks are based on market value. It is not practicable to measure fair value in the Company's investment in FHLB stock due to restrictions on the redemption provisions. Therefore, FHLB carrying value approximates fair value.

Mortgage Loans—The fair values for mortgage loans are estimated by discounting expected future cash flows using current interest rates for similar loans with similar credit risk.

Contract Loans—Contract loans are stated at the aggregate unpaid balance. It is not practicable to determine fair value as they are often repaid by reducing the policy benefits and have variable maturity dates.

Cash—The carrying amount for this instrument approximates fair value.

Short-Term Investments—The fair value for short-term investments includes a private placement bond with less than a year to maturity which is valued using a discounted cash flow methodology using standard market observable inputs, and inputs derived from, or corroborated by, market observable data, including the market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer. The carrying amount for the other short-term investments approximates fair value.

Deposit-Type Contracts—The fair value of Guaranteed Interest Contracts, annuities and supplementary contracts without life contingencies in payout status is estimated by calculating an average present value of expected cash flows over a broad range of interest rate scenarios using the current market risk-free interest rates adjusted for spreads required for publicly traded bonds issued by comparably rated insurers. The carrying amounts for all other deposit-type contracts approximate their fair value.

Borrowings—The fair value of long-term FHLB borrowings is estimated by discounting expected future cash flows using current interest rates for debt with comparable terms. The fair value of other borrowings is deemed to be the same as its carrying value.

5. DERIVATIVE FINANCIAL INSTRUMENTS

In 2015 and 2014, derivatives of $27,051,800 and $10,891,954, respectively, are included in other invested assets. In 2015 and 2014, derivatives of $812,540 and $1,339,171, respectively, are included in other liabilities. The following tables summarize the Company's derivative financial instruments as of December 31:

2015	Contract/ Notional Amount	Carrying Value	Credit Exposure	Estimated Fair Value
Interest-rate swaps	$ 39,318,255	$ (674,166)	$ 192,452	$ (674,166)
Foreign currency swaps	213,054,515	26,913,426	2,787,443	26,913,426
Swaptions	3,650,000,000	-	13,444,849	-
Total	$ 3,902,372,770	$ 26,239,260	$ 16,424,744	$ 26,239,260

2014	Contract/ Notional Amount	Carrying Value	Credit Exposure	Estimated Fair Value
Interest-rate swaps	$ 39,780,076	$ (1,339,171)	$ 279,327	$ (1,339,171)
Foreign currency swaps	136,216,584	9,384,638	1,736,610	9,384,638
Swaptions	5,300,000,000	1,507,316	27,581,155	1,507,316
Total	$ 5,475,996,660	$ 9,552,783	$ 29,597,092	$ 9,552,783

The following changes in value of derivatives for the years ended December 31, were reported in the statutory financial statements as follows:

2015	Unassigned Surplus	Net Realized Capital Losses	Net Investment Income
Interest-rate swaps	$ 665,005	$ -	$ (916,292)
Foreign currency swaps	17,528,787	-	2,085,462
Swaptions	1,545,185	(3,052,500)	-
Total	$ 19,738,977	$ (3,052,500)	$ 1,169,170

2014	Unassigned Surplus	Net Realized Capital Losses	Net Investment Income
Interest-rate swaps	$ 627,028	$ -	$ (881,345)
Foreign currency swaps	9,671,113	-	600,946
Swaptions	(15,017,410)	-	-
Total	$ (4,719,269)	$ -	$ (280,399)

2013	Unassigned Surplus	Net Realized Capital Losses	Net Investment Income
Interest-rate swaps	$ (1,561,091)	$ (236,000)	$ (1,154,564)
Foreign currency swaps	323,472	-	410,125
Swaptions	3,152,850	-	-
Total	$ 1,915,231	$ (236,000)	$ (744,439)

Certain of the Company's derivative instruments contain provisions requiring collateral against the fair value subject to minimum transfer amounts. The aggregate fair value of all the derivative instruments with collateral features was $25,707,208 and $9,404,522, on December 31, 2015 and 2014, respectively. The Company was holding $24,587,000 and $9,527,000 of cash collateral as of December 31, 2015 and 2014, respectively.

6. INCOME TAXES

The Company's federal income tax return is consolidated with the following entities: Mutual of Omaha, Companion, United World Life, Omaha Life Insurance Company, Omaha Re, Mutual of Omaha Structured Settlement Company, Mutual of Omaha Holdings, Inc. and its subsidiaries, Omaha Financial Holdings, Inc. and its subsidiaries, and The Omaha Indemnity Company.

Income taxes are allocated among the companies pursuant to a written agreement approved by the Board of Directors. Each company's provision for federal income taxes is based on separate return calculations with credit for net operating losses and capital losses allowed only as each company would utilize such losses on a separate return basis with limited exceptions. The Company's deferred tax liability does not include a deferred tax liability for the investment in subsidiaries.

The Company’s federal income taxes incurred during the year ended December 31, 2015 which were available for recoupment in the event that the Company incurs future net losses, are as follows:

Ordinary	$ 23,455,434
Capital	21,953,232
Total	$ 45,408,666

No federal income taxes were paid for the years ended December 31, 2014 and 2013 which are available for recoupment in the event the Company incurs future net losses.

There were no deposits admitted under Section 6603 of the Internal Revenue Code.

Federal income taxes incurred for the years ended December 31, consisted of the following major components:

	2015	2014	2013
Current federal income tax expense	$ 38,208,236	$ 2,140,068	$ 305,948
Current foreign income tax expense	65,208	100,958	49,262
Federal income tax expense	38,273,444	2,241,026	355,210
Federal income tax expense on net realized capital gains	1,468,554	170,128	1,779,421
Total federal and foreign income tax expense	39,741,998	2,411,154	2,134,631
Change in net deferred income taxes	3,344,152	89,224,373	(100,956,808)
Total federal income tax expense (benefits) incurred	$ 43,086,150	$ 91,635,527	$ (98,822,177)

Reconciliations between income taxes based on the federal tax rate and the effective tax rate for the years ended December 31, were as follows:

	2015	2014	2013
Net gain from operations before federal income tax expense (benefits) and net realized capital losses	$ 215,630,167	$ 185,087,808	$ 88,426,175
Net realized capital losses before federal income tax benefits and transfers to IMR	(20,846,506)	(15,577,029)	(12,384,164)
Total pre-tax gain	194,783,661	169,510,779	76,042,011
Statutory tax rate	35 %	35 %	35 %
Expected federal income tax expense incurred	68,174,281	59,328,772	26,614,704
Statutory valuation allowance	-	-	(107,450,580)
Affiliate reinsurance reserve transfer	152,138	50,676,044	-
Prior year tax expense (benefits)	-	(899)	357
Dividends received deduction	(1,443,314)	(2,478,888)	(1,424,412)
Amortization of IMR	(1,118,353)	(1,243,614)	(1,424,637)
Change in nonadmitted assets	(3,057,351)	(657,388)	853,646
Reserve changes in surplus	(18,614,899)	(13,027,618)	(18,559,052)
Other	(1,006,352)	(960,882)	2,567,797
Total federal income tax expense (benefits) incurred	$ 43,086,150	$ 91,635,527	$ (98,822,177)

Based on the weight of available positive and negative evidence as of December 31, 2013, the Company recorded a decrease in the valuation allowance against its net deferred tax assets of $107,450,580.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The statute of limitations has closed on all years through 2011. Therefore, the years after 2011 remain subject to audit by federal and state tax jurisdictions.

There were no net operating loss carryforwards as of December 31, 2015.

For the years ended December 31, 2015 and 2014, there was no income tax accrual for uncertain tax positions. As of December 31, 2015, there were no positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase within 12 months of the reporting date. As of December 31, 2015 and 2014, the Company had no statutory valuation allowance reducing its deferred tax asset.

The components of DTA and DTL as of December 31, were as follows:

	2015		
	Ordinary	**Capital**	**Total**
Gross DTA	$ 335,945,722	$ 11,518,027	$ 347,463,749
Nonadmitted DTA	(97,088,267)	-	(97,088,267)
Net admitted DTA	238,857,455	11,518,027	250,375,482
DTL	(108,746,708)	(11,518,027)	(120,264,735)
Net DTA	$ 130,110,747	$ -	$ 130,110,747

	2014		
	Ordinary	**Capital**	**Total**
Gross DTA	$ 302,500,204	$ 12,395,796	$ 314,896,000
Nonadmitted DTA	(62,763,361)	-	(62,763,361)
Net admitted DTA	239,736,843	12,395,796	252,132,639
DTL	(100,276,126)	(12,395,796)	(112,671,922)
Net DTA	$ 139,460,717	$ -	$ 139,460,717

The Company has admitted deferred tax assets as of December 31, as follows:

	2015		
	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	$ 23,455,434	$ 2,773,239	$ 26,228,673
Adjusted gross DTA expected to be realized (lesser of 1 or 2)	103,882,074	-	103,882,074
1. Adjusted gross DTA expected to be realized following the balance sheet date	103,882,074	-	103,882,074
2. Adjusted gross DTA allowed per limitation threshold	196,722,433	-	196,722,433
Adjusted gross DTA that can be offset against DTL	111,519,947	8,744,788	120,264,735
DTA admitted as the result of application of SSAP 101	$ 238,857,455	$ 11,518,027	$ 250,375,482

	2014		
	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks	$ -	$ -	$ -
Adjusted gross DTA expected to be realized (lesser of 1 or 2)	139,460,717	-	139,460,717
1. Adjusted gross DTA expected to be realized following the balance sheet date	139,460,717	-	139,460,717
2. Adjusted gross DTA allowed per limitation threshold	192,465,283	-	192,465,283
Adjusted gross DTA that can be offset against DTL	100,276,126	12,395,796	112,671,922
DTA admitted as the result of application of SSAP 101	$ 239,736,843	$ 12,395,796	$ 252,132,639

The authorized control level risk-based capital (RBC) ratio percentages used to determine recovery period and threshold limitation amounts were 727% and 738% as of December 31, 2015 and 2014, respectively. The amounts of adjusted capital and surplus used to determine recovery period and threshold limitations were $1,433,943,316 and $1,448,114,053 as of December 31, 2015 and 2014, respectively.

The Company has not utilized an income tax planning strategy for the realization of a DTA for 2015 and 2014.

The tax effects of temporary differences that give rise to significant portions of the DTA and DTL as of December 31, were as shown in the table below.

	2015	2014	Change
DTA:			
Ordinary:			
Policyholder reserves	$ 127,931,356	$ 90,612,243	$ 37,319,113
Investments	118,900	2,865,107	(2,746,207)
Deferred acquisition cost	182,660,242	173,094,767	9,565,475
Compensation and benefit accrual	9,458,187	9,139,490	318,697
Other expense accruals	894,189	5,351,730	(4,457,541)
Receivables — nonadmitted	2,045,829	1,734,664	311,165
Other nonadmitted assets	9,329,328	6,583,142	2,746,186
Net operating loss carryforward	-	6,053,760	(6,053,760)
Alternative minimum tax credit carryforward	-	4,396,107	(4,396,107)
Other	3,507,691	2,669,194	838,497
Subtotal	335,945,722	302,500,204	33,445,518
Nonadmitted DTA	(97,088,267)	(62,763,361)	(34,324,906)
Admitted ordinary DTA	238,857,455	239,736,843	(879,388)
Capital:			
Investments	11,518,027	12,395,796	(877,769)
Admitted capital DTA	11,518,027	12,395,796	(877,769)
Admitted DTA	250,375,482	252,132,639	(1,757,157)
DTL:			
Ordinary:			
Investments	(21,981,480)	(16,746,356)	(5,235,124)
Fixed assets	(10,971,814)	(12,717,256)	1,745,442
Reserve basis adjustment	(23,594,219)	(18,873,940)	(4,720,279)
Advance commissions	(7,657,963)	(6,447,462)	(1,210,501)
Other	(4,597,124)	(4,058,901)	(538,223)
Subtotal	(68,802,600)	(58,843,915)	(9,958,685)
Capital:			
Investments	(49,867,453)	(52,233,325)	2,365,872
Real estate	(1,594,682)	(1,594,682)	-
Subtotal	(51,462,135)	(53,828,007)	2,365,872
DTL	(120,264,735)	(112,671,922)	(7,592,813)
Net admitted DTA	$ 130,110,747	$ 139,460,717	$ (9,349,970)

The change in net deferred income taxes, exclusive of non-admitted assets reported separately in surplus in the Annual Statement, during the years ended December 31, was comprised of the following:

	2015	2014	Change
DTA	$ 347,463,749	$ 314,896,000	$ 32,567,749
DTL	(120,264,735)	(112,671,922)	(7,592,813)
Net DTA	$ 227,199,014	$ 202,224,078	24,974,936
Tax effect of unrealized loss			(28,319,088)
Change in net deferred income taxes			$ (3,344,152)

	2014	2013	Change
DTA	$ 314,896,000	$ 396,059,408	$ (81,163,408)
DTL	(112,671,922)	(111,134,558)	(1,537,364)
Net DTA	$ 202,224,078	$ 284,924,850	(82,700,772)
Tax effect of unrealized gains			(6,523,601)
Change in net deferred income taxes			$ (89,224,373)

7. RELATED PARTY INFORMATION

The Company has investments in non-insurance SCAs. The admitted values of Fulcrum were $61,694,454 and the non-admitted values from UM Holdings, L.L.C. were $54,243.

The audited statutory surplus of the Company's wholly owned insurance SCA, Omaha Re reflects a departure from NAIC SAP for a prescribed practice from the State of Nebraska Department of Insurance, which requires a parental guarantee be recorded as an admitted asset. The Company, however, has adjusted the investment in Omaha Re to be consistent with NAIC SAP, which does not allow the parental guarantee to be an admitted asset.

The Company has an investment in an insurance SCA, Companion, for which the audited statutory surplus and income reflect a departure from NAIC SAP. Companion is domiciled in the State of New York and is required to record assets and liabilities under state law, if different from NAIC SAP. In 2015, this increased net income by $4,756,049 and decreased surplus $28,617,735. The differences primarily relate to reserve vaulations under New York Regulation 147. The Company's investment in Companion was $50,911,038 at December 31, 2015. The investment would have been $79,528,773 without the prescribed practices. The risk-based capital of Companion would not have triggered a regulatory event if the prescribed practice was not used.

During 2015, mortgage loan and real estate transfers between the Company and UM Holdings, L.L.C., were at fair value. The Company had no recorded losses on the transfer of real estate to UM Holdings L.L.C. The Company's contributions to and distributions from UM Holdings L.L.C. in 2015 were as follows:

	Cash	Mortgage Loans	Total
Contributions:			
May 11, 2015	$ -	$ 221,468	$ 221,468
Distributions:			
May 14, 2015	$ 150,000	$ -	$ 150,000
May 29, 2015	-	221,468	221,468
December 21, 2015	110,000	-	110,000
	$ 260,000	$ 221,468	$ 481,468

During 2014, mortgage loan and real estate transfers between the Company and UM Holdings, L.L.C., UM Holdings II, L.L.C., and UM Holdings IV, L.L.C., were at fair value. The Company recorded a loss of $61,740 on the transfer of real estate to UM Holdings IV, L.L.C. The Company's contributions to and distributions from these subsidiaries in 2014 were as follows:

	Cash	Mortgage Loans	Real Estate	Total
UM Holdings, L.L.C.:				
Distributions:				
March 26, 2014	$ 1,477,000	$ -	$ -	$ 1,477,000
June 25, 2014	1,250,000	-	-	1,250,000
July 24, 2014	-	-	925,723	925,723
August 1, 2014	-	-	819,499	819,499
September 1, 2014	-	7,393,145	-	7,393,145
September 26, 2014	690,000	-	-	690,000
December 29, 2014	1,375,000	-	-	1,375,000
	$ 4,792,000	$ 7,393,145	$ 1,745,222	$ 13,930,367
UM Holdings II, L.L.C.:				
Distributions:				
March 26, 2014	$ 1,257,000	$ -	$ -	$ 1,257,000
September 1, 2014	-	5,650,230	897,383	6,547,613
September 26, 2014	2,900,000	-	-	2,900,000
December 29, 2014	555,303	-	-	555,303
	$ 4,712,303	$ 5,650,230	$ 897,383	$ 11,259,916
UM Holdings III, L.L.C.:				
Distributions:				
June 25, 2014	$ 150,000	$ -	$ -	$ 150,000
August 1, 2014	-	280,784	-	280,784
December 29, 2014	119,690	-	-	119,690
	$ 269,690	$ 280,784	$ -	$ 550,474
UM Holdings IV, L.L.C.				
Contributions:				
October 1, 2014	$ -	$ -	$ 189,630	$ 189,630
Distributions:				
March 26, 2014	$ 1,355,000	$ -	$ -	$ 1,355,000
June 25, 2014	600,000	-	-	600,000
August 1, 2014	-	125,023	251,370	376,393
September 26, 2014	840,000	-	-	840,000
November 12, 2014	-	-	9,077,636	9,077,636
December 29, 2014	1,614,027	-	-	1,614,027
	$ 4,409,027	$ 125,023	$ 9,329,006	$ 13,863,056

During 2013, the Company transferred mortgage loans to UM Holdings, L.L.C., UM Holdings II, L.L.C., and UM Holdings IV, L.L.C., at fair value, and recorded a loss of $1,116,385. The Company's contributions to and distributions from these subsidiaries in 2013 were as follows:

	Cash	Mortgage Loans	Other Invested Assets	Total
UM Holdings, L.L.C.:				
Distributions:				
June 11, 2013	$ 2,000,000	$ -	$ -	$ 2,000,000
September 26, 2013	700,000	-	-	700,000
	$ 2,700,000	$ -	$ -	$ 2,700,000
UM Holdings II, L.L.C.:				
Contributions:				
February 22, 2013	$ -	$ 145,684	$ -	$ 145,684
Distributions:				
March 13, 2013	$ 650,000	$ -	$ -	$ 650,000
June 11, 2013	2,500,000	-	-	2,500,000
September 26, 2013	600,000	-	-	600,000
December 13, 2013	900,000	-	-	900,000
	$ 4,650,000	$ -	$ -	$ 4,650,000
UM Holdings III, L.L.C.:				
Distributions:				
December 23, 2013	$ 2,100,000	$ -	$ 17,877,233	$ 19,977,233
UM Holdings IV, L.L.C.:				
Contributions:				
March 26, 2013	$ -	$ 329,118	$ -	$ 329,118
April 12, 2013	-	381,087	-	381,087
May 22, 2013	-	258,532	-	258,532
June 26, 2013	-	1,894,725	-	1,894,725
	$ -	$ 2,863,462	$ -	$ 2,863,462
Distributions:				
March 13, 2013	$ 1,900,000	$ -	$ -	$ 1,900,000
June 11, 2013	500,000	-	-	500,000
December 13, 2013	1,300,000	-	-	1,300,000
	$ 3,700,000	$ -	$ -	$ 3,700,000

The Company has reinsurance agreements with affiliate entities. The Company assumes certain group and individual life insurance from Companion. The Company cedes certain individual life insurance to Omaha Re. The Company cedes certain individual health insurance to Mutual of Omaha. See Note 9 for impacts to the statutory financial statements due to these agreements.

The Company previously entered into a line of credit agreement with Omaha Financial Holdings, Inc. (OFHI) at an interest rate of 2.45% and allowed OFHI to borrow up to $100,000,000 less any outstanding balances on promissory notes from the Company. On September 22, 2015, the line of credit matured and was not renewed. The amount outstanding as of December 31, 2014 was $99,300,000 and is included in short-term investments. The Company received interest payments of $825,105, $1,267,396, and $1,060,747 for the years ended December 31, 2015, 2014, and 2013, respectively.

During 2014, the Company changed the process for settling affiliate reinsurance balances. Prior to 2014, such balances were settled on an estimated basis in the current month. Beginning in 2014, balances are settled within 30 days following month end. This change had an impact on reinsurance recoverable and premiums deferred and uncollected in the statement of admitted assets, liabilities and surplus and net cash from operations in the statement of cash flows.

Prior to 2014, the Company reported affiliate ceded and assumed expense allowances in operating expenses in the statement of operations. Beginning in 2014, the Company reported such allowances as commissions and expense allowances on reinsurance ceded and commissions in the statement of operations. The change was made on a prospective basis effective with 2014 and had no impact to net income.

On September 4, 2015, the Company made a cash capital contribution of $1,000,000 to Omaha Life Insurance Company.

On September 28, 2015, a cash return of capital of $1,000,000 was made to the Company by Omaha Life Insurance Company.

On December 30, 2015, the Company made a cash capital contribution of $10,000,000 to Companion.

On December 31, 2015, the Company accrued a capital contribution of $5,000,000 payable to Companion, which was settled on January 19, 2016 with cash.

On March 17, 2014, the Company made a cash capital contribution of $14,000,000 to Companion.

On April 1, 2014, the Company made a capital contribution of $122,919,409 to Omaha Re, consisting of accrued interest and bonds at market value.

On June 27, 2014, the Company made a cash capital contribution of $80,156 to Omaha Re.

On February 20, 2013, the Company received a return of capital of $1,000,000 from Omaha Re.

On August 31, 2013, the Company purchased EB Gateway, Inc., a former subsidiary of Mutual of Omaha Holdings, Inc., at a cost of $598,092, and merged the operations into the Company.

On September 27, 2013, the Company received a return of capital of $500,000 from Omaha Re.

On December 24, 2013, the Company received a cash capital contribution of $60,000,000 from Mutual of Omaha.

The Company is a member of a controlled group of companies and as such its results may not be indicative of those if it were to be operated on a stand-alone basis. Any amounts due to or from each affiliated company are presented on a net basis in the statutory statements.

Mutual of Omaha and certain of its direct and indirect subsidiaries, including the Company, share certain resources such as personnel, operational and administrative services, facilities, information and communication services, employee benefits administration, investment management, advertising and general management services. Most of the expenses related to these resources were paid by Mutual of Omaha and subject to allocation among Mutual of Omaha and its subsidiaries. Management believes the measures used to allocate expenses between companies are within NAIC guidelines. Additionally, certain amounts are paid or collected by Mutual of Omaha on behalf of the Company and are generally settled within 30 days. Amounts due to the parent from the Company for these services were included in payable to parent, subsidiaries and affiliates and were $57,533,155 and $82,157,304 as of December 31, 2015 and 2014, respectively.

8. BORROWINGS

A summary of the Company's borrowings outstanding as of December 31, 2015, was as follows:

	Interest Rates	Balances
FHLB advances due in 2023 (including accrued interest)	5.03%	$ 81,254,941
FHLB advances due in 2016	0.48%	65,000,000
Securities lending	N/A	122,176,373
		$ 268,431,314

The Company has a borrowing agreement with the FHLB under which the Company pledges bonds in return for extensions of credit. Advances due in 2023 are subject to prepayment penalty. The maximum amount borrowed jointly under the borrowing agreement for the year ended December 31, 2015 was $390,655,000. The Company held $5,360,685 and $3,202,760 of FHLB stock under these borrowing agreements as of December 31, 2015 and 2014, respectively. The Company has also entered into funding agreement contracts with the FHLB and held $21,676,542 and $17,440,770 of FHLB stock as part of these contracts as of December 31, 2015 and 2014, respectively. The Company and Mutual of Omaha have jointly authorized a maximum extension of credit with the FHLB of $1,000,000,000 with a maximum of $600,000,000 available for funding agreement contracts. The liability for the funding agreements was $590,000,000 and $500,000,000 as of December 31, 2015 and 2014, respectively, and was included in deposit-type contracts.

As of December 31, 2015, the funding agreement contracts mature as follows:

2016	$ 125,000,000
2017	168,000,000
2018	160,000,000
2019	82,000,000
2020	55,000,000
	$ 590,000,000

The Company had MBS pledged as collateral with carrying values of $808,245,679 and $663,313,792, respectively, and with fair values of $853,542,000 and $716,602,000 pledged under these agreements as of December 31, 2015 and 2014.

As of December 31, 2015 and 2014, collateral received in cash through securities lending agreements of $122,176,373 and $104,761,128, respectively, was included as a liability for funds held for securities on loan included in borrowings in the statutory financial statements. The Company had securities loaned to third parties of $186,808,000 and $136,516,000 as of December 31, 2015 and 2014, respectively which were on open terms whereby the related loaned security could be returned to the Company on the next business day requiring return of cash collateral. The Company cannot access the cash collateral unless the borrower fails to deliver the loaned securities.

The amortized cost and estimated fair values of the Company's collateral as of December 31, 2015, were as follows:

Open	$ -
30 days or less	33,176,186
31 to 60 days	12,945,389
61 to 90 days	13,754,476
91 to 120 days	9,709,042
121 to 180 days	14,968,106
181 to 365 days	35,195,913
1 to 2 years	2,427,261
Total collateral received	$ 122,176,373

The Company and Mutual of Omaha, on a joint basis have entered into certain unsecured revolving line of credit agreements that allow for maximum borrowings of $150,000,000 and are renewed annually. As of December 31, 2015 and 2014, the Company had no outstanding borrowings under these agreements. Interest expense of $112 was incurred for the year ended December 31, 2015. No interest expense was incurred for the years ended December 31, 2014 and 2013.

The Company and Mutual of Omaha, have bilateral unsecured internal borrowing agreements for $250,000,000 as of December 31, 2015 and 2014. As of December 31, 2015 and 2014, the Company had no outstanding borrowings under these agreements. Interest expense of $6,368 was incurred for the year ended December 31, 2015. No interest expense was incurred for the years ended December 31, 2014 and 2013.

The Company has an agreement to sell and repurchase securities. Under this agreement, the Company obtains the use of funds for a period not to exceed 30 days. Maximum borrowings allowed under this agreement is $500,000,000. The Company had no outstanding borrowings under this agreement as of December 31, 2015, 2014 and 2013. Interest expense of $626 was incurred for the years ended December 31, 2015. No interest expense was incurred for the years ended December 31, 2014 and 2013.

9. REINSURANCE

Amounts recoverable from reinsurers are estimated based upon assumptions consistent with those used in establishing the liabilities related to the underlying reinsured contracts. Management believes the recoverables are appropriately established.

Effective January 1, 2013 the Company entered into a coinsurance reinsurance agreement with Mutual of Omaha ceding 100% of its Medicare supplement policies written on or after January 1, 2013.

Effective April 1, 2014, the Company amended the October 1, 2012 reinsurance agreement with Omaha Re in order to cover additional term life insurance policies, certain universal life policies with secondary guarantees, and to change certain other terms and conditions. The agreement provides coinsurance to the Company on an indemnity basis for all liabilities arising from certain term and universal life insurance policies, net of third party reinsurance, and is accounted for on a funds-withheld basis. The significant financial impacts due to this amendment for the year ended December 31, 2014 were as follows:

Ceded amounts:	
Statutory statement of operations:	
Net premium considerations	$846,007,649
Increase in reserves	851,828,814
Statutory statement of admitted assets, liabilities, and surplus:	
Aggregate reserve for life policies and contracts	851,828,814
Funds held under coinsurance increase	598,769,853
Deferred gain reflected in unassigned surplus	239,507,015

Effective September 25, 2015, the Company amended the reinsurance agreement with Omaha Re to change certain reserve methods for universal life policies.

Deferred gains are amortized into operations as earnings emerge from the business reinsured. During 2015 and 2014, the Company amortized $4,275,835 and $16,848,232, respectively, into other income.

A summary of the impact of reinsurance operations on the statutory statements of operations for the years ended December 31, is as follows:

	2015	2014	2013
Premium considerations:			
Assumed:			
Affiliates	$ 27,360,025	$ 25,997,137	$ 22,892,810
Non-affiliates	432,138	417,935	567,445
	$ 27,792,163	$ 26,415,072	$ 23,460,255
Ceded:			
Affiliates	$ 353,308,611	$ 1,148,557,498	$ 190,854,945
Non-affiliates	126,081,773	112,498,089	112,804,294
	$ 479,390,384	$ 1,261,055,587	$ 303,659,239
Commissions and expense allowances on reinsurance ceded:			
Affiliates	$ 69,853,575	$ 88,224,859	$ 27,071,336
Non-affiliates	16,939,376	10,991,647	17,155,339
	$ 86,792,951	$ 99,216,506	$ 44,226,675
Policyholder benefits:			
Assumed:			
Affiliates	$ 16,940,877	$ 19,061,199	$ 18,534,455
Non-affiliates	77,447	571,160	380,457
	$ 17,018,324	$ 19,632,359	$ 18,914,912
Ceded:			
Affiliates	$ 191,450,096	$ 142,298,873	$ 85,131,129
Non-affiliates	112,573,925	109,925,898	97,682,027
	$ 304,024,021	$ 252,224,771	$ 182,813,156
Operating expenses (including change in loading):			
Ceded:			
Affiliates	$ 3,405,770	$ (5,624,553)	$ 58,886,538

A summary of the impact of reinsurance operations on the statements of admitted assets, liabilities and surplus as of December 31, is as follows:

	2015	2014
Aggregate reserve for policies and contracts:		
Assumed:		
Affiliates	$ 27,728,539	$ 19,216,226
Non-affiliates	846,768	899,775
	$ 28,575,307	$ 20,116,001
Ceded:		
Affiliates	$ 1,707,985,680	$ 1,538,935,964
Non-affiliates	348,350,182	340,674,002
	$ 2,056,335,862	$ 1,879,609,966
Policy and contract claims:		
Assumed:		
Affiliates	$ 2,752,409	$ 4,264,641
Ceded:		
Affiliates	$ 34,963,287	$ 26,148,860
Non-affiliates	30,900,819	26,061,568
	$ 65,864,106	$ 52,210,428
Premiums deferred and uncollected:		
Ceded:		
Affiliates	$ 81,715,375	$ 87,289,063
Non-affiliates	15,849,287	6,849,200
	$ 97,564,662	$ 94,138,263
Funds held under reinsurance treaties included in reinsurance recoverable (all related party)	$ 34,597,860	$ 28,638,459
Funds held under reinsurance treaties included in funds held under coinsurance (all related party)	$ 918,179,349	$ 785,642,194

10. EMPLOYEE BENEFIT PLANS

The Company participates in three plans sponsored by its parent, Mutual of Omaha. These plans are a qualified, non-contributory defined benefit pension plan, a 401(k) defined contribution plan, and a postretirement benefit plan that provides certain health care and life insurance benefits for retirees. Substantially all employees are eligible for the 401(k) Plan, while only employees hired before 1995 are eligible for the postretirement benefit plan. Effective January 1, 2005 the defined benefit plan was amended to freeze plan benefits for participants under 40 years of age. No benefits are available under the defined benefit plan for employees hired on or after January 1, 2005. The Company has no legal obligation for benefits under these plans. Mutual of Omaha allocates expense amounts for these plans to the Company based on various cost allocation ratios. The Company's share of net expense for these plans for the years ended December 31, was as follows:

	2015	2014	2013
Defined benefit pension plan	$ 16,074,603	$ 18,058,836	$ 19,102,619
401(k) profit sharing defined contribution plan	9,439,727	9,297,956	7,710,442
Postretirement benefit plan	2,576,182	2,452,319	2,054,528

Plan assets for the defined benefit pension plan included a group annuity contract issued by the Company with a balance of $629,662,212 and $692,614,214 as of December 31, 2015 and 2014, respectively. Plan assets for the postretirement benefit plan were invested in a group annuity contract issued by the Company with a balance of $13,495,077and $16,681,617 as of December 31, 2015 and 2014, respectively. Plan assets for the 401(k) plan included a group annuity contract issued by the Company with a balance of $162,523,920 and $162,067,164 as of December 31, 2015 and 2014, respectively.

11. SURPLUS AND DIVIDEND RESTRICTIONS

The portion of unassigned surplus represented by each item below as of December 31, is shown in the following table.

	2015	2014	2013
Unrealized losses	$ (259,211,390)	$ (184,951,503)	$ (46,966,914)
Nonadmitted assets	(129,588,715)	(86,528,522)	(146,803,713)
AVR	(115,360,698)	(158,406,341)	(171,328,141)

The minimum statutory capital and surplus necessary to satisfy regulatory requirements was $394,382,270 as of December 31, 2015 (company action level RBC). Company action level RBC is the level at which a company is required to file a corrective action plan with its regulators. Company action level RBC is equal to 200% of the authorized control level RBC, which is the level at which regulatory action is taken.

Regulatory restrictions limit the amount of dividends available for distribution without prior approval of the State of Nebraska Department of Insurance. As of December 31, 2015, the maximum dividend allowed was $153,640,116.

12. COMMITMENTS AND CONTINGENCIES

The Company had unfunded investment commitments for bond investments, mortgage loans and other invested assets of $253,565,820 and $168,875,858 as of December 31, 2015 and 2014, respectively.

As a condition of doing business, all states and jurisdictions have adopted laws requiring membership in life and health insurance guaranty funds. Member companies are subject to assessments each year based on life, health or annuity premiums collected in the state. The Company estimated its costs related to past insolvencies and had a liability for guaranty fund assessments of $2,178,601and $2,921,163 as of December 31, 2015 and 2014, respectively. The Company estimated premium tax credits that it will receive related to amounts paid to guaranty funds of $1,937,227and $2,627,396 as of December 31, 2015 and 2014, respectively.

The Company has adopted resolutions to guarantee timely payment of certain liabilities incurred by Mutual of Omaha Structured Settlement Company. The liabilities subject to this guarantee as of December 31, 2015 are $531,988,216.

Various lawsuits have arisen in the ordinary course of the Company's business. Management believes that its defenses in these various lawsuits are meritorious and that the eventual outcome of those lawsuits will not have a material effect on the Company's financial position, results of operations or cash flows.

13. LEASES

The Company and Mutual of Omaha jointly enter into agreements for the rental of office space, equipment and computer software under noncancelable operating leases. Future required minimum rental payments under leases as of December 31, 2015, were:

2016	$ 10,022,293
2017	7,102,516
2018	5,037,492
2019	3,379,950
2020	2,448,147
Thereafter	13,536,797
Total	$ 41,527,195

The Company's allocated rental expense for the years ended December 31, 2015, 2014, and 2013, were $19,199,267, $13,347,762, and $13,617,891, respectively.

14. DIRECT PREMIUMS WRITTEN

The Company's direct accident and health premiums written by third-party administrators were $98,134,213, $81,987,866, and $80,271,228, during the years ended December 31, 2015, 2014, and 2013, respectively.

15. RETROSPECTIVELY RATED CONTRACTS

The Company estimates accrued retrospective premium adjustments for its group life and health insurance business based upon premium, claims, and expense experience for each retrospectively rated policy. This method may result in the calculation of an asset or liability for certain retrospectively rated policies.

The amount of net premiums earned by the Company that were subject to retrospective rating features were approximately $7,700,000, $7,900,000, and $7,700,000 for group life business and $2,500,000, $500,000, and $500,000 for group health business during the years ended December 31, 2015, 2014, and 2013, respectively. The net premiums represent 2.0%, 2.1%, and 2.3% of the total net premium for group life business and 0.5%, 0.1%, and 0.1% of the total net premium for group health business during the years ended December 31, 2015, 2014, and 2013, respectively.

16. LIABILITY FOR POLICY AND CONTRACT CLAIMS—HEALTH

A reconciliation of the policy and contract claims—health, which includes both claim liabilities and reserves, as of December 31, was as follows:

	2015	2014
Health balance at January 1	$ 698,030,844	$ 637,522,949
Reinsurance recoverable	37,114,164	32,951,592
Net balance at January 1	660,916,680	604,571,357
Incurred related to:		
Current year	999,024,154	1,061,126,610
Prior years	(18,466,472)	(5,433,163)
Total incurred	980,557,682	1,055,693,447
Paid related to:		
Current year	743,094,221	801,971,118
Prior years	215,189,120	197,377,006
Total paid	958,283,341	999,348,124
Net balance at December 31	683,191,021	660,916,680
Reinsurance recoverable	46,057,348	37,114,164
Balance at December 31	$ 729,248,369	$ 698,030,844

During 2015, incurred claims related to prior years were negative primarily due to a $30,711,425 decrease to prior year reserves for a change in certain assumptions related to group long term disability reserves and favorable experience within certain health and accident coverages, offset by the aging of discounted open claims. During 2014, incurred claims related to prior years were negative primarily due to favorable experience within certain health and accident coverages and expected margin releases offset by the aging of discounted open claims.

Management believes that the liability for unpaid claims is adequate to cover the ultimate development of claims. The liability is continually reviewed and revised to reflect current conditions and claim trends and any resulting adjustments are reflected in operating results in the year they are made.

A roll forward of the liability for claim adjustment expenses included in general expenses due or accrued was as follows:

	2015	2014
Prior year accrual	$ 21,518,436	$ 18,891,934
Incurred claim adjustment expenses	43,225,887	42,401,382
Paid claim adjustment expenses	(41,252,042)	(39,774,880)
Total	$ 23,492,281	$ 21,518,436

17. AGGREGATE RESERVE FOR POLICIES AND CONTRACTS

The Company waives deduction of deferred fractional premiums upon death of the insured and returns any portion of the final premium for periods beyond the monthly policy anniversary following the date of death. Surrender values are not promised in excess of the legally computed reserves.

For plans introduced prior to 1989, substandard reserves for policies with a substandard underwriting class were set equal to the excess of the reserve calculated using the appropriate substandard multiple mortality table over the reserve calculated using the standard mortality table, where both calculations use the same valuation interest rate and reserve method. For plans of insurance introduced after 1988 with a substandard underwriting class and for all policies with a flat extra substandard premium, substandard reserves were set equal to the unearned portion of the substandard premiums.

As of December 31, 2015 and 2014, the Company had insurance in force with a face value of $26,733,139,158 and $20,569,089,416, respectively, for which the gross premiums were less than the net premiums according to the valuation standards set by the state of Nebraska. Reserves to cover the above insurance totaled $118,794,655 and $118,021,312 as of December 31, 2015 and 2014, respectively.

As of December 31, 2015, certain payout annuity reserves were increased above statutory minimums by $68,529,247, resulting in a charge to surplus.

The Company established a term conversion reserve for anticipated anti-selective mortality on term conversions during 2014 resulting in an increase in policy reserves and corresponding charge to surplus of $34,440,796.

Mortality assumptions used to calculate certain life deficiency reserves were updated resulting in an increase in policy reserves and corresponding charge to surplus of $5,176,521, $2,780,969, and $53,025,864 as of December 31, 2015, 2014, and 2013, respectively.

18. ANALYSIS OF ANNUITY RESERVES AND DEPOSIT LIABILITIES BY WITHDRAWAL CHARACTERISTICS

The withdrawal characteristics of the Company's annuity reserves and deposit-type contracts as of December 31, were as follows:

2015	General Account	Separate Account Nonguaranteed	Total	% of Total
Annuity reserves and deposit funds liabilities — subject to discretionary withdrawal:				
With fair value adjustment	$1,233,383,339	$ -	$ 1,233,383,339	11.3 %
At book value less current surrender charge of 5% or more	177,212,759	-	177,212,759	1.6 %
At fair value	-	3,106,554,284	3,106,554,284	28.2 %
Total with adjustment or at fair value	1,410,596,098	3,106,554,284	4,517,150,382	41.1 %
At book value without adjustment (minimal or no charge)	1,893,035,604	-	1,893,035,604	17.3 %
Not subject to discretionary withdrawal	4,585,131,834	256,394	4,585,388,228	41.6 %
Gross total	7,888,763,536	3,106,810,678	10,995,574,214	100.0 %
Reinsurance ceded	32,015,268	-	32,015,268	
Net total	$7,856,748,268	$3,106,810,678	$10,963,558,946	

2014	General Account	Separate Account Nonguaranteed	Total	% of Total
Annuity reserves and deposit funds liabilities — subject to discretionary withdrawal:				
With fair value adjustment	$1,274,705,344	$ -	$ 1,274,705,344	12.0 %
At book value less current surrender charge of 5% or more	217,861,088	-	217,861,088	2.0
At fair value	-	3,232,847,854	3,232,847,854	30.2
Total with adjustment or at fair value	1,492,566,432	3,232,847,854	4,725,414,286	44.2
At book value without adjustment (minimal or no charge)	1,919,163,444	-	1,919,163,444	18.0
Not subject to discretionary withdrawal	4,044,385,262	258,291	4,044,643,553	37.8
Gross total	7,456,115,138	3,233,106,145	10,689,221,283	100.0 %
Reinsurance ceded	33,095,685	-	33,095,685	
Net total	$7,423,019,453	$3,233,106,145	$10,656,125,598	

Annuity reserves and deposit funds liabilities subject to discretionary withdrawal at fair value includes runoff variable annuity reserves for policies which are 100% ceded under a modified coinsurance reinsurance agreement to a third party. A portion of these policies may be subject to surrender charges at certain policy durations.

There are no annuity reserves or deposit liabilities in guaranteed separate accounts as of December 31, 2015 and 2014.

The following information is obtained from the applicable Exhibit in the Company's December 31 Annual Statement and related Separate Accounts Annual Statement, both of which were filed with the State of Nebraska Department of Insurance, and are provided to reconcile annuity reserves and deposit-type funds to amounts reported in the statutory financial statements as of December 31:

2015	Amount
Life and accident and health annual statement:	
Exhibit 5, Annuities section — net total	$ 5,311,132,208
Exhibit 5, Supplementary Contracts with Life Contingencies Section — net total	5,829,431
Exhibit 7, Deposit-Type Contracts, Line 14, Column 1	2,539,786,629
Subtotal	7,856,748,268
Separate accounts annual statement:	
Exhibit 3, Line 0299999, Column 2	96,535,513
Page 3, Line 2, Column 3 — Other Contract Deposit Funds	3,010,275,165
Total	$10,963,558,946

2014	Amount
Life and accident and health annual statement:	
Exhibit 5, Annuities section — net total	$ 5,101,009,639
Exhibit 5, Supplementary Contracts with Life Contingencies Section — net total	6,245,748
Exhibit 7, Deposit-Type Contracts, Line 14, Column 1	2,315,764,066
Subtotal	7,423,019,453
Separate accounts annual statement:	
Exhibit 3, Line 0299999, Column 2	108,680,666
Page 3, Line 2, Column 3 — Other Contract Deposit Funds	3,124,425,479
Total	$ 10,656,125,598

19. PREMIUMS DEFERRED AND UNCOLLECTED

Deferred and uncollected life insurance premiums and annuity considerations as of December 31, are shown in the below table.

	2015		2014	
Type	Gross	Net of Loading	Gross	Net of Loading
Ordinary first year business	$ 90,770,319	$ 24,352,589	$ 72,269,820	$ 12,063,311
Ordinary renewal	328,229,693	279,898,744	306,000,345	259,526,431
Group life	16,557,785	15,671,118	16,086,860	15,123,099
Total	$ 435,557,797	$ 319,922,451	$ 394,357,025	$ 286,712,841

20. SEPARATE ACCOUNTS

Information regarding the nonguaranteed separate accounts of the Company was as follows:

	2015	2014
For the year ended December 31:		
Premiums and considerations	$ 5,185,146	$ 4,839,940
Deposits	1,495,506,363	1,568,865,857
Premiums, considerations and deposits	$1,500,691,509	$1,573,705,797
As of December 31:		
Reserves by valuation basis — fair value	$3,157,847,172	$3,289,909,541
Reserves by withdrawal characteristics — fair value	$3,157,847,172	$3,289,909,541
Transfers as reported in the statutory statements of operations of the separate accounts annual statement:		
Transfers to Separate Accounts	$ 5,185,146	$ 4,839,940
Transfers from Separate Accounts	16,704,670	19,032,178
Net transfers of the general account	(11,519,524)	(14,192,238)
Reinsurance	11,519,524	14,192,238
Net transfers as reported in the statutory statements of operations	$ -	$ -

The Company holds no guaranteed separate accounts or reserves in separate accounts for asset default risk in lieu of AVR.

21. RECONCILIATION TO ANNUAL STATEMENT

The Company is required to file an Annual Statement with the State of Nebraska Department of Insurance. Certain corrections caused differences between the reported amounts in the Annual Statement and these statutory financial statements for the year ended December 31, 2013, and are shown in the table below:

	Annual Statement	Difference	Audited Financial Statement
Statutory statement of operations:			
Operating expenses	$ 635,638,070	$ (1,778,342)	$ 633,859,728
Statutory statement of changes in surplus:			
Balance — beginning of year	$ 495,618,322	$ (1,778,342)	$ 493,839,980
Net income	69,899,583	1,778,342	71,677,925
Change in:			
Net deferred income taxes	101,579,228	(622,420)	100,956,808
Non-admitted assets	7,931,173	622,420	8,553,593
Statutory statement of cash flows:			
Cash from (used for) operations:			
Net premiums and annuity considerations	$ 3,434,519,695	$ 134,899,449	$ 3,569,419,144
Policyholder benefits	(2,867,507,293)	(30,303,000)	(2,897,810,293)
Cash from (used for) financing:			
Net increase in deposit-type contracts	264,090,849	(56,465,000)	207,625,849
Other cash provided (applied)	1,081,296	(1,788,462)	(707,166)
Cash and cash equivalents and short-term investments:			
Beginning of period	177,503,726	(46,342,987)	131,160,739
Noncash transaction:			
Omaha Reinsurance Company ceded premium settled through funds withheld	70,054,159	14,007	70,068,166

22. SUBSEQUENT EVENTS

The Company has evaluated events subsequent to December 31, 2015 through April 12, 2016, the date these financial statements were available to be issued.

On March 4, 2016, the Company’s Board of Directors declared a dividend in the form of a transfer of McCarthy Capital Mortgage Investors, LLC, a limited partnership investment, to Mutual due to certain tax considerations. The dividend was conditioned upon all approvals required by law including the State of Nebraska Department of Insurance. The dividend of approximately $99,100,000 is expected to have an effective date of April 1, 2016, subject to approval by the Nebraska Department of Insurance.

******

SUPPLEMENTAL SCHEDULES

Deloitte.

Deloitte & Touche LLP
First National Tower
1601 Dodge Street, Ste. 3100
Omaha, NE 68102-1649
USA

Tel: +1 402 346 7788
Fax: +1 402 997 7875
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
United of Omaha Life Insurance Company
Omaha, Nebraska

Our 2015 audit was conducted for the purpose of forming an opinion on the 2015 statutory-basis financial statements as a whole. The supplemental schedule of selected financial data, the supplemental summary investment schedule, and the supplemental schedule of investment risks interrogatories as of and for the year ended December 31, 2015, are presented for purposes of additional analysis and are not a required part of the 2015 statutory-basis financial statements. These schedules are the responsibility of the Company's management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the 2015 statutory-basis financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the 2015 statutory-basis financial statements as a whole.

Deloitte & Touche LLP

April 12, 2016

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Investment income earned:	
U.S. government bonds	$ 35,740,523
Other bonds (unaffiliated)	544,090,877
Bonds of affiliates	-
Preferred stocks (unaffiliated)	1,873,234
Preferred stocks of affiliates	-
Common stocks (unaffiliated)	614
Common stocks of affiliates	-
Mortgage loans	99,706,945
Real estate	16,295,891
Contract loans	12,264,684
Cash on hand and on deposit	1,007,900
Short-term investments	1,286,783
Other invested assets	146,084,142
Derivative instruments	1,169,170
Aggregate write-ins for investment income	444,955
Gross investment income	$ 859,965,718
Real estate owned — book value less encumbrances	$ 50,929,700
Mortgage loans — book value:	
Farm mortgages	$ -
Residential mortgages	-
Commercial mortgages	1,828,173,268
Total mortgage loans	$ 1,828,173,268
Mortgage loans by standing — book value:	
Good standing	$ 1,828,173,268
Good standing with restructured terms	$ -
Interest overdue more than three months, not in foreclosure	$ -
Foreclosure in process	$ -
Other long-term assets — statement value	$ 286,190,605
Collateral loans	$ -

(Continued)

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Bonds and stocks of subsidiaries and affiliates — book value:	
Bonds	$ -
Preferred stocks	$ -
Common stocks	$ 110,641,508
Bonds by NAIC designation and maturity:	
Bonds by maturity — statement value:	
Due within one year or less	$ 1,245,333,990
Over 1 year and through 5 years	3,998,956,677
Over 5 years through 10 years	3,225,973,547
Over 10 years through 20 years	2,271,854,373
Over 20 years	1,968,518,346
Total by maturity	$12,710,636,933
Bonds by NAIC designation — statement value:	
NAIC 1	$ 6,878,822,597
NAIC 2	5,208,938,433
NAIC 3	520,325,222
NAIC 4	82,923,913
NAIC 5	3,416,284
NAIC 6	16,210,484
Total by NAIC designation	$12,710,636,933
Total bonds publicly traded	$ 5,192,157,704
Total bonds privately placed	$ 7,518,479,229
Preferred stocks — statement value	$ 48,733,332
Common stocks — market value	$ 137,749,108
Short-term investments — book value	$ 89,879,337
Options, caps and floors owned — statement value	$ 26,239,260
Options, caps and floors written and in force — statement value	$ -
Collar, swap and forward agreements open — current value	$ -
Cash on deposit	$ 405,767,665

(Continued)

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Life insurance in force (in thousands):	
Industrial	$ -
Ordinary	$ 130,466,191
Credit life	$ -
Group life	$ 165,661,718
Amount of accidental death insurance in force under ordinary policies (in thousands)	$ 3,578,112
Life insurance with disability provisions in force (in thousands):	
Industrial	$ -
Ordinary	$ 9,069,555
Credit life	$ -
Group life	$ 156,542,530
Supplementary contracts in force:	
Ordinary — not involving life contingencies:	
Amount on deposit	$ 34,499,104
Income payable	$ 1,280,912
Ordinary — involving life contingencies — income payable	$ 766,236
Group — not involving life contingencies:	
Amount on deposit	$ -
Income payable	$ -
Group — involving life contingencies — income payable	$ 9,956
Annuities:	
Ordinary:	
Immediate — amount of income payable	$ 117,281,497
Deferred — fully paid account balance	$ 1,422,081,670
Deferred — not fully paid account balance	$ 838,451,928

(Continued)

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Group:	
Amount of income payable	$ 205,964,776
Fully paid account balance	$ 288,615,832
Not fully paid account balance	$ 18,743,484
Accident and health insurance — premiums in force:	
Ordinary	$ 1,152,902,939
Group	$ 520,740,941
Credit	$ -
Deposit funds and dividend accumulations:	
Deposit funds — account balance	$ 2,505,259,570
Dividend accumulations — account balance	$ 27,955
Claim payments 2015:	
Group accident and health — year ended December 31, 2015:	
2015	$ 138,886,458
2014	$ 68,809,293
2013	$ 25,145,002
2012	$ 10,607,658
2011	$ 7,268,695
Prior	$ 30,848,190
Other accident and health — year ended December 31, 2015:	
2015	$ 604,207,763
2014	$ 71,183,786
2013	$ 1,256,888
2012	$ 458,711
2011	$ (301,315)
Prior	$ (87,789)

(Continued)

UNITED OF OMAHA LIFE INSURANCE COMPANY
(A Wholly Owned Subsidiary of Mutual of Omaha Insurance Company)

SUPPLEMENTAL SCHEDULE OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Claim payments 2015 (continued):

Other coverages that use developmental methods to calculate claim reserves:	
2015	$ -
2014	$ -
2013	$ -
2012	$ -
2011	$ -

(Concluded)